



City of Gary

Report of the Fiscal Monitor

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Public Financial Management

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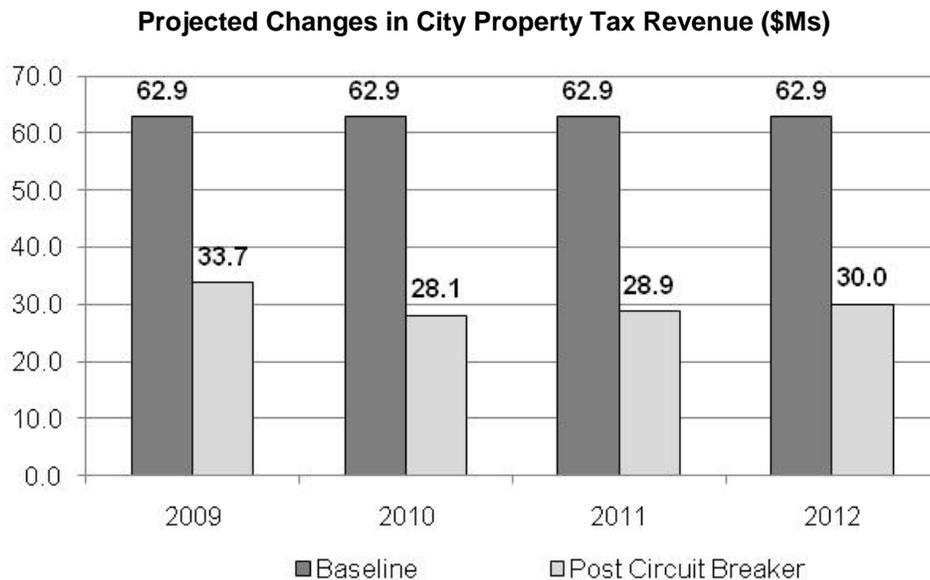
1. Overview



Introduction

The City of Gary has a proud history, tremendous physical assets and human resources. Today, however, the City's future is at risk. As a result of the decline of its traditional industrial base, and resulting loss in population and property value, the City has faced financial challenges for many years. It has engaged in a variety of economic development efforts, including building the Genesis Convention Center and using casino revenue to support a U.S. Steel Yard, a minor league baseball stadium.

More recently, in 2008 the State of Indiana enacted Public Law 146, establishing "circuit breaker tax credits" that cap local property taxes at a percentage of assessed value. Property taxes are the source of approximately 80 percent of the City's General Fund operating revenue, and also a major source of support for numerous other local government agencies with overlapping jurisdiction. Based on analysis prepared by Policy Analytics, LLC in December 2009, the full implementation of the caps were projected to reduce Gary's property tax revenues by approximately one-half.



Because of the large gap between recent historical revenues and the amounts permitted by the cap, the City and several of its related units – the Gary Sanitary District, the Gary Storm Water Management District, the Gary Public Transportation Corporation, and the Gary/Chicago International Airport Authority – petitioned the State of Indiana for relief from the caps in 2009. The state body assigned to review such petitions, the Distressed Unit Appeals Board (DUAB), granted partial relief for all but the Sanitary District and directed the City and its related agencies to retain a fiscal monitor to “assist the petitioning units in rehabilitating their financial affairs in the near-term with the ultimate objective of alleviating the petitioning units of their distressed status.”

Public Financial Management (PFM) was selected in a competitive process to serve as the fiscal monitor. This report is the result of PFM's review of the City's financial situation and recommendations for changes to its financial and service delivery operations to comply with the property tax limits in Public Law 146. Given the gap between recent revenues and the revenue allowed under the tax caps, the recommendations are necessarily far reaching. Therefore, the report also identifies a variety of other issues that the City, State, County and other governmental bodies may wish to consider in restoring Gary and its related units to financial health while providing basic services to its residents, visitors and the community at large.



It is important to note that Gary's financial crisis did not arise quickly and will not be solved in short order. The City faces many of the same challenges in front of other older Midwestern cities with an industrial past. At the same time, action is critical. With the recent downturn in the economy and the concomitant imposition of the property tax caps, the City must change its traditional practices quickly. This will be a challenge, especially since the City has already taken steps to deal with severely reduced revenues, including laying off workers, downsizing or eliminating certain departments, transferring employees to grant-supported positions, contracting out and implementing fees for residential solid waste collection.

Issues related to Gary and Northwestern Indiana

The City's ability to live within the new property tax caps is complicated by a number of factors, some unique to Gary and some faced by many municipalities in Indiana and elsewhere. These include:

- Heavy reliance on a single revenue source – the property tax. Nationally most local governments use some combination of property tax, sales tax, and income tax for revenue. Indiana does not directly share the sales tax with local governments, and Lake County has not held a referendum to consider a local option income tax. While the property tax in many jurisdictions is a stable, albeit slow-growing, revenue source, Gary has seen its assessed value suffer as industry and business have left the City. Even before the state property tax caps were enacted, Lake County governments were subject to a local property tax rate cap related to Lake County's not enacting a local option income tax.
- Additional revenues provided to help Gary address this situation have faced separate challenges. For example, much of Gary's recent local share of gaming revenue had not been paid by the Majestic Star casino due to a dispute with the casino owner. As a result, the City is delinquent in payments to the Regional Development Authority that were to be supported from this source. Now, the casino's recent entrance into bankruptcy puts these important revenues further at risk.
- Critical grant revenue sources for the City, such as highways and streets funds, have a declining statewide base in the short term as a result of the current economy. In the long term, the formula inputs for these revenues are not well-correlated with Gary's trends (population, number of lane miles, vehicle registrations, etc.).
- Non-local grant funds often are temporary, such as federal stimulus funding recently received to cover the cost of eleven new police officers for three years. Others only support optional programs like recycling education.

In addition to these general revenue conditions, a number of regional and local issues challenge the City and other northwestern Indiana municipalities:

- The City faces assessment appeals across multiple categories of real estate, reducing the total possible tax revenue even as expenditures increase with new labor agreements, pension costs, the rising of cost of employee health care, and other inflation in the cost of services, supplies and equipment. The most significant appeal generated a repayment obligation to US Steel for \$8.1 million in prior year real property taxes;
- In the past several years, Lake County has been unable to certify assessments in a timely manner, generating late property tax bills, loss of some prior year revenues, and cash flow borrowings by the City and related units to bridge the gap until property tax revenues were available. Although the fiscal monitor could not obtain detailed information, the City's current tax collection rate is also believed to be low.



A Changed Environment for Local Government

Many local governments around the country are confronting similar revenue challenges, although Gary does have unusual external factors that accentuate its baseline problem. However, the deep recession has forced local and state governments to rethink their role, the services they provide, and how they provide them. News reports of government layoffs, service reductions, restructuring and downsizing have filled the news for over a year. Even before the current economic downturn, the federal Government Accountability Office (GAO) suggested that local government spending trends were unsustainable.¹ This is not a temporary change, but a long-term readjustment of local government services across the United States.

During its work on this report, PFM encountered many who felt that the current structure is untenable, and that Gary cannot live within its means. However, the fiscal monitor was given exactly this task – to develop a workable financial structure for Gary. Gary's revenue structure must change because the rules have changed. State policy in Indiana is directing local government to reduce reliance on the property tax and increase the amounts of funding generated from user fees and other revenue sources.

Even with some additional non-property tax revenues, Gary will have to reduce its budget and become a smaller, leaner, more effective government. Cherished services will have to be reduced or eliminated, and what Gary offers its citizens will have to be extremely focused. However, the impact of the changes can be greatly mitigated by making the City much more efficient than it has been in recent years.

What Gary Must do to Cope with the Changed Environment

How will Gary's government become smaller, leaner and more efficient? This majority of this fiscal monitor report is comprised of detailed recommendations for changing how Gary does business in order to survive in the new environment. However, most of these recommendations fit within one or more broad categories.

Change the government's organization and management

Further consolidate departments and agencies. As a result of the partial implementation of tax caps this year, Gary downsized and reorganized many units. However, the City still has a high number of departments and agencies for a government of its size, and has overlapping functions in different departments. In some cases, the City's consolidation efforts moved positions off the General Fund budget, but did not reduce overall obligations. This report recommends further reorganization, consolidation and streamlining to address these issues. Given an already complex government further tangled by budget-driven reorganizations, this will be a focus for some years to come.

Contract out selected services. Gary has long directly offered services where there are qualified private sector providers, often in order to ensure the employment of local residents. This is a legitimate policy choice when costs and service levels are comparable. However, the City's method for providing some of these services has proven ineffective. For example, the Fire Department has established parallel car and truck maintenance operations to maintain their vehicles because the Department will not rely on the City's own Department of Motor Vehicle Maintenance. While the report was being prepared, the Department of General Services indicated a similar desire. Private ambulance operators compete for the most lucrative emergency medical service calls, and often get them. Demolition crews are paid full-time but often sit idle. Current and delinquent bills, fees and charges service are not effectively collected in several departments.

¹ State & Local Governments: Persistent Fiscal Challenges Will Likely Emerge within the Next Decade. Government Accountability Office, July 18, 2007.



In a variety of areas a smaller workforce with fewer resources for training and development cannot compete with the scheduling, quality and efficiency of private sector providers who can achieve economies of scale, more readily invest in technological improvements, provide career paths, and have resources for employee growth. The City must focus its workforce on those areas where it can be most effective, and competitively bid some work to guarantee reliable service to internal and external customers. In certain cases, it can encourage local hiring and training when selecting outside providers.

Retain professional operations managers. While much smaller than it once was, Gary is still a large urban area with a high demand for service. Paradoxically, smaller governments often require savvy, multi-talented managers because of the need to cover multiple responsibilities with fewer people. Moreover, in this era of government accountability, even small governments cannot fail to properly use grant funds, comply with audit findings and be aware of professional standards. These trends are intensifying with a new level of oversight tied to grants from the recent federal stimulus package. Enhanced oversight and reporting is here to stay.

Gary has had ongoing difficulties meeting existing monitoring and reporting requirements. The fiscal monitor found multiple examples of annually recurring audit exceptions, requirements to repay federal funds, and missed grant opportunities. While there are many fine managers in City government who work daily with limited resources to serve the public, other departments are headed by well-intentioned but under-qualified managers. In some instances this report recommends that the City build capacity, change management or gain training in critical areas of weakness.

Overall City operations need greater direction as well. Given the myriad challenges facing the City, the Mayor, Deputy Mayor and senior officials cannot be expected to spearhead recovery efforts, lead economic development initiatives, and coordinate policy and politics with numerous other local, regional and state bodies while also providing day-to-day direction for City operating departments. Many cities of Gary's size have a full-time Managing Director or Chief Operations Officer to coordinate major public services. This structure allows the Mayor and senior appointed officials to be dedicated full-time to policy guidance and leadership while also providing department heads with oversight, coordination and direction. In light of the need to focus on core citizen services, the appointment of a strong chief operating officer to direct day-to-day operations would increase flexibility, enhance the coordination of more limited resources, and free the Mayor and his senior staff to work more extensively on strategic objectives and economic development initiatives.

Support employees. With layoffs, furloughs, and changes in benefits, the City's remaining workforce needs support and leadership. This Plan offers a number of initiatives to make sure that City workers have the vehicles, clothing and supplies they need to properly complete their job. Payments to vendors – including employee medical providers – must be made on a timely basis so that the new, more streamlined workforce has high morale and an incentive to stay with the City.

Eliminate unsustainable spending

Prioritize. In the past, a larger, wealthier Gary has been able to provide a plethora of services. As financial resources have declined, the City has understandably tried to maintain those services at lower levels, especially with an increasingly service-dependent population. Now, however, resources will be so constrained that choices have to be made. The City will simply have to give up some long-standing – and often important – services that are the responsibility of other governments, even when it is likely that those governments will not provide the same level of service. In other cases, departments will have to focus their menu of services to those judged to be the highest priority and within the capability of existing staff. Rather than trying to meet every need in a limited way, the City has to focus on providing fewer high-quality services.

Strictly control spending. Gary is fighting for its financial life. Traditionally, the Mayor and City Council have established policies that allow travel for professional development, the use of take-home vehicles



and fuel allowances in lieu of salary growth, generous award of compensatory time, and other perquisites, sometimes in lieu of salary or benefit increases. Now, though, the City must eliminate these types of expenditures to fund basic, critical services. Training and professional development are important and desirable for governments that have financial resources. When a government consistently runs deficits and must curtail services to the public, however, less critical activities must be eliminated first. The City should simply stop most discretionary spending and curtail or eliminate spending in categories such as conferences, travel, fuel allowances, take-home vehicles, and other benefits until it has achieved a sustainable structurally-balanced budget. City Council has reduced community grants, the Clerk of Courts staff has taken a pay cut, and senior administrators have been consolidated in the Mayor's Office. This report makes additional suggestions for eliminating discretionary spending to generate funding for core services. Given its financial difficulties, the City should consider requiring the review and approval of all non-payroll, non-contract spending by the Finance Director or her designee.

