

**CITY OF GARY
AND INCLUDED TAXING UNITS**

**Distressed Unit Appeals Filing
Financial Plan**

December 8, 2009

The financial plan for the Distressed Unit Filing pursuant to I.C. 6-1.1-20.3-7 includes the following taxing units: City of Gary, Gary Chicago International Airport Authority, Gary Sanitary District and Gary Storm Water Management District (the "Petitioners") and ("Taxing Units").

OVERVIEW

The Circuit Breaker credits for the Gary Taxing Units are as follows for 2009 and 2010:

	<u>2009 (1)</u>	<u>2010</u>
City of Gary	\$3,411,289	\$31,021,091
Gary Chicago International Airport	421,255	828,077
Gary Sanitary District	2,840,823	3,518,406
Gary Storm Water Management District	<u>162,411</u>	<u>468,743</u>
Totals	<u>\$6,835,778</u>	<u>\$35,836,317</u>

Source: Estimated Circuit Breaker Credits, Prepared by Legislative Services Agency, October 5, 2009.

(1) Estimated Circuit Breaker Credits after credits reduced and tax rates raised by the Distressed Unit Appeals Board for 2009.

The Petitioners have determined that due to the significant large amount of Circuit Breaker credits beginning in 2009 without any relief, that they cannot provide the necessary governmental services if all of the credits are effective at once. The Petitioners are requesting a phase in of the Circuit Breaker credits over a four (4) year period for 2009 through 2012. The Taxing Units are phasing in the Circuit Breaker Credits for each of the four (4) year period of 2009 through 2012 as outlined in the Summary of Form 4Bs that are attached.

CITY OF GARY

See the separate submittal of the City of Gary's filing for relief from the Circuit Breaker Credits for its proposed financial plan.

GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY

The Gary Chicago International Airport Authority (the "Authority") plans to phase in its Circuit Breaker credits over 2009 through 2012 through reductions in its staffing levels and increases in various fees. The estimated circuit breaker credits are scheduled to be phased in 2009 through 2012 as presented in the attached Forms 4B (16-Line Statement).

Financial Summary

2009 and 2010 no raises for employees 2011 and 2012 will be looked at each year to see what if anything can be done. 2010 has 27 pay periods rather than normal 26 which are included in analysis and board approved.

Cost shifting to the Compact of \$280,000 2009, 2010, 2011, 2012.

Increase the following user fees:

T-Hangars increase 3% each of the next 4 years. In 2009, this was counterproductive due to the poor economy and as a result this has been removed from analysis for years 2010, 2011, 2012.

Landing fees increase .10/100 lbs in 2009 was implemented.

Fuel flowage increases .02 per gallon in 2009 was implemented and .01 in 2011 and .01 in 2012 are planned.

Parking lot revenue from charters--this was instituted in 2008 but not budgeted for.

Assumption made that the runway expansion project would be completed and in 2011 and 2012 we would have regular airline service which would boost fuel flowage revenue and parking lot revenue but also increase expenses in the following areas: salaries, janitorial, ARFF, marketing, and utilities.

2009 Expense Adjustments

Savings in fuel of \$28,000 were recognized due to fuel prices declining. When the 2009 budget was prepared in the summer of 2008 fuel prices were at \$4/gallon so the budget assumed that the price would continue to increase.

Marketing assistant position wasn't filled although it was budgeted for resulting in savings of \$42,700 in salaries and benefits, one part-time maintenance worker position wasn't filled upon termination with a savings of \$18,950 in salaries and FICA, however, two other part-time maintenance workers were made full-time on June 1 at additional cost of \$12,200 resulting in net savings of \$6,130, and receptionist position was not filled upon termination with a net savings of \$25,380 in salaries and benefits. In 2009, due to expansion project slowdown, we were not able to transfer a partial salary to the program.

The Airport signed a 3-year phone contract which decreased land lines costs by \$800/month and changed cell phone carriers which reduced the bill by \$350/month.

Cut overnight security by 2 hours daily to coincide with when staff arrives in the morning for a savings of \$13,000 annually. This change was made mid-year so only a partial year savings was recognized in 2009.

GARY SANITARY DISTRICT

The Gary Sanitary District (the "GSD") plans to phase in its Circuit Breaker credits over 2009 through 2012 through reductions in the amount of sewer collection system repairs presently funded out of its Sewer Operating Fund and reductions in its Solid Waste Fund to pay for the cost of garbage collection and disposal.

During 2009, as a part of the combined financial plan with the Gary Taxing Units, GSD had foregone getting relief from the estimated circuit breaker credits and had done budget cuts by the full amount of the circuit breaker credits for its Sewer Operating and Solid Waste Funds.

For 2010, GSD is requesting relief from the estimated circuit breaker credits so that it will collect its advertised tax levies of \$2,700,000 for Sewer Operating Fund and \$5,600,000 for the Solid Waste Fund. The reason for granting relief from the circuit breaker credits in 2010 is due to the significant amount of sewer collection system cave-ins, which presently over \$3,000,000 of emergency sewer cave-in work has been authorized.

For the Solid Waste Fund, the annual estimated cost for garbage collection and disposal costs based on revised bids taken during the summer of 2009 are estimated to be in excess of \$7,500,000. GSD realizes that in future years, the garbage fees need to be increased to cover the costs of garbage collection and disposal. The financial plan calls for garbage fees to be raised from \$7 for seniors/disabled citizens and \$12 for other residents (fees implemented in January 2009) to \$18.50 in 2011 and to \$25.00 in 2012. In addition, due to the on-going litigation over the garbage contract and garbage fees in 2009 has resulted in a significant short-fall in collecting garbage fees during the current year which is another reason for requesting relief from the circuit breaker credits in 2010.

As GSD phases out the tax levy for solid waste in 2011 and 2012, it will increase the tax levy in Sewer Operating in 2011 and 2012 so that it will be operating within the tax caps by 2012. Due to the old age and condition of GSD sewer collection lines, GSD will continue to need to make significant repairs to its sewer collection system and anticipates the property tax fund - Sewer Operating to assist GSD in making those repairs in addition to the sewer user fees.

GSD has a debt service fund that is funded out of property taxes and is outside the property tax caps. The two property tax based bonds are scheduled to be fully paid off on January 15, 2013 and February 1, 2013. 2012 is the last year in which a property tax levy will be needed to fund the debt service on these bonds. In 2013, \$.09 will be removed from GSD's property tax rate after these bonds are paid off. There are no future bond issues planned for at this time to be funded out of property taxes. See the attached Form 4B (16 Line Statement) for a summary of the budget and proposed tax levy for the debt service fund.

GARY STORM WATER MANAGEMENT DISTRICT

The Gary Storm Water Management District (the “GSWMD”) plans to phase in its Circuit Breaker credits over 2009 through 2012 through implementing a storm water user fee. GSWMD is requesting relief from the estimated circuit breaker credits in 2010. GSWMD plans to implement a storm water user fee in 2011 to fund its storm water management operations and to be able to operate within the circuit breaker credits in 2011.

If GSWMD doesn’t implement a storm water user fee or find other replacement revenues, it will not be able to implement its MS4 program and maintain its storm water system.