New ideas welcome: Develop and build public consensus around a Recovery Strategy

Think strategically. As noted above, with limited resources, the City cannot provide every service it would like to, and must choose a few things to do well. Each spending decision and new initiative should be critically examined, and most will have to be rejected until the City can balance its annual spending. However, there are opportunities to fund strategic enhancements, in many cases using grants such as an American Recovery & Reinvestment Act (ARRA) allocation received to hire additional police officers.

There are consequences to these decisions, however. For example, the ARRA grant locks the City into a baseline level of police staffing for the next three years. Similarly, while the City is eligible for and has received substantial funds from the Regional Development Authority, it has not integrated those grants into a comprehensive redevelopment strategy to leverage other funding sources and create more far-reaching economic development projects. Many of these issues are raised in the departmental chapters of this Plan.

Reach out. The fiscal monitor found a broad group of individuals and organizations inside and outside of the City who are willing to support and work for recovery and redevelopment. Some do not feel welcome, others are not sure of the City's direction, and many express concern about a lack of transparency. Ongoing commitment to releasing financial information, planning with the community, and communicating with all stakeholders on a regular basis can create a base of Gary advocates who will advance the City's goals.

Embrace the new regional reality. The City of Gary is now smaller and has less capacity than in prior decades. While it remains an important economic engine for the northwestern region of the state, it must increasingly collaborate with the State, Lake County, and other local governments to meet the needs of its population, similar to smaller governments elsewhere in Indiana and the nation. The City must become much more welcoming to small and larger businesses ranging from landlords to industrial facilities if it is to attract the jobs necessary to revitalize. Bringing its own finances into order is a prerequisite for fully engaging other governments and stakeholders to support the City.

How can the City achieve financial recovery?

The strategies described in general in the preceding paragraphs are not easy to devise or implement. Debates about what services to fund and what to keep are painful. However, the City can rise to the challenge by adopting the basic tenets of this report, and using them to advance dialogue with other public and private agencies critical to the City's continued existence.

The initiatives presented here are intended to support the City's recovery and revitalization efforts while providing a roadmap to compliance with Public Law 146. The report first provides a baseline financial projection to demonstrate the results if the City's current budget and operating practices are continued from FY2010 through FY2014 and the tax caps are applied as Policy Analytics assumed. This generates



a series of growing annual and cumulative budget gaps. The report then provides a menu of structural and operational changes that should be implemented immediately and/or over the plan term to reduce the gap. The City should focus on larger-scale, actionable items with measurable, identifiable cost savings first. Next, the budget result is presented if these changes are implemented but the City also begins to repay the millions of dollars it owes in outstanding obligations from prior years (described below).

Given the tremendous complexity of the City's budget, the general lack of information (especially historical trends), and the volatile spending and revenue environment, it is presumed that additional shortfalls and obligations will be identified as these initiatives are implemented and the City moves toward fiscal recovery. Therefore, the report also proposes strategies for eliminating any remaining legacy obligations or structural shortfalls that emerge when the City's financial information and reporting becomes more robust.

Given the short timeline for the preparation of this report, it does not attempt to identify the savings associated with every smaller initiative, especially those that are difficult to quantify. It is assumed that the City will still implement these initiatives, which will provide some cushion for contingencies and other initiatives that do not yield full projected savings.

Methodology used to assemble this Plan

The financial recovery strategy presented in this document is intended to support the City's financial revitalization efforts while providing a roadmap to compliance with Public Law 146. PFM began its work by gathering documents from the City, the State and others to better understand Gary's recent financial history, operations, structure and challenges. Subsequently, members of PFM's team – mostly former local government officials with experience in assisting financially-distressed municipalities – met with the Mayor, Deputy Mayor, Chief of Staff, Finance Director/Controller, most department heads, the leaders of most City unions, and other stakeholders to solicit their views and their ideas and suggestions for addressing the financial challenge. PFM visited many City facilities and most City neighborhoods.

On November 30, 2009, the PFM team held a public meeting at the Genesis Center in downtown Gary. Approximately 150 people attended, and over 30 spoke to offer their view of the financial crisis and their ideas for reducing costs, increasing efficiency, and growing revenue for the City. Many of the concepts raised at the meeting can be found in this Plan. The final report of the fiscal monitor was prepared by PFM and presented to the City and the DUAB.

The PFM team appreciates the cooperation and support of the Mayor and his senior staff, City of Gary employees at all levels, local residents and businesses, State of Indiana OMB/DUAB staff, and the many others in Gary, Lake County, and around the State who were generous with their time and ideas as the fiscal monitor developed this report.

Financial Approach

Gary's finances are complicated for a variety of reasons including:

- The City is one of a number of taxing jurisdictions sharing the same assessed property base, or overlapping bases.
- The assessment, billing and collection of revenue from its major revenue source is controlled by Lake County, not the City.
- The City has an aging financial reporting system with limited capacity. Most department managers do not have any extensive written records or documentation of policies and practices, or tools for budget implementation and monitoring.



- Many departments make expenditures from two or more different funds or funds that are not presented in the City's annual operating and salary budgets.

In order to establish a baseline budget, however, the City's cash basis of accounting is the most important complicating factor. Because the City does not have a modified accrual accounting system like most governments, it is not possible to establish conclusively whether the revenues received and expenditures made in a given year are related to that year's budget or to prior year bills and revenues. As a result, the establishment of reliable historical information on annual revenues and expenditures is not possible. Gary also has a substantial amount of outstanding one-time prior obligations and accounts payable that would skew an analysis of the annual budget if not excluded from yearly summaries of the City's finances.

Given the limited existing information and the timeline available for this project, the City's finances have been treated as two related but separate parts. First, a pro forma annual baseline budget was developed for the City for the period FY2010 through FY2014. This report offers multiple initiatives to bring each annual budget in this period into balance. Next, one-time obligations of the City and its creditors – ranging from City General Fund amounts due to the Sanitary District to judgments against the City – were set aside for separate treatment. These amounts must be addressed, but cannot be allowed to confuse the steps needed to reach annual budget balance.

Annual Baseline Budget Estimate

To establish the impact of the tax caps and steps necessary to meet them, PFM built a multi-year model of Gary's budget for the funds using property tax revenue. The model begins a baseline financial projection designed to show the financial result if the City's current budget and operating practices are continued from FY2010 through FY2014. The model uses Gary's FY2010 proposed budget as a starting point, and then makes assumptions about the rate of growth in each category of revenue and spending in subsequent years. Critical assumptions in the model include:

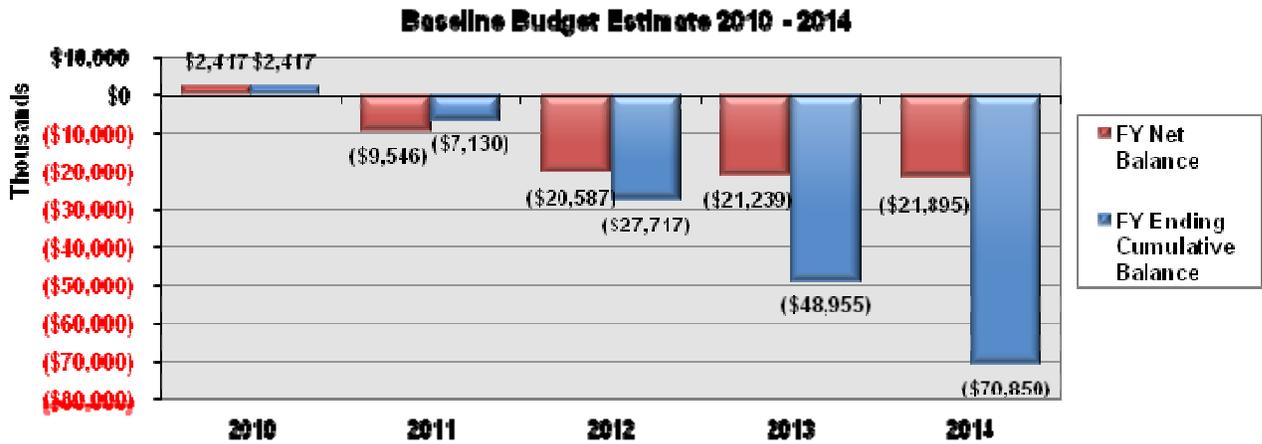
- The amount of property tax revenue received each year from FY2010 through FY2012 would be equivalent to the amounts projected in conjunction with last year's DUAB process.²
- Since there is limited information available on the proportion of each year's billed property tax revenue that is received in that year, the full amount of each year's property tax billing is assumed to be received, reflecting mostly current-year collections with the remainder from prior-year collections. A recent City official statement indicates that combined current and prior year tax receipts averaged 99.6 percent from 2003 to 2006.
- Wage and salary-related costs will be fixed for the five-year period covered by the model, and that most other budget categories will grow at a generic inflationary rate (some selected categories have different growth rates).
- The City ends FY2009 with a fund balance of zero. While it is likely that the actual fund balance is different, there is currently no way to establish an accurate starting point. In the absence of an actual figure, beginning the model with a zero fund balance provides a helpful ongoing estimate of the cumulative fund balance during the projection period.

While these assumptions can be changed to model different scenarios, the selected assumptions were made to create a reliable baseline with simple assumptions to highlight the impact of the important spending, revenue and operational changes the City must make. Using these assumptions, the model yields a modest net operating balance (the difference between revenues and expenditures) in FY2010,

² The projections prepared by the firm Policy Analytics provided a well-documented and widely-used estimate of future property tax billings for the City of Gary. Policy Analytics' staff generously assisted PFM in interpreting its projections and providing guidance on how PFM might estimate City property tax billings in 2013 and 2014.



but then generates annual shortfalls of about \$9.5 million in 2011 and \$20-22 million from 2012 through 2014. By 2014 the cumulative deficit would be \$70.9 million.



	FY2010	FY2011	FY2012	FY2013	FY2014
Revenues	78,965,590	68,790,663	59,651,448	61,040,235	62,566,241
Expenditures	76,548,741	78,337,091	80,238,595	82,278,855	84,460,900
Net Balance	2,416,849	(9,546,429)	(20,587,147)	(21,238,620)	(21,894,659)
Cumulative Balance	2,416,849	(7,129,580)	(27,716,727)	(48,955,347)	(70,850,006)

This baseline shows that the application of the tax caps for Gary creates an annual structural deficit of about \$22.0 million per year. With implementation of the full tax caps, annual property tax revenues would be less than the present annual cost of providing police, fire and emergency medical services.

Impact of changes proposed by the Fiscal Monitor

The menu of structural and operational changes proposed in this Plan were then applied to the baseline with the goal of filling the budget gap each year and allowing the City to operate within the tax caps by FY2012. While it would be preferable that the City reduce spending to the tax cap level sooner, a phase-in of the caps by FY2012 provides the time necessary to implement recommended operational changes, and creates funds with which to pay a portion of outstanding prior-year obligations.

This Plan includes over 100 initiatives to change the City's budget – both revenues and expenditures – over the next five years. Note that the changes proposed in this report are predominantly, but not exclusively, spending reductions. The report assumes that targeted investments in certain areas of City government will be critical to building managerial and service delivery capacity in some areas. Each initiative is discussed in the body of this report, and a comprehensive list of the initiatives and associated savings is included in the Appendix. The table below shows the estimated annual savings generated by the initiatives described throughout the report.

	FY2010	FY2011	FY2012	FY2013	FY2014
Initiative Savings	10,167,000	22,308,000	23,626,000	25,187,000	26,114,000

Key aspects of the fiscal monitor's multi-year plan include:



- Compliance with PL 146 tax caps by FY2012.
- Broad downsizing, reorganization and restructuring of City government, including elimination of some services and contracting of others;
- Phase in of most operating changes during FY2010 or by the beginning of FY2011 to provide time for implementation and generate short-term revenue to address unpaid prior year obligations and contingencies;
- Shift of all current Gary Sanitary District millage to the City of Gary to provide sufficient revenues to operate public safety services and basic government functions. Wastewater and sanitation charges would move fully to a fee basis beginning in 2011.
- Specific recommendations to change City processes and make targeted hires to increase available information and enhance management capacity.
- A suggested mechanism to pay outstanding prior year obligations and create some capacity for currently unknown liabilities.
- Provision of modest working capital and pay-as-you capital balances.
- Potential to “buy back” selected services if the City is able to exceed plan targets.

Addressing Prior-Year Issues

If the City were to adopt the recommendations in this Plan, or similar modifications to its revenue and expenditure structure, it would experience dramatic and sometimes wrenching change, but would face the future with streamlined operations and a balanced budget. However, it would also carry a substantial burden in prior year obligations, a burden only partially offset by some amounts owed to the City. This amount is estimated to total approximately \$34.0 million.

Known and Potential Obligations

Obligation	Description	Amount due
Gary Sanitary District loan	Outstanding loan from the Gary Sanitary District as reported by the District and noted in the 2008 State Board of Accounts audit	(12,497,127)
U.S. Steel property tax refund	Four-year settlement with US Steel for property tax refund	(8,884,466)
TIF district repayment	Outstanding loan from City's Tax Increment Financing Districts as described in 2008 State Board of Accounts Audit	(4,055,000)



Obligation	Description	Amount due
Unpaid medical claims	Unpaid medical claims as described in 2008 State Board of Accounts Audit (see Workforce chapter for details)	(2,524,298)
Internal service funds deficit	Deficit in City's Self-Insurance and WCI/UCI funds as described in 2008 State Board of Accounts Audit	(1,507,835)
Unpaid judgments	Judgments against the City for amounts due to various vendors and private individuals as reported by City Law Department	(1,293,363)
Unpaid utility bills	Unpaid utility bills as described in 2008 State Board of Accounts Audit	(1,187,845)
Casino Fund loan	Outstanding loan from City's Casino Fund	(900,000)
Gary Building Corporation deficit	Debt for leased properties as described in 2008 State Board of Accounts Audit	(736,963)
Unpaid legal services bill	Unpaid bills due to outside legal counsels as reported by City Law Department (see Law Department Chapter for details)	(405,000)
Repayment of police grant	Money owed to federal government for overcharging to grant	(316,688)
Known obligations		(34,308,585)
Osborne vs. City of Gary, et al.	Judgment currently under appeal	(750,000)
Robbins vs. City of Gary, et al.	Judgment currently under appeal	(324,000)
Potential judgments		(1,074,000)

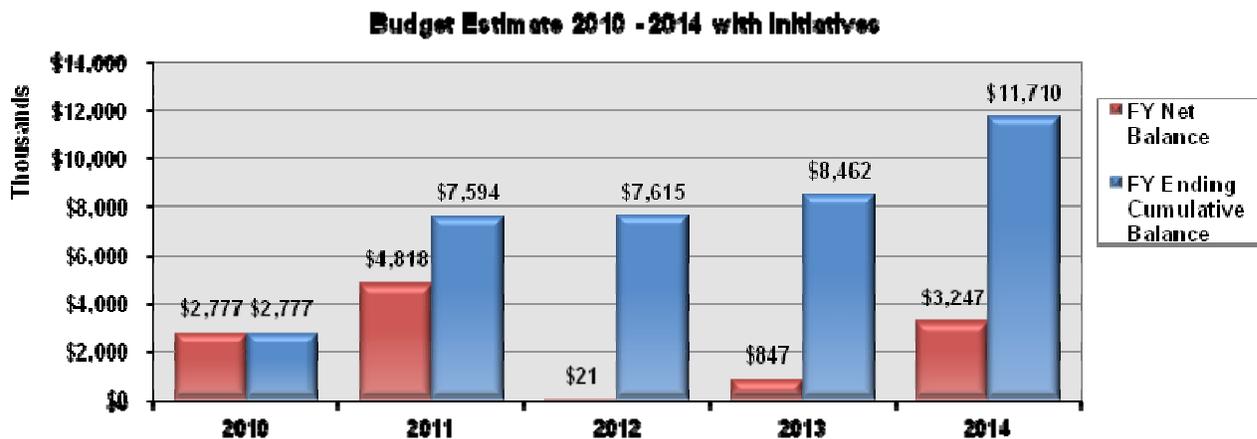
In addition to the known obligations, the City is appealing two judgments that are a combined \$1.1 million. The City has three grievances filed by the Fraternal Order of Police that could create another obligation in excess of \$1.0 million pending their resolution. The City also owes \$3.5 million to the RDA due from the



casino fund. Other vendors provided invoices and information on claims of payments due, which were noted by the fiscal monitor but are explicitly listed in this report.

If the City implements all of the initiatives in this report in the proposed timeframes, it will create some capacity in FY2010 and FY2011 to repay outstanding prior year obligations. However, the fiscal monitor is concerned that given weak record-keeping, a cash budget, multiple obligations and agreements, and the confusing budget and financial structure of the City, additional unpaid obligations may be unidentified. Accordingly, this report proposes that funds generated in FY2010 and FY2011 be used to pay a portion of prior year obligations and another structure be created to fund the balance and any currently unknown obligations. The report assumes that \$13.3 million in prior year obligations would be paid from current revenues in FY2010, with an additional \$7.2 million in FY2011, and \$2.2 million in both FY2012 and FY2013. The remaining \$9.4 million would be paid by an alternate means as addressed below.

With these assumptions, the model generates the following annual results for the period from FY2010 to FY2014.



	FY2010	FY2011	FY2012	FY2013	FY2014
Revenues	84,384,657	75,155,782	66,071,760	67,616,640	69,303,215
Expenditures	81,608,091	70,338,041	66,051,073	66,769,311	66,055,910
Net Balance	2,776,566	4,817,740	20,688	847,329	3,247,305
Cumulative Balance	2,776,566	7,594,306	7,614,994	8,462,323	11,709,628

Note that while the net operating balance reaches a very low level in FY2012, it then begins to grow as the cumulative impact of the savings initiatives have an effect and the City completes repayment to US Steel. Ideally, the City would have an annual net balance of at least five percent of revenues, or \$3.0 to \$4.0 million.

Proposed Methodology to Pay Remaining Prior Year Obligations

As noted above, the fiscal monitor has identified \$34.3 million in prior year obligations that are the responsibility of the City. An additional \$1.1 million in judgments against the City are currently under appeal. Even after paying the majority of known prior year obligations with current revenue, as proposed above, the City will still have at least \$9.4 million in remaining prior year obligations which it cannot afford



to pay from current revenues. Not included in this amount are prior and current City obligations to the Regional Development Authority that may now be at risk as a result of the bankruptcy of the casino firm that generates City revenues for RDA payments. As noted, it is also likely that there are additional prior year obligations of some magnitude currently unknown to the fiscal monitor and other parties.

It is important that the City's prior debts be eliminated so that it can focus on managing the many initiatives identified here and monitoring its current finances to achieve and maintain financial stability. The fiscal monitor recommends that the City, State Department of Local Government Finance (DLGF), DUAB and other parties work to find alternatives to fund the remaining prior year payments so that the City can move forward without having to manage the financial, legal and administrative aspects of its unpaid debts. Because of the City's weak credit situation and the benefit of continued involvement of other levels of government, it is likely that State involvement will be needed to fashion an effective credit facility that will generate sufficient funds to pay the \$9.4 million in remaining prior year obligations and any additional prior year obligations that appear after this report is issued.

A specific approach to funding these payments is best fashioned by a project team including City and State officials and public finance experts. The fiscal monitor suggests the following potential elements of a solution, several of which may be combined to fashion a credit facility that is cost-effective and works under Indiana law:

- Use of wagering tax and admissions taxes from the casino for payment and security. While these revenues are currently pledged to repay Redevelopment Commission bonds used for the US Steel Yard and the public safety facility, that debt service declines significantly after FY2010 and is fully paid by the end of FY2012. This creates an available revenue stream with an established payment history and structure.
- Possible use of Indiana Bond Bank or Indiana Finance Authority facilities in conjunction with a pledge/intercept of casino revenues or a pledge of City assets.
- While not recommended by the fiscal monitor, additional property tax relief specifically dedicated to repayment of prior year obligations could be structured to fund a one-time solution under certain conditions.
- General Obligation bonds of the City, although there would be little capacity until this plan is implemented and repayment of US Steel obligations ends in 2013.
- Direct state assistance tied to specific performance criteria by the City (such as implementation of the fiscal monitor's Plan and oversight terms), with repayment generated by implementation of enhanced plan recommendations.

This list is intended to spark thought about the most effective structure that will give the City a clean financial start and support implementation of needed fiscal and operational changes in Gary.

Buy Backs

During the fiscal monitor's work in Gary, many stakeholders expressed concern about the elimination of valued public services as part of the budget reductions necessary to lower spending to levels commensurate with the property tax caps. This Plan shows small annual recurring balances beginning in FY2012 when the full tax cap is implemented. If the City is more successful, and creates a slightly larger, recurring working capital balance each year, it could spend some of those additional funds to restore or "buy back" services eliminated to meet the caps.

Should this positive result occur, the fiscal monitor recommends that the City emphasize the restoration or enhancement of services with immediate and direct impact on residents and employees. Specific



categories that were identified by stakeholders during the preparation of this report and could be considered include:

- Street rehabilitation and reconstruction
- Parks maintenance and programming
- Hudson Campbell Sports and Fitness Center programming
- Animal control services.
- Reduction in furlough days for employees.
- Salary adjustments for employees.

In all cases expenditure restorations or enhancements should be permitted only if overall budget balance with a reasonable contingency is maintained.

DUAB Recommendations

Based on its work in Gary, the initiatives in this report, and the projections of the budget model, the fiscal monitor recommends that the DUAB approve property tax cap relief in FY2010 and FY2011 commensurate with the property tax revenue amounts estimated by Policy Analytics (\$48.6 million in 2010, \$39.1 million in 2011).

In addition, this report and the forthcoming fiscal monitor report on the Sanitary District recommend that the Sanitary District become fully self-supporting with user fees for both its wastewater and solid waste collection programs, and that the property tax allocation currently dedicated to the Sanitary District be transferred to the City. The shift of this revenue – approximately \$5.0 to \$6.0 million per year – appropriately funds wastewater collection and treatment with user fees, allows the City to achieve budget balance, and maintains the overall property tax cap as established in Public Law 146.



Revenue

The revenue picture for the City of Gary is dominated by the recent implementation of property tax caps for all Indiana local government units. As noted in the Introduction, property taxes have recently been the source of approximately 80 percent of the City’s General Fund operating revenue. Finding a way for the City to financially succeed with the application of the tax caps is the primary focus of this report.

Since this is an implementation report, it does not address the policy issues related to the property tax. Rather, it is taken as a given that State policy in Indiana is directing local governments to reduce reliance on the property tax and (where necessary) increase the amounts of funding generated from user fees and other revenue sources. It is also assumed that all jurisdictions must comply with the property tax caps, and that while some short-term exceptions could be made for purposes of transition, they will not extend beyond FY2012.

With these assumptions, the revenue-related aspects of this plan are relatively limited. Implementation of the tax caps in line with the progression developed by Policy Analytics in December 2009 results in the following annual property tax revenues in the City’s General Fund.

FY2010	FY2011	FY2012	FY2013	FY2014
48,574,691	39,132,142	29,716,594	30,459,509	31,220,997

As described in Introduction, this amount is insufficient to pay even for current City public safety operations, so the majority of this report is focused on reshaping Gary’s City government to allow it to provide basic services within these revenue constraints.

However, even with the changes suggested in this report, the City will not quite be able to balance its budget. Moreover, the City will lack working capital and have no resources for contingencies. At the same time, the Sanitary District’s operations, debt service and solid waste collection activities are supported in part by over \$5.0 million annually in property taxes. Wastewater collection and treatment services in particular are best funded by the direct users who pay on the basis of their demand on the system, not the amount of property they own. Similarly, many jurisdictions around the country require users to fund trash pickup. In addition to aligning users of a service with those who pay for it, this approach generates payments from tax-exempt entities that otherwise would receive service at no charge.

The combination of need for a final increment of revenue to support the General Fund and an appropriate alternative source for these services make the shift of wastewater and sanitation services to service fee support the centerpiece of this revenue chapter.

Other Revenue Opportunities

Although the City of Gary has limited additional opportunities for revenue generation, they do exist. This report includes a variety of revenue-generating initiatives, including among others:

- A new fee for electrical service turn-on
- A false alarm policy with appropriate fees for abuse
- A hazardous materials response fee
- Fees for fire reports
- Increased EMS collections

The chapter also suggests selected areas where other funding sources could be used in lieu of General Fund dollars, and suggests (but generally does not assume revenue from) additional grant sources.



There are additional opportunities for the City that are not included in the report due to the need to focus initially on meeting the short-term requirements of property tax cap compliance. However, the fiscal monitor is aware of additional ways the City may be able to generate revenue that could help fund the “buy back” services (see Introduction) or provide additional working capital and contingency reserves. For example, some cities have had success in packaging all of their marketing, naming and advertising options and leveraging multi-year “market-based revenue” agreements. With City-owned facilities, the cable television station, and other assets (such as property adjacent to interstate highways suitable for development or outdoor advertising), Gary could generate amounts similar to these other cities – up to one percent of locally-generated revenues.

Casino Revenues

The Introduction discusses the possibility of using City casino funds as an alternative to creatively address the tens of millions of dollars in unpaid prior year obligations; meet ongoing requirements for payments to the Regional Development Authority; pay debt service on Redevelopment Commission bonds; and fund economic development initiatives. However, to the extent that the City is able to reduce other traditional demands on this funding, it is also available to support General Fund activities.

Initiatives

RE01. Transfer Sanitary District property tax allocation to City General Fund
FY2010 Impact: \$0 **Five Year Impact: \$23,212,000**

As described in the Overview section and earlier in this chapter, the City requires the property tax allocation currently dedicated to wastewater collection and treatment and residential solid waste collection and disposal. These services are well-suited to support from user fees (see discussion above), and can be directly or indirectly shifted to that revenue structure. This initiative moves all property tax allocations currently assigned to the Sanitary District to the General Fund beginning in 2011, and assumes the amounts established in the Policy Analytics work.

To the extent that bond covenants or other agreements limit the immediate shift of this funding, the utility should establish and implement full cost user fees in addition to any property tax increment they must retain, and make payments to the General Fund equal to what it would have received from a direct shift of property tax increment.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	5,622,924	5,718,902	5,861,875	6,008,421	23,212,122



2. Workforce



Workforce

Overview

By their nature, local government services are labor-intensive. Whether the work involved is cleaning streets, preventing or investigating crimes, responding to fires or other activities, the most important resource for delivering services is the people who deliver them. It follows, then, that personnel costs – the money government spends on employee compensation – frequently account for the majority of a municipal operating budget.

Looking at the ten funds covered in the City’s 2009 petition for property tax relief, more than 80 percent of the allocation is for personnel costs – salaries and wages, longevity pay, overtime, clothing allowances, City contributions to employee health insurance, City contributions to pension benefits (active and retired employees), federal payroll taxes, unemployment compensation and worker’s compensation.

Personnel Costs in 2009 DUAB Petition (\$Ms)¹

	Personnel Costs	Total	% of Total
General fund	47.82	58.06	82.4%
Parks	0.99	1.27	78.0%
Genesis Center	0.53	1.07	49.9%
Debt service	0.00	0.86	0.0%
Motor Vehicle Highway Fund	1.24	1.42	87.1%
Local Roads and Streets	0.00	1.66	0.0%
Cumulative Capital Development (CCD)	0.00	0.30	0.0%
Cumulative Capital Improvement (CCI)	0.00	0.63	0.0%
Fire Pension	4.94	4.95	100.0%
Police Pension	5.54	5.54	100.0%
Total	61.07	75.74	80.6%

As significant as the personnel costs shown above are, they do not represent all employee compensation. The City has other employees in its operating departments whose positions are supported by grants or other external revenue sources. These employees and their associated compensation are not included in the City’s annual operating and salary budgets, which prevents a more complete listing of all costs.

Within individual operating departments, the prevalence of personnel costs is even more striking. For example, personnel costs account for \$13.99 million of the \$14.14 million allocated to the City’s Fire Department from the General Fund. Clearly the City could not operate a Department by spending only \$156,000 on supplies, utilities, equipment and other non-personnel costs. Those expenses are budgeted in

¹ Figures as shown for the “2009 Budget Revision Estimate” in the Department of Local Government Finance prescribed form.



the Ambulance Non-Reverting Fund, which is not included in the City's operating budget. This structure has two drawbacks:

- If the budget does not include these other funds, then policy makers do not have a complete picture of the City's operations when they make appropriation decisions. The cost of operating a department is not transparent.
- This incomplete picture gives personnel costs an even larger priority in allocating scarce resources and squeezes other priorities (like fire hoses in the example above). What is not seen may not be funded at an adequate level while what is seen (personnel costs) consume a growing portion of the City's limited resources.

However, the City presents its personnel costs, it is indisputable that they will have to be reduced for the City to live within the limits prescribed by the property tax caps. Policy Analytics projects that the City would receive \$30.0 million in property tax revenue if the caps were fully implemented by FY2012.² The City's FY2009 allocates \$47.8 million to personnel costs in its General Fund alone.

In many cases, municipalities can help close a structural deficit – the gap between the obligations that must be paid and the revenue that is available to pay them – by controlling the growth in personnel expenditures. Freezing or reducing wage growth is a difficult decision but an effective strategy to bring finances into balance. In the baseline projections shown throughout this report, that kind of freeze is considered a given – there is a presumed wage freeze for all employees for FY2010 through FY2014. In many cases this continues a wage freeze in place before FY2010. As dramatic an assumption as this is, it still leaves the City with a multimillion dollar structural deficit as soon as FY2011 absent other corrective action.

Against this backdrop, the initiatives in this chapter and distributed throughout the Plan recommend significant changes in how many employees the City has and how they are compensated. Those recommendations include:

- Reducing the overall workforce to focus on essential municipal functions.
- Maximizing use of available Federal, State, and County funding streams to fund core municipal services.
- Eliminating duplication of services across City departments.
- Restructuring the City's health benefits plan to provide employees with a level of coverage that the City can afford.
- Implementing changes in departmental operations that drive overtime expenditures and other premium pays.
- Using other alternatives to public-employed/public managed service delivery such as privatization or outsourcing.

First, it is important to take a closer look at what drives the personnel costs that account for most of the City's budget.

² Analysis dated December 22, 2008.



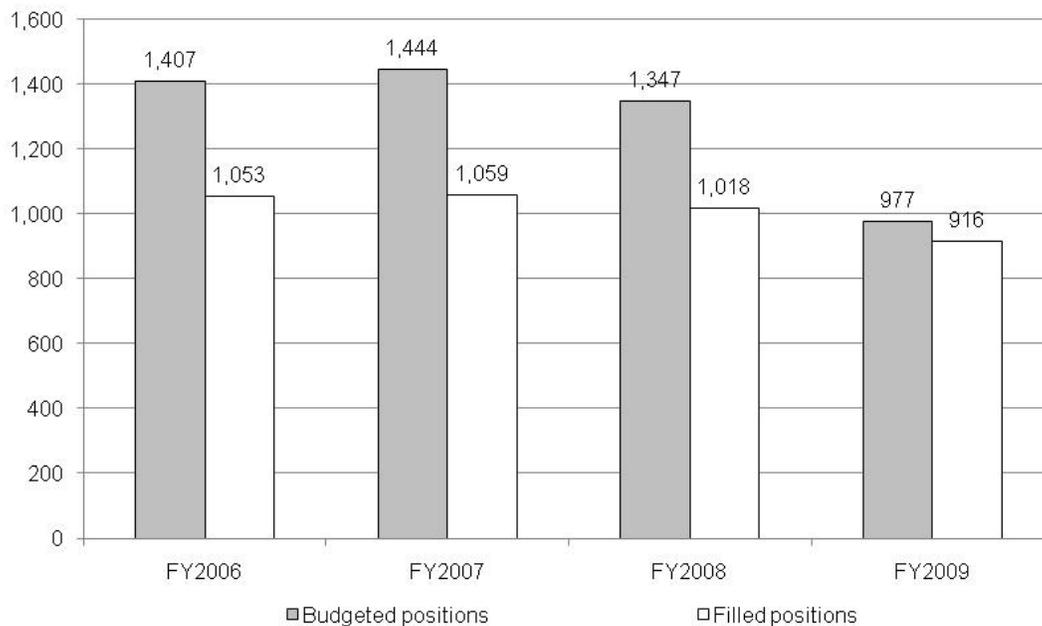
The Basic Compensation Calculation

Workforce expenditures are the product of a simple equation:

$$\text{Total workforce costs} = \# \text{ of employees} * \text{cost per employee}$$

Looking first at headcount,³ the number of budgeted positions in the ten funds listed at the front of the chapter dropped from 1,407 in the FY2006 salary budget to 977 in the FY2009 salary budget, a 30.6 decline. The drop in filled positions over this same period was 15.0 percent. Some of the reason for this decline is employee layoffs, such as those cuts made midway through FY2009. Some of the decline is explained by the City reducing the number of part time positions in areas like Parks and the Genesis Center. For example, the City budgeted for 180 positions in Parks in FY2006 and 74 in FY2009 with most of the reductions occurring in seasonal positions (e.g. pool and beach guards). In some cases, the City transferred the employees to funds supported by grants or external revenues. In those cases the position still exists but is no longer shown in the annual salary budgets.

Budgeted and Filled Positions



Most of the full-time employees are represented by one of the six collective bargaining units. Managers, supervisors and department directors are generally not represented by these bargaining units. Compensation for the represented employees is determined by the City’s labor agreements with the nine collective bargaining units that represent employees. Four of the six labor agreements have expired and the last two (Fraternal Order of Police and Teamsters) will expire this year. In some instances the City

³ The underlying data source for budgeted positions cited throughout the Action Plan is the City’s annual salary budgets, which do not include positions that are supported by grants or other external funding. The underlying data for filled positions cited throughout the Action Plan is a series of reports provided by City Human Resources. These reports list all employees on two dates in 2006, 2007 and 2008 (one in January and one in December) and two dates in 2009 (January and October). Given this distribution, they do not include seasonal employees. The reports also do not consistently list employees the same way (e.g. sometimes part-time commissioners are included, but not always). But in the absence of better information, this was the best source available. Given the differences in these sources, it is not possible to calculate a meaningful vacancy rate from these figures.



has been making workforce and compensation decisions unilaterally without reference to the expired collective bargaining agreements

Collective Bargaining Units⁴

Union	Represents	Contract term
AFSCME Council 62, Local 3491-01	Civilian employees in the Police Department (i.e. Supportive Services)	January 1, 2007 – December 31, 2008
AFSCME Council 62, Local 4009	Administrative personnel (City Clerk, Health, Parks)	January 1, 2005 – December 31, 2006
Fraternal Order of Police	Sworn law enforcement	January 1, 2006 – December 31, 2009
Gary Firefighters Association	Firefighting personnel	January 1, 2003 – December 31, 2003
SEIU Local 20	Full-time EMS personnel	January 2005 – December 31, 2007
Teamsters No. 142	Employees in General Services, Parks, Recycling, Vehicle Maintenance and Public Works	January 1, 2006 – December 31, 2009

In the preparation of this Plan, the Fiscal Monitor team met with bargaining unit leaders, department managers and representatives of the Administration. Many of the ideas presented by these individuals have help shape the initiatives in this report.

Referring back to the basic compensation calculation, the cost of employee compensation is not simply determined by looking at base salaries, though that is often the largest part of compensation. The City also directly incurs costs for employee health insurance, pension benefits, overtime and premium payments (i.e. longevity, uniform allowance, shift differential). The City is required to provide certain kinds of worker’s compensation and unemployment insurance and pay federal payroll taxes. And other factors, such as paid leave (vacation, sick, holiday pay) are important because they drive other compensation elements like overtime and influence how many people the City employs.

⁴ This list does not include the bargaining unit that represents employees in the Gary Sanitary District, which is addressed in a separate assessment.



Wages

Salaries and wages represent the largest component of employee compensation. As a consequence of the recent recession, multiple regional private, public, and non-profit employers have adopted workforce cost containment measures, such as layoffs and wage reductions. Looking prospectively, the slack in the regional labor market, coupled with the forecasted period of low inflation, will likely to constrain near-term wage growth within the Gary labor market. Consider the following developments in the national and regional economy:

- Since the beginning of the recession in December of 2007, the unemployment rate has doubled and more than 7.2 million jobs have been lost in the United States. National unemployment in November 2009 reached 10.0 percent.
- National seasonally adjusted unemployment claims, though moderating recently, totaled 457,000 first-time unemployment claims (four-week moving average) filed in the week ending November 28. These figures are well above levels associated with a healthy economy.
- In Indiana, unemployment rose from 4.5 percent in December 2007 to 9.8 percent in October 2009. There are approximately 306,000 unemployed persons statewide.
- In the City of Gary, the unemployment rate rose from 6.2 percent in December 2007 to 11.7 percent in October 2009 (not seasonally adjusted). As the U.S. Bureau of Labor Statistics only captures individuals actively seeking employment, the effective unemployment rate is most likely considerably higher than 11.7 percent.

A sample of notable workforce cost containment actions in the greater Northwest Indiana labor market include:

- The Chicago Transit Authority (CTA) leadership presented a 2010 budget in November of 2009 with planned service cuts and layoffs of more than 1,000 employees.⁵
- The *Sun-Times* Media Group union employees agreed to a 15 percent cut in wages, replacing a defined-benefit retirement plan with a defined contribution plan, and loosening of work rule restrictions in October 2009.⁶
- Caterpillar reduced the hours of 985 employees in its Lafayette, Indiana facility in July 2009. This was on top of two separate rounds of layoffs in fabricating and pipe fitting - 439 in May 2009 and 141 layoffs in July 2009. Caterpillar Logistics Services, Inc. reduced the hours of 158 workers in motor vehicle supplies and new parts wholesaling in Lafayette in August 2009.
- ArcelorMittal laid off 978 employees at its Indiana Harbor Flat Carbon facility iron and steel mill in East Chicago in July 2009.
- Auto parts manufacturer Reiter Automotive closed a facility in Lowell, Indiana in July 2009; 130 employees lost their jobs.
- Harsco Metals in East Chicago closed a metal cutting machine tool manufacturing plant in July of 2009, resulting in the termination of 57 workers.
- Amsted Rail/ASF-ASF Keystone in Hammond laid off 80 employees involved in heavy gauge manufacturing in February 2009.

⁵ "CTA Board Approves Service Cuts," Chicago Tribune, November 13, 2009.

⁶ "Sun-Times Union Takes Tyree Deal," Chicago Tribune, October 8, 2009



- KM Plan Services and the Lear Corporation in Hammond laid off 239 and 121 employees, respectively, in November 2008.⁷

Large public sector employers throughout Indiana have also taken steps to contain costs, including multi-year wage freezes, furlough days, and increased employee contributions to health premiums and employee co-payments.

- The State of Indiana implemented a two-year wage freeze for more than 30,000 state employees, reduced overtime expenditures by raising the number of hours correctional employees work at straight-time and asked for voluntary furlough periods. The Governor has not ruled out the prospect of layoffs or mandatory furlough days.
- In 2008, Lake County eliminated 112 jobs, and will likely eliminate another 150 jobs by the end of 2009. In October 2009, Lake County made plans to lay off an additional 10 workers and reduce Juvenile Court employees' pay by at least 2.5 percent.⁸
- The City of South Bend will reduce its workforce by 56 positions through elimination of vacant positions and attrition in 2010. Additionally, the City recently eliminated its lower cost employee health plan that required a lower deductible and reduced its contribution to 80 percent, yielding estimated annual savings of \$1.3 million. Further, non-bargaining unit employees received no salary increase for the second consecutive year in 2009. At the same time, Mayor's Office staff and City department and division heads agreed to take a voluntary 5 percent pay cut in 2009.
- City of Indianapolis employees will see changes in health care plan design for 2010 including an increase in the deductible for the City's HMO plan and removal of free spouse coverage from the City's high deductible health plan
- The City of Elkhart has implemented a wage freeze, and city employee unions have agreed to waive a negotiated provision allowing city employees to take buyouts for vacation time.
- The City of Goshen recently implemented a citywide pay freeze and an early retirement program offering one week's regular salary or wages for a 40-hour workweek for every year of full-time employment. The City will also leave several positions vacant in its building, planning and zoning, fire, legal, central garage and parks departments in the next fiscal year⁹
- The Town of Merrillville implemented one week of employee furloughs in 2009 and has another week of furloughs scheduled in 2010. The town will also increase employee health plan deductibles in late 2009
- The City of East Chicago in October 2009 adopted a 5 percent pay cut for all city employees that will take place in 2010.¹⁰

⁷ Indiana Department of Workforce Development, Worker Adjustment and Retraining Notification notices, <http://www.in.gov/dwd/2550.htm>

⁸ Bill Dolan. "Lake County payrolls, paycheck to shrink." The Times of Northwest Indiana. October 14, 2009.

⁹ Jesse Davis. "No raises for city's workers." Goshen News. September 16, 2009; Jesse Davis. "Lean revenue year means conservative approach." Goshen News. September 24, 2009

¹⁰ Steve Zabroski. "E.C. adopts budget with 5 percent pay cuts." The Times of Northwest Indiana. October 27, 2009



- Additionally, in neighboring Ohio, the State's largest state employee union agreed to a contract which included a three-year wage freeze; 10 days of unpaid furloughs implemented through 26 periods of pay reductions each year for the next two years; no accrual of personal leave for the next two years; increases in health insurance co-pays and deductibles; and the addition of intermittent workers with limited rights.

Meanwhile, inflationary pressures are low. From October 2008 to October 2009, the chained consumer price index (C-CPI-U), considered by Bureau of Labor Statistics to be the best approximation for cost-of living, *declined* by 0.5 percent nationally. For calendar year 2009, the Philadelphia Federal Reserve Bank Fourth Quarter Survey of Professional Forecasters projects year-over-year CPI increases of just 1.1 percent.¹¹

Overtime and other premiums

In addition to base wages, City employees receive multiple forms of cash premiums, paid leave, and supplemental benefits. Among these other forms of cash compensation, overtime represents the largest cost driver. In 2009, the City is projected to spend more than \$1.4 million on overtime expenses across all general fund departments.¹² This represents a decrease of more than 81 percent from 2005, when City overtime expenditures totaled nearly \$7.7 million.

Overtime expenditures can be volatile, as they fluctuate according to multiple variables. Unforeseen service needs, leave usage, staffing levels, collective bargaining restrictions, federal labor laws, emergencies, public events and weather – or any combination of the above – can influence overtime expenditure levels. For these reasons, overtime expenditures are frequently comparatively higher in public safety functions.

As is the case with many local governments, the majority of overtime expenditures in the City of Gary are concentrated within public safety. In FY2009, approximately 95 percent of overtime expenditures will be spent in the police and fire department (inclusive of EMS). In 2009, public safety employees are projected to receive, on average, \$2,359 in overtime payments. The following table provides a summary of the City's overtime expenditures since 2005.

City Overtime Expenditures, FY2005 – FY2009

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	As of 10/9/2009	2009 Projected
Police	2,887,204	3,296,397	1,786,029	1,661,821	388,378	502,688
Police Supportive Services	82,961	97,897	49,072	71,397	18,765	24,288
Fire	3,532,261	1,601,493	1,167,514	1,580,971	490,990	635,501
EMS	448,781	217,864	147,069	156,878	157,324	203,628
All Other Departments	720,664	911,813	795,536	424,654	57,299	74,163
Total Overtime	7,671,870	6,125,463	3,945,221	3,895,722	1,112,756	1,440,270
Public Safety % of Overtime Expenditures	90.6%	85.1%	79.8%	89.1%	94.9%	94.9%

In addition to overtime and base pay, City of Gary employees have other opportunities to earn compensation. This includes longevity pay (\$648,000 from General Fund budgeted in 2010), clothing allowance (\$875,600 budgeted in 2009), and "other compensation" which includes holiday pay, severance payouts, incentive/certification pay, shift differentials, etc. (\$646,000 budgeted in 2009; \$343,000 budgeted in 2010). Additional pay premiums – including overtime and other compensation –

¹¹ Philadelphia Federal Reserve, Survey of Professional Forecasters, November 16, 2009

¹² The FY2009 year-end projections in this section are based on the City's actual spending through October 9, 2009 annualized for the rest of the year.



are also paid from non-General fund revenue streams, such as the Motor Vehicle Highway Fund and the Parks Department levy.

Health Benefits

City health plan offerings and contribution levels vary according to employee group. Public safety employees (police, fire, and emergency medical services), AFSCME employees and non-represented employees can choose between a fully-insured Health Maintenance Organization plan (HMO) and self-insured Preferred Provider Organization (PPO) plan. Teamsters, by contrast, receive coverage through a separate union-run multi-employer health benefits trust, the Central States Health and Welfare Fund.

City employees contribute a fixed dollar amount to the cost of coverage, which varies according to bargaining unit and health plan. Currently non-Teamster employees contribute a higher dollar amount for HMO coverage relative to PPO coverage, even though HMO plans are less expensive and offer a more restrictive benefit. Teamsters do not contribute to the cost of health premiums – the City contributes a flat dollar amount per week per employee to the Central States Fund. The tables below employee contributions by employee group

Public Safety Employee Monthly Contributions to Health Premiums (2010)

PPO Coverage

	Employee Contribution	Employer Contribution	% of Premium
Employee	\$10	\$407	2.4%
Employee +1	\$45	\$831	5.1%
Employee + Family	\$75	\$1,091	6.4%

HMO Coverage

	Employee Contribution	Employer Contribution	% of Premium
Employee	\$20	\$522	3.7%
Employee + 1	\$55	\$964	5.4%
Employee + Family	\$90	\$1,210	6.9%

PPO Coverage (AFSCME in 2010)

	Employee Contribution	Employer Contribution	% of Premium
Employee	\$0	\$417	0%
Employee + 1	\$138	\$738	15.8%
Employee + Family	\$252	\$914	21.6%



HMO Coverage (AFSCME in 2010)

	Employee Contribution	Employer Contribution	% of Premium
Employee	\$19	\$524	3.4%
Employee + 1	\$190	\$829	18.7%
Employee + Family	\$307	\$993	23.6%

Teamster Employee Monthly Contributions to Health Premiums (2010)

	Employee Contribution	Employer Contribution	% of Premium
Per Employee	\$0	\$845	0%

Employers nationwide must contend with skyrocketing health care costs, and the City of Gary is no exception. For FY2010, the City has budgeted \$8.4 million for health insurance costs, covering both active employees and eligible law enforcement retirees.¹³ For FY2010, the City has budgeted \$7,200 per non-Teamster employee for health insurance costs. Since Teamsters receive health insurance through a union-run multiemployer fund – the Central States Health and Welfare Fund – the City budgets \$10,140 per employee towards the cost of health insurance for these employees.

While FY2010 budgeted figures for health insurance represent 14.8 percent of General Fund expenditures, they understate the true cost of health insurance to the City of Gary. The City’s budgeted figure of \$7,200 per employee is not based on actual premium rates charged by the HMO provider, or estimated premium costs based on claims experience for the self-insured PPO plan. As a result, the City of Gary budgets insufficient funds to cover the costs of health insurance. The City makes full contributions to the Teamster Health and Welfare Fund, as well as the fully-insured HMO plan. After paying the cost associated with these two plans, however, it struggles to make the full payment of claims incurred in the self-funded PPO plan.

The figure below provides an estimate for the baseline incurred medical and prescription drug costs for FY2010. The assumptions include a 10.6 percent increase for the self-insured PPO plan, based on projected costs from the 2010 Segal Health Plan Cost Trend Survey, as well as a 35 percent increase in HMO costs, based on a renewal proposal provided by the City’s HMO provider. Factoring these two assumptions with plan enrollment totals as of October 2009, the total estimated cost of medical and prescription drug coverage is \$10.6 million, or approximately 18.2 percent of 2010 budgeted General Fund expenditures. Without corrective action, FY2010 health plan expenditures will exceed budgeted amounts by approximately \$1.4 million.

¹³ Airport employees are also covered through City health plans; the airport reimburses the City at a rate of \$7,200 per employee.



City of Gary Estimated Healthcare Expenditures – FY 2010¹⁴

	Non-Teamsters	Teamsters	Total
Budgeted City Contributions	\$7,800,000	\$567,840	\$8,367,840
Estimated Employee Contributions	\$854,995	\$0	\$854,995
City + Employee Contributions			\$9,222,835
Estimated Cost of 2010 Health Premiums			\$10,625,051
Surplus/(Deficit)			(\$1,402,216)

One of the central factors driving this underfunding is low employee contributions to health premiums. City employee contributions to health premiums are below regional and national benchmarks, both on an absolute dollar and percent of premium basis. As the table below illustrates, employees in the Midwest Region of the United States on average contribute 17 percent and 26 percent of premium for single and family PPO coverage respectively.

**Health Premium Contributions
(Percent of Premium Noted in Parentheses)**

	PPO Coverage (monthly contributions)		HMO Coverage (monthly contributions)	
	<i>Single</i>	<i>Family</i>	<i>Single</i>	<i>Family</i>
City of Gary Employee Group				
<i>Public Safety</i>	\$10 (1.8%)	\$75 (4.9%)	\$20 (3.7%)	\$90 (6.9%)
<i>AFSCME</i>	\$0 (0.0%)	\$252 (16.4%)	\$19 (3.4%)	\$307 (23.6%)
<i>Teamsters</i>	\$0 0%	\$0 0%	--	--
Lake County Govt.	\$25 (4.3%)	\$50 (8.3%)	--	--
State of Indiana Govt.	\$188 (32.3%)	\$501 (31.4%)	\$127 (24.4%)	\$301 (21.6%)
Midwest United States* (All Covered Workers)	\$71 (18.0%)	\$278 (25.0%)	\$66 (17.0%)	\$262 (23.0%)
State & Local Govt. Employers* (All Covered Workers)	(11.0%)	(23.0%)	(11.0%)	(19.0%)
National Average* (All Covered Workers)	\$67 (17.0%)	\$289 (26.0%)	\$68 (18.0%)	\$307 (28.0%)

* - Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009

While City employee contribution levels are lower than regional and national benchmarks, plan design features are in-line with other public and private sector employers.

¹⁴ Baseline for PPO estimated premiums based on annualized 2009 claims through 11/31/2009; HMO claims based on estimate of Aetna HMO rates (2009 rates + 25% increase). Employer contributions based on 2010 budget; enrollment based on actual enrollment as of October 2009.



Health Plan Design Comparisons (Highest Enrollment Health Plan)

	In-Network Deductible (single/family)	In-Network Coinsurance	In-Network Out of Pocket Maximum (single/family)	Office Visit Copays (primary care/specialist)	Emergency Room Co-Pay	In-Patient Hospitalization	Prescription Drug Co-Pays
City of Gary (Non-Teamsters)	\$200/\$600	10%	\$600/\$1,000	\$15/\$15	\$50 (waived if admitted)	\$50 per day up to \$100 per stay, annual max of \$400	\$10/\$16/\$26
City of Gary Teamsters	\$200/\$500	20%	\$2,500/\$5,000	\$20	pending	20% coinsurance until out of pocket max	25% copay
Lake County Govt.	\$200/\$400	20%	\$1,000/\$3,000	20% coinsurance	20% coinsurance + \$75 (waived if admitted)	20% coinsurance until out of pocket max	\$5/\$10/\$20, 20% coinsurance for single Rx over \$500
State of Indiana Govt.	\$500/\$1,000	20%	\$2,000/\$4,000	\$20 Network/40% non-network	20% coinsurance + \$75 (not waived if admitted)	deductible + 20% coinsurance (40% out of network)	\$10/20% of cost/40% of cost
Midwest United States* (Firms with 200+ workers)	\$609/\$1,448	n/a	n/a	n/a	n/a	n/a	n/a
National Average* (Firms with 200+ workers)	\$478/\$1,077	n/a	n/a	n/a	n/a	n/a	n/a

* - Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009

One result of the City's flat dollar amount cost-sharing arrangement is that 100 percent of annual increases in healthcare premium costs are paid by the City. While employee contribution levels have not changed since the 1990s national healthcare costs have more than doubled over the course of the past decade. This runs counter to the trend experienced by workers nationally who have seen their premium contributions rise over the past decade.

Average Monthly Worker Premium Contribution: 1999-2009¹⁵



¹⁵ Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009.



Retirement Benefits

City of Gary employees receive retirement benefits through the State of Indiana Public Employees Retirement Fund (PERF). PERF is a defined benefit retirement plan where the City contributes six percent of salary for civilians and 19.5 percent of salary for public safety employees. Nationally, only 35 percent of private sector employees in firms with 100 or more employees have access to a defined benefit pension plan.¹⁶

Civilian employees receive full retirement benefits at age 55 when age and years of service totals 85 or higher. The benefit formula is the product of years of service, average annual compensation, and a factor of 0.011.

Public safety employees receive full retirement benefits at age 50 with 20 years of service. The benefit formula is set at 50 percent of the first-class salary, with a maximum of 74 percent of first class salary reached after 32 years of service.

Employee contributions are three percent of wages, which was paid by the City of Gary on behalf of City employees until recently.

In terms of retiree medical benefits, the City of Gary offers retiree medical benefits to retired public safety employees until Medicare eligible. Retiree contributions for coverage are set at \$36.70 for single, \$73.40 for employee + 1, and \$110.10 for family coverage.

Leave

City employees receive leave benefits that exceed public sector benchmarks. High levels of leave usage result in overstaffing, and force managers to choose between decreased service levels or paying costly overtime. City employees receive higher vacation accruals relative to State and local government employees nationally.

Vacation Accruals – City of Gary vs. Local & State Governments

Years of Completed Service	AFSCME	Teamsters	FOP	State & Local Govt ¹⁷
1	10 days	10 days	5 days	12 days
2	10 days	10 days	10 days	
4	10 days	10 days	15 days	
5	10 days	15 days	15 days	12 days
6	15 days	15 days	20 days	
10	15 days	20 days	20 days	18 days
11	20 days	20 days	20 days	
13	20 days	20 days	25 days	
15	20 days	25 days	25 days	
20	20 days	30 days	30 days	22 days
21	25 days	30 days	30 days	

City of Gary employees also receive more holidays relative to local and State employees.

¹⁶ BLS National Compensation Survey: Employee Benefits in the United States, March 2008

¹⁷ US Bureau of Labor Statistics. "Employee Benefits Survey: Holiday, Vacation, Sick, and Other Leave Benefits." March 2009.



Holidays¹⁸

AFSCME	Teamsters	FOP	Firefighters Assoc./SEIU (EMS)	State & Local Govt.	Private Sector
15	12	14	14	11	8

In terms of sick leave accruals, accrual rates for City of Gary civilian employees outpace accrual levels in the private sector, but are in-line with State and local employees nationally.

Sick Leave Accruals (Days per year)¹⁹

AFSCME (General Employees)	Teamsters	State & Local Govt.	Private Sector
12	12	12	6

Public Safety employees receive 90 days of sick leave annually. Since the City does not have a injured-on-duty policy, this sick leave benefit is designed to provide wage continuance if an employee is injured in the line of duty. In practice, however, lax monitoring and uneven enforcement of discipline has resulted in leave abuse where some employees treat the sick days as an extension of vacation leave.

Service provision

The City currently contracts with private entities for multiple functions including most trash collection, some custodial services, and specialty repairs for vehicle maintenance. Prospectively, the City may need to outsource other functions to lower the cost of service delivery or improve the quality of services delivered. Increased competition can result in lower costs and improved service delivery, especially when such arrangements are set up collaboratively by representatives from City management and organized labor. The cost of contracting out a service should be rigorously evaluated in a transparent fashion, especially when it concerns the potential displacement of municipal employees.

Other non-economic issues

While much of this analysis has focused on the economic aspect of employee compensation, other important issues were surfaced during departmental interviews and meetings with union personnel. The City faces multiple and deep-rooted challenges in the management of its workforce.

- Previous rounds of layoffs were not executed in a strategic fashion, resulting in a service structure that is confusing, redundant and opaque. This combined with the City's cost containment measures to date (wage freezes, layoffs) and other consequences of its distress – such as the lack of professional development opportunities – have eroded employee morale.
- Long delays in the City's payment of PPO claims have resulted in some area health care providers refusing to see employees who are covered by that plan, and in some instances, left a negative mark on individual employees' credit histories.

¹⁸ Ibid.

¹⁹ Ibid.



- Poor record keeping, infrequent employee evaluations (if performed at all) and weak performance management in Human Resources has created a lack of accountability and untimely or inaccurate information upon which managers make decisions.
- According to restrictive provisions in the City’s collective bargaining agreements, layoffs must take place according to inverse seniority, resulting in the termination of younger employees who generally cost less on a per employee basis (lower healthcare utilization and less accumulation of leave and premium pay), a top-heavy staffing compliment, and a general “graying” of the workforce. Further, some bargaining units have “bumping” rights where an employee whose position is eliminated can replace – or “bump – an employee with less seniority in a different position, even if it is a different department.
- Sick leave abuse including “sick outs” (where multiple employees falsely call in sick simultaneously) leaves departments understaffed during certain parts of the year, increases the workload on employees who do report for duty and drives overtime costs higher. Additionally, sick leave is reportedly perceived as an extension of personal leave and there is no comprehensive tracking of leave usage to identify abuse.

Initiatives

WF01. Avoid new contract enhancements

FY2010 Impact: N/A

Five Year Impact: N/A

Given the challenging fiscal and economic headwinds facing the City of Gary, newly negotiated contracts should refrain from offering new compensation or benefit enhancements. Where possible, the City should abstain from granting the following in contract negotiation:

- New or increased overtime or premium pay requirements.
- New benefits or any improvements in existing benefits.
- Any new or improvements to paid or unpaid leave.
- Additional pay for time not worked, and new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay.
- Any new benefits for retirees or inactive current employees (e.g., those in laid off or disability status).

WF02. Avoid restrictions on management rights

FY2010 Impact: N/A

Five Year Impact: N/A

As a corollary to WF01, the City should seek to eliminate any contractual provisions that restrict management’s rights and flexibility to set staffing levels, assign or reassign employees or reduce its workforce through layoffs. In particular, no collective bargaining agreement should contain language that contains a proscribed minimum staffing level. Staffing levels should be left to management’s discretion.

WF03. Multi-year wage freeze

FY2010 Impact: N/A

Five Year Impact: N/A

Given the City’s fiscal condition, as well as the depressed labor market regionally, the City of Gary should maintain the current freeze on wages while allowing for modest increases in future years if the City’s fiscal condition improves.



WF04. Implement furlough days
FY2010 Impact: \$136,000 (10 days)

Five Year Impact: \$680,000 (10 days)

In addition to workforce reductions outlined throughout the Plan, the City should consider implementing furlough days for non-public safety employees.²⁰ Furlough days generate non-recurring savings in that they only impact the year in which they are implemented and do not reduce the City's structural deficit. Nonetheless, they may be a useful tool for reducing expenditures in any one or set of fiscal years. Using the headcount levels shown in the FY2010 budget, each furlough day of non-public safety employees would generate labor cost savings of \$34,000. Since the City would reduce its workforce through implementing other Plan initiatives, the table below shows discounted savings associated with implementing five, 10 and 15 furlough days.

Fiscal Impact
(Discounted by 40% to account for Personnel Reductions)

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
5 Days	68,000	68,000	68,000	68,000	68,000	340,000
10 Days	136,000	136,000	136,000	136,000	136,000	680,000
15 Days	204,000	204,000	204,000	204,000	204,000	1,020,000

WF05. Overtime reduction for public safety employees
FY2010 Impact: N/A

Five Year Impact: N/A

Despite the large decreases in overtime paid to public safety personnel in since 2005, overtime remains a large personnel cost driver. Please see related initiatives in the Fire and Police Department chapters for more detail.

Health insurance

WF06. Implement a new HMO plan
FY2010 Impact: \$641,000

Five Year Impact: \$3,960,000

As of late November, the City's current HMO provider Aetna had offered 2010 plan renewal based on a 35 percent rate increase. This proposed rate increase far exceeds industry rates of medical inflation. As a result, the City of Gary re-bid its HMO coverage and received a bid from Anthem, which included an 11 percent premium reduction for 2010. Of note, the Anthem HMO can include a premium reduction because the plan calls for some changes in health plan design, including some cost-shifting to employees.

The table below illustrates the fiscal impact associated with the Anthem HMO plan, assuming no change in enrollment between the City's HMO and PPO plan. All savings are discounted by 40 percent to account for recommended headcount reductions, as well as employees who receive health coverage from the City of Gary but are not represented in the FY 2010 Salary Budget.

²⁰ The calculations below classify sworn police staff, firefighters and EMS employees as "public safety employees" who are not impacted by the furlough days. The furlough days are assumed to impact civilian employees in the police department (Supportive Services).



- **Increase employee contributions.** Employee contributions to health premiums have not increased in more than a decade. Employee contributions to the City's HMO should be set at 25 percent of premium – regardless of level of dependent coverage – with employees choosing the more expensive PPO coverage paying 100 percent of the difference in cost.
- **Offer a health management plan linked with financial incentives for participation.** The City should establish an active and comprehensive health management program that includes risk assessments, disease management, and coaching as well as conventional wellness promotion. The program should contain a financial incentive for participation. For example, if the City were to increase deductibles or premium cost-sharing, employees who participate actively in the new health management program might receive a partial waiver from these increases. While it would be difficult at this point to establish a full program by January 1, 2010, basic program elements could be introduced through employee communications during the winter and spring of 2010, with full implementation rolled out during the second half of the year.

In addition to implementing a new premium cost sharing arrangement, the City must make paying outstanding medical claims a priority. Additionally, the Finance Department should budget a set amount of general dollars to cover the cost of medical claims that is based on projected claims costs generated by the City's Third Party Administrator. These funds should not be reallocated for other purposes.

The table below summarizes the estimated cost savings from a restructured health plan, based on the abovementioned principles. All employees contribute the same dollar amount toward health benefits, regardless of bargaining unit. Employees have the option of a low cost plan – a high deductible PPO. Employee contributions are raised to 25 percent of premium of the HMO plan to more closely approximate private sector levels, while the more expensive PPO plan is still offered but through a "buy-up" costing sharing arrangement.



City of Gary Revised Health Premium Structure²¹

	Total Premium (Monthly)	Employer Contribution	Employee Contribution (\$ Amount)	Employee Contribution (% of Premium)	Number of Employees	Total Employer Contribution (Annual)
Public Safety						
<i>HMO</i>						
EE	\$351	\$263	\$88	25%	27	\$85,293
EE + 1	\$659	\$494	\$165	25%	25	\$149,461
F	\$1,070	\$803	\$268	25%	104	\$1,005,372
<i>PPO</i>						
EE	\$397	\$263	\$134	34%	109	\$344,015
EE + 1	\$834	\$494	\$340	41%	100	\$592,507
F	\$1,110	\$803	\$308	28%	124	\$1,196,046
<i>PPO - High Deductible</i>						
EE	\$335	\$318	\$17	5%	15	\$57,667
EE + 1	\$703	\$633	\$70	10%	14	\$105,534
F	\$938	\$844	\$94	10%	25	\$257,312
Civilian (Non-Teamsters)						
<i>HMO</i>						
EE	\$351	\$263	\$88	25%	70	\$221,762
EE + 1	\$659	\$494	\$165	25%	32	\$192,164
F	\$1,070	\$803	\$268	25%	73	\$702,027
<i>PPO</i>						
EE	\$397	\$263	\$134	34%	189	\$597,051
EE + 1	\$834	\$494	\$340	41%	27	\$160,137
F	\$1,110	\$803	\$308	28%	17	\$164,673
<i>PPO - High Deductible</i>						
EE	\$335	\$318	\$17	5%	29	\$109,987
EE + 1	\$703	\$633	\$70	10%	7	\$50,110
F	\$938	\$844	\$94	10%	10	\$101,304
Teamsters						
Per Employee	\$845	\$634	\$211	25%	56	\$425,880
Total	--	--	--	--	1,054	\$5,278,177
2010 Budget	--	--	--	--	1,054	\$8,367,840
Difference	--	--	--	--	--	\$3,089,663

In the above table, the City contributes a fixed amount dollar amount towards the cost of coverage based on a 75 percent employer share of the HMO plan. The City contributes the following dollar amounts monthly – \$351 for single, \$659 for employee + 1, and \$1,070 for family coverage. Should the employee choose more expensive coverage, he/she will be responsible for difference between the City’s contribution for HMO coverage (\$351, \$659, or \$1,070) and the total cost of the PPO premium – \$397 for single, \$834 for employee + 1, and \$1,110 for family coverage.

The table below illustrates the fiscal impact associated with restructuring the employee contributions to health premiums. All savings are discounted by 40 percent to account for recommended headcount reductions, as well as employees who receive health coverage from the City are not represented in the FY2010 Salary Budget.

²¹ Figures include all general fund employees, public safety retirees receiving health benefits, as well as 21 airport employees. Premium figures based on August 2009 PPO medical claims, 2009 HMO premium rates (most recent available), and scheduled 2010 employer contributions to the Teamsters Health and Welfare Fund. Analysis assumes that 10 percent of current HMO and PPO employees migrate towards High Deductible PPO coverage plan with no change in dependent coverage, and does not factor any changes to plan design or financial incentives related to health management plan.



Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
2010 Budgeted	8,367,840	9,254,831	10,235,843	11,320,843	12,520,852	51,700,208
25% Employee Contribution + "Buy-Up"	5,278,177	5,837,663	6,456,456	7,140,840	7,897,769	32,610,905
Gross Savings	3,089,663	3,417,168	3,779,387	4,180,002	4,623,083	19,089,304
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	1,853,798	2,050,301	2,267,632	2,508,001	2,773,850	11,453,582

The second avenue for achieving health benefits cost savings involves changes to health plan design, (e.g. deductibles, office visit co-pays, prescription drug co-pays). At current levels, City plan design benefit levels exceed those of the private sector. The following five initiatives detail cost savings from changing various features of the City's plan design. All cost savings figures were calculated by the City's third party administrator in mid-November 2009, and assume an annual growth rate of 10.6 percent.

WF08. Prescription drug program redesign

FY2010 Impact: \$54,000

Five Year Impact: \$337,000

City employees have a three tier prescription drug benefit with no deductible. Employees pay a co-pay of \$10 for generic, \$16 for preferred, and \$26 for non-preferred drugs. Changing these co-pays to \$10 for generic, \$25 for preferred, and \$40 for non-preferred drugs would generate an estimated \$74,000 in gross recurring cost savings. Raising co-pays further to reflect national averages for prescription drug co-pays would generate additional savings. Additionally, the City will see material cost savings from implementing a mandatory mail order program for employees who use maintenance drugs (i.e., drugs that are needed for duration of an individual's life).

Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
\$10/\$25/\$40 Co-Pay Structure	74,210	82,076	90,776	100,399	111,041	458,502
Mandatory Mail Order	16,600	18,360	20,306	22,458	24,839	102,562
Gross Savings	90,810	100,436	111,082	122,857	135,880	561,064
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	54,486	60,262	66,649	73,714	81,528	336,639

WF09. Leverage Medicare reimbursements for kidney dialysis

FY2010 Impact: \$126,000

Five Year Impact: \$778,000

All medical expenditures for kidney dialysis above \$30,000 annually per employee may be paid directly by Medicare. If the City caps expenditures on kidney dialysis at \$30,000 and Medicare covers any overages, the City will realize cost savings without any reduction in benefit to the employee. Multiple Northwest Indiana jurisdictions with self-insured health plans already have this practice in place, including Lake County, the City of East Chicago and the



City of Hammond. If the federal government changes Medicare's policy in this regard, the City would have to revisit this issue to ensure coverage for employees.

Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Cost Savings	210,000	232,260	256,880	284,109	314,224	1,297,473
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	126,000	139,356	154,128	170,465	188,535	778,484

WF10. Increase major medical deductible

FY2010 Impact: \$86,000

Five Year Impact: \$530,000

Currently, City employees have a major medical deductible of \$100 per employee and \$200 per family. Raising these deductibles to \$400 per employee and \$1,200 per family would generate \$143,000 in recurring gross cost savings.

Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Cost Savings	143,000	158,158	174,923	193,465	213,972	883,517
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	85,800	94,895	104,954	116,079	128,383	530,110

WF11. Increase emergency room co-pays from \$50 to \$100²²

FY2010 Impact: \$45,000

Five Year Impact: \$278,000

Non-urgent care received in an emergency room can be approximately three times more expensive than care received in a physician's office. Raising the emergency room co-pays for individuals who are not admitted to the hospital would create an incentive for employees to see their primary care physicians for non-urgent care, while not penalizing employees who use the emergency room for urgent care.

Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Cost Savings	75,000	82,950	91,743	101,467	112,223	463,383
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	45,000	49,770	55,046	60,880	67,334	278,030

WF12. Restructure and raise physician office visit co-pays to the national average

FY2010 Impact: \$10,000

Five Year Impact: \$61,000

The City of Gary should implement a differential co-pay structure for primary care and specialist office visits to reflect the higher costs associated with specialist office visits. Additionally, the City should raise co-pays to the national average. Implementing a differentiated co-pay structure, and raising co-pays from \$15 for all office visits to \$21 for primary care visits and \$28 for specialist visits would generate an additional \$16,330 in gross annual revenue.

²² The increase would not apply in situations where the patient is admitted to the hospital



Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Cost Savings	16,330	18,061	19,975	22,093	24,435	100,894
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	9,798	10,837	11,985	13,256	14,661	60,536

The City should also consider other changes in plan design such as:

- Explore differentiated premiums and/or plan deductibles for employees who use tobacco (currently in place in multiple public sector employers including the State of Indiana).
- Implement a separate deductible on prescription drug co-pays
- Increase plan out-of-pocket maximums and in-network coinsurance
- Raise out-of-network charges

WF13. Contain post-retirement health care costs

FY2010 Impact: See WF07

Five Year Impact: See WF07

The City should no longer offer retiree health benefits to newly hired public safety employees. Retiree health coverage represents a large and rapidly growing financial obligation that the City cannot afford in light of its current fiscal condition. All current recipients of retiree health insurance benefits should contribute the same percentage of premium as active employees as listed in initiative WF07.

When the City’s fiscal condition improves in future years, the City may consider creating a defined contribution retiree medical benefit for City employees. Such arrangements are organized much like a 401-K retirement plan – the City would contribute a fixed dollar amount to an account that would grow tax-free. Employees would have the option to choose their investment vehicles and make additional tax-free contributions. Upon retirement, funds in this account would be used to pay for retiree medical premiums.

WF14. Change spousal benefit

FY2010 Impact: \$73,000

Five Year Impact: \$450,000

Currently, most working spouses of City employees can elect coverage under City health plans, even though their place of employment may offer health insurance coverage. The City should consider a provision requiring spouses of recent hires to select coverage at their own place of employment, if health coverage is offered there. The table below presents the cost savings associated with this initiative. There are 205 contracts for “employee + 1” coverage. The average difference in employer cost between employee and “employee + 1” coverage is \$3,953. Assuming that 15 percent of these contracts cover employee spouses who could receive coverage elsewhere, this generates \$121,565 in gross savings in FY2010.



Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Cost Savings	121,565	134,450	148,702	164,465	181,898	751,080
Discount Factor	40%	40%	40%	40%	40%	40%
Total Net Savings	72,939	80,670	89,221	98,679	109,139	450,648

WF15. Dependent eligibility audit

FY2010 Impact: \$24,000

Five Year Impact: \$54,000

Given the recent rounds of workforce reductions and further cuts recommended in this Plan, the City should perform a dependent eligibility audit to ensure that only eligible City employee dependents are covered under the City’s HMO and PPO plans. It is estimated that a third party administrator could perform this audit – which would entail sending a questionnaire by mail, processing documentation, and updating the City’s roll information – for between \$10,000 and \$15,000. This would include the cost of printed material, postage, and follow-up correspondences. The savings shown below are net of the audit costs.

Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Cost Savings	40,000	50,000	0	0	0	90,000
Discount Factor	40%	40%	0	0	0	40%
Total Net Savings	24,000	30,000	0	0	0	54,000

Worker’s compensation

WF16. Purchase excess insurance for worker’s compensation

FY2010 Impact: -\$40,000

Five Year Impact: -\$200,000

The City worker’s compensation program is self-insured, leaving the City vulnerable to a large liabilities stemming from catastrophic claim. By purchasing excess insurance, the City can protect itself against this exposure. The City’s third-party administrator has estimated the cost of excess insurance at approximately \$40,000 in FY2010. The City should consider making this relatively small investment to protect itself from a much larger cost.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(200,000)

Other options that the City may consider for restructuring employee compensation include:

- Improved monitoring of sick leave usage by department to detect and respond to abuse.
- Replace the existing vacation leave and holiday compensation policies with a paid time off allocation.
- Review the practice of providing compensatory days in lieu of pay, which can create a costly liability.



3. Elected Officials



Section Overview

This section reviews the four groups of elected officials and senior administrators in the Mayor's Office, Common Council, the City Clerk's Office and City Court. In many cases these officials will be responsible for reviewing, considering, approving and then overseeing the implementation of many initiatives in this Action Plan. They will also be the people to whom the City's employees, residents, businesses and other community members look for leadership through this period of financial distress.

While public scrutiny is a part of the job for elected officials, it is even stronger at a time when many City employees and residents are asked to make sacrifices to help the City stabilize and then recover. Some initiatives call for position cuts, increased contributions to health care, service reductions or a shift in who pays for public services to help the City bridge its large structural deficit. These offices have not been immune from these changes as each has reduced headcount and lowered expenditures from actual FY2006 results to budgeted FY2009 levels. But more is needed to help fill the structural deficit and to show employees, other residents and the broader community that there is a shared commitment to making the difficult decisions that lie ahead.

EO01. Non-represented employee base salary reduction

FY2010 Impact: \$64,000

Five Year Impact: \$295,000

In tandem with workforce reductions in other areas, the City should consider implementing an across-the-board five percent base salary reduction for non-represented employees with a base salary of more than \$50,000. Reducing pay for these employees spreads the burden of workforce reductions across all classes of employees while demonstrating the shared sacrifice that is necessary to stabilize the City's finances and enable recovery.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
64,000	64,000	64,000	64,000	64,000	320,000

EO02. Reduce travel expenses

FY2010 Impact: \$83,000

Five Year Impact: \$436,000

The City reduced its budget for travel and education expenses across all departments from \$181,000 in FY2009 to \$166,000 in FY2010, an 8 percent reduction. Common Council's allocation (\$86,000) is approximately half of the \$166,000 budgeted for FY2010. While it is valuable for employees to attend conferences, build relationships with other communities and gain exposure to new ideas, the City must reduce expenses wherever possible so its limited resources can be focused on its core public services. The total travel and education budget across all departments should be reduced by 50 percent beginning in FY2010.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
83,000	85,000	87,000	89,000	92,000	436,000



EO03. Eliminate board compensation

FY2010 Impact: \$59,000

Five Year Impact: \$295,000

At present, members of state-mandated supervisory boards receive an average of \$934 in annual compensation. While these members provide a valuable service to the community, they are also not likely to be dependent on these relatively small stipends. Wherever not prohibited by State law, the City should consider eliminating compensation for part time board members to realize annual recurring budget savings of \$59,000.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
59,000	59,000	59,000	59,000	59,000	295,000



Mayor's Office

Overview

In addition to housing the Mayor, Deputy Mayor and their direct support staff, the Mayor's Office now includes staff from two other units that were previously budgeted separately.

- **City Operations** was the office for the Chief of Staff and related support positions. Of the three positions in the FY2007 salary budget, the Chief of Staff was moved to the Mayor's Office, one secretarial position was eliminated and one administrative position was moved to the City's Media Fund (No. 270) which receives revenue related to cable television fees.
- **Public Information** had the Public Information Director (the Administration's lead liaison to the media and public affairs coordinator), a special events coordinator and an administrative assistant. In FY2009 the Public Information Director and administrative assistant were transferred to City Operations (in the first FY2009 budget) and then to the Mayor's Office (in the revised FY2009 budget).

Budgeted Positions – Mayor's Office and Related Units¹

	2006	2007	2008	2009	2010
Mayor's Office	5	7	6	7	7
City Operations	2	3	3	0	0
Public Information	3	3	3	0	0
Total	10	13	12	7	7

Since most of the expenditures within these units are related to personnel and the number of positions budgeted in the General Fund has dropped, the total General Fund expenditures have also dropped since FY2006. Employee health insurance is budgeted outside of the Office's allocation as it is for most other departments.

Historical expenditures – Mayor's Office

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	279,686	318,666	299,988	358,247	28.1%
P E R F	20,026	24,697	16,340	21,495	7.3%
F I C A	21,198	23,037	21,665	27,406	29.3%
Workmen's Compensation	749	1,151	3,726	14,330	1812.8 %
Unemployment Compensation	525	0	1,965	17,912	3308.8 %
Professional Services	372,873	200,827	144,499	50,000	-86.6%
Travel & Education	18,235	18,810	13,873	7,000	-61.6%
Subscription & Dues	26,122	3,838	796	1,500	-94.3%
Contractual Maintenance	1,222	2,700	385	0	-100.0%

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Leases	4,950	0	0	0	-100.0%
Printing	4,551	22,439	6,216	5,200	14.3%
Current Charges	0	6,056	5,136	1,000	N/A
Advertising	0	10,248	4,037	2,000	N/A
Grants & Subsidies	66,232	130,691	50,248	25,000	-62.3%
Mayor's Office total	816,369	763,159	568,873	531,090	-34.9%
City Operations	244,249	203,249	172,637	126,354	-48.3%
Public Information	1,059,032	208,490	167,541	0	-100.0%
Consolidated total	2,119,651	1,174,898	909,051	657,444	-69.0%

The baseline expenditure projections shown below are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows 5.0 percent annually while other expenses grow by 2.5 percent.

Projected baseline expenditures – Mayor's Office

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	399,913	399,913	399,913	399,913	399,913	0.0%
P E R F	23,995	25,195	26,454	27,777	29,166	21.6%
F I C A	30,593	30,593	30,593	30,593	30,593	0.0%
Workmen's Compensation	15,997	15,997	15,997	15,997	15,997	0.0%
Unemployment Compensation	15,997	15,997	15,997	15,997	15,997	0.0%
Professional Services	42,000	43,050	44,126	45,229	46,360	10.4%
Travel & Education	6,000	6,150	6,304	6,461	6,623	10.4%
Printing	2,200	2,255	2,311	2,369	2,428	10.4%
Advertising	2,000	2,050	2,101	2,154	2,208	10.4%
Subscriptions & Dues	1,000	1,025	1,051	1,077	1,104	10.4%
Current Charges	1,000	1,025	1,051	1,077	1,104	10.4%
Department total	540,694	543,249	545,897	548,644	551,492	2.0%



EX01. Establish a Chief Operating Officer or Managing Director position
FY2010 Impact: -\$40,000 **Five Year Impact: -\$360,000**

Overall City operations need greater direction. Given the myriad challenges facing the City, the Mayor, Deputy Mayor and senior officials cannot be expected to spearhead recovery efforts, lead economic development initiatives, and coordinate policy and politics with numerous other local, regional and state bodies while also providing day-to-day direction for City operating departments. Many cities of Gary's size have a full-time Managing Director or Chief Operations Officer to coordinate major public services. This structure allows the Mayor and senior appointed officials to be dedicated full-time to policy guidance and leadership while also providing department heads with oversight, coordination and direction. In light of the need to focus on core citizen services, the appointment of a strong chief operating officer to direct day-to-day operations would increase flexibility, enhance the coordination of more limited resources, and free the Mayor and his senior staff to work more extensively on strategic objectives and economic development initiatives.

The suggested compensation level shown above covers salary and benefits, including employee health insurance. The cost is discounted by 50 percent in FY2010 to give the City time to recruit and hire a strong candidate.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
(40,000)	(80,000)	(80,000)	(80,000)	(80,000)	(360,000)

Other initiatives related to the Mayor's Office are covered in the Elected Officials Section Overview.



Common Council

Overview

Gary Common Council is the legislative body of City government with responsibility for making laws through the passage of ordinances, resolutions and temporary or special actions. Council also makes annual appropriations through action on the City's operating and salary budgets. There are nine Council members – five elected by geographic district and four at-large members – from whom are selected two primary officers, a President and Vice-President. Council conducts much of its work through its Standing and Special Committees.

Along with the nine Council members, there are seven full-time positions in the FY2009 budget – the Office Manager, Legislative Resource Coordinator, four legislative assistants and a video technician. In FY2009 the City transferred one position (assistant technician) off the General fund and eliminated another.

Historic Employee Count – Budgeted Positions¹

	2006	2007	2008	2009	2010
Council members	9	9	9	9	9
Other staff	9	9	9	7	7
Total	18	18	18	16	16

The reduction in positions budgeted in the General Fund has reduced the salary and wage allocation to Common Council, which is the largest component of its budget. Travel and grants and subsidies expenditures have also declined since FY2007. Employee health insurance is budgeted outside of Council's allocation as it is for most other departments.

Historical expenditures – Common Council

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	554,746	566,106	562,199	497,870	-10.3%
P E R F	22,069	23,870	29,179	29,872	35.4%
F I C A	42,235	43,093	41,689	38,087	-9.8%
Workmen's Compensation	10,275	9,335	9,423	9,958	-3.1%
Unemployment Compensation	6,069	5,954	6,026	9,958	64.1%
Insurance Principal Care	0	0	7,200	0	N/A
Travel & Education	182,026	181,992	133,120	105,856	-41.8%
Professional Services	146,977	139,554	137,076	150,883	2.7%
Subscription & Dues	15,839	7,961	9,679	11,000	-30.6%

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Supplies & Materials	36,311	25,392	21,544	24,480	-32.6%
Repairs & Maintenance	8,771	8,216	4,644	9,705	10.6%
Machinery & Equipment	13,905	25,214	6,671	6,900	-50.4%
Telephone & Postage	30,631	30,327	27,203	29,766	-2.8%
Printing	9,576	7,315	11,917	9,500	-0.8%
Other Expenses	0	100	604	0	N/A
Other Capital Outlays	0	0	0	10,000	N/A
Grants & Subsidies	236,993	316,951	201,573	98,515	-58.4%
Total	1,316,422	1,391,379	1,209,746	1,042,350	-20.8%

The baseline expenditure projections shown below are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows 5.0 percent annually while other expenses grow by 2.5 percent for inflation.

Projected baseline expenditures – Common Council

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	239,327	239,327	239,327	239,327	239,327	0.0%
Part-Time Salaries & Wages	258,543	258,543	258,543	258,543	258,543	0.0%
P E R F	29,872	31,366	32,934	34,581	36,310	21.6%
F I C A	38,087	38,087	38,087	38,087	38,087	0.0%
Workmen's Compensation	9,958	9,958	9,958	9,958	9,958	0.0%
Unemployment Compensation	9,958	9,958	9,958	9,958	9,958	0.0%
Supplies & Materials	21,480	22,017	22,567	23,132	23,710	10.4%
Professional Services	140,883	144,405	148,015	151,716	155,509	10.4%
Travel & Education	85,856	88,002	90,202	92,458	94,769	10.4%
Telephone & Postage	27,266	27,948	28,646	29,363	30,097	10.4%
Printing	7,000	7,175	7,354	7,538	7,727	10.4%
Contractual Maintenance	9,205	9,435	9,671	9,913	10,161	10.4%
Subscriptions & Dues	9,000	9,225	9,456	9,692	9,934	10.4%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Machinery & Equipment	6,900	7,073	7,249	7,431	7,616	10.4%
Total	893,335	902,519	911,969	921,695	931,705	4.3%

Initiatives related to Common Council are covered in the Elected Officials Section Overview.



City Clerk

Overview

The City Clerk’s office is divided into two divisions – the Criminal Division and the Civil Division. The Criminal Division maintains court records affecting the Gary Police Department, Gary City Court, Lake County Prosecutor (Gary Office) and code enforcement. Its responsibilities include:

- Court Records: Maintaining a record of criminal filings and ordinance violations, bench warrants, motions and driver license suspensions and reinstatements.
- Bonds: Collecting cash bonds and records surety bond receipts.
- Fines: Collecting fines, court costs and other fees from traffic and criminal cases.

The Civil Division of the Office is responsible for processing civil court cases. Its responsibilities include:

- Bench Warrants: The Civil Division processes and records all bench warrants issued and/or recalled by the Civil Division of the Gary City Court.
- Garnishments: When the Civil Court orders a garnishment, it is the responsibility of the Clerk’s Civil Division to record and maintain the collection history of all financial transactions.
- Evictions: The Civil Division processes all new cases filed of evictions related to persons and/or real property and logs them into permanent record books and a computer database.
- Gary Common Council: The Gary City Clerk is responsible for the preparation of minutes, agendas, notices of all calls for special meetings, and the recording and maintaining of all original Gary Common Council proceedings inclusive of votes and the final processing of ordinances and resolutions. The Gary City Clerk is responsible for the printing of cumulative supplements to the code into permanent volumes. The Gary City Clerk is responsible for the stamping and delivering of the Council-approved Annual City of Gary Operating Budget to the Lake County Auditor.

The Clerk’s office is located in the Public Safety Complex on Polk Street. Previously, the Clerk’s office had two locations – one at City Hall and one at Police Headquarters.

The City Clerk is an independently elected official. The Deputy Clerk and four supervisors – two for the criminal division, one for the civil division and a fiscal manager – all currently report to the City Clerk. The remaining members of the Clerk’s staff report through the four supervisors. Clerk staff members work in the courtroom, perform data entry functions and staff a customer service function that provides information and documents to members of the public.

Historic Employee Count – Budgeted Positions¹

	2006	2007	2008	2009	2010
Clerk/Chief Deputy	2	2	2	2	2
Fiscal Manager	1	1	1	1	1
Supervisor	4	4	3	2	1

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



	2006	2007	2008	2009	2010
Deputy Clerk	27	27	24	20	18
Other	7	7	7	7	7
Total	41	41	37	32	29

The number of budgeted positions in the City Clerk's Office has dropped several positions each year since 2007. The FY2010 budget cuts one supervisor and two Deputy Clerk positions. The number of filled positions has remained relatively stable.

Historic Employee Count – Filled Positions²

2006	2007	2008	2009
36	36	35	33

Salaries and wages account for the majority of the Office's expenses (64.2 percent in FY2008). Staff received a 3.0 percent base wage increase in FY2007 and then had a base wage freeze in FY2008 and FY2009. The FY2010 budget includes a 2.0 percent pay cut for all employees. The cost of the City's contributions to employee health insurance is not included here since it is budgeted separately, as it is for most other units.

Historical expenditures – City Clerk

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	952,836	1,018,423	996,944	979,387	2.8%
P E R F	68,341	77,722	53,984	57,178	-16.3%
F I C A	70,241	74,964	71,251	65,633	-6.6%
Workmen's Compensation	13,385	13,821	19,462	16,383	22.4%
Unemployment Compensation	12,873	14,251	18,907	26,640	106.9%
Supplies & Materials	21,438	5,205	4,217	20,000	-6.7%
Professional Services	150,065	125,923	84,590	60,000	-60.0%
Travel & Education	3,505	7,867	6,644	8,000	128.3%
Telephone & Postage	2,595	22,862	8,195	15,000	478.0%
Printing	34,965	44,692	39,038	40,000	14.4%
Advertising	5,925	3,772	3,169	10,000	68.8%

² The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported outside the General Fund.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Repairs & Maintenance	114,841	90,888	100,525	40,000	-65.2%
Leases	10,200	11,392	8,455	15,000	47.1%
Subscription & Dues	1,376	803	475	3,000	118.0%
Machinery & Equipment	24,341	55,892	43,980	10,000	-58.9%
County Court Costs Transfer	96,751	52,477	70,383	0	-100.0%
Miscellaneous Expense	0	0	565	0	N/A
Grants & Subsidies	66,309	45,495	22,356	10,500	-84.2%
Total	1,649,988	1,666,448	1,553,141	1,376,720	-16.6%

The Office's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and FICA taxes, are frozen for the five-year period. The City's contribution to PERF grows by 5.0 percent annually while others increase by 2.5 percent.

Projected baseline expenditures – City Clerk

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	860,671	860,671	860,671	860,671	860,671	0.0%
P E R F	51,640	54,222	56,933	59,780	62,769	21.6%
F I C A	65,841	65,841	65,841	65,841	65,841	0.0%
Workmen's Compensation	34,427	34,427	34,427	34,427	34,427	0.0%
Unemployment Compensation	34,427	34,427	34,427	34,427	34,427	0.0%
Office Supplies	19,309	19,792	20,287	20,794	21,314	10.4%
Professional Services	60,000	61,500	63,038	64,613	66,229	10.4%
Travel & Education	8,000	8,200	8,405	8,615	8,831	10.4%
Telephone & Postage	15,000	15,375	15,759	16,153	16,557	10.4%
Printing	40,000	41,000	42,025	43,076	44,153	10.4%
Advertising	10,000	10,250	10,506	10,769	11,038	10.4%
Repairs & Maintenance	40,000	41,000	42,025	43,076	44,153	10.4%
Leases	15,000	15,375	15,759	16,153	16,557	10.4%
Subscriptions & Dues	3,000	3,075	3,152	3,231	3,311	10.4%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Machinery & Equip	10,000	10,250	10,506	10,769	11,038	10.4%
Department total	1,267,315	1,275,405	1,283,762	1,292,395	1,301,315	2.7%

Assessment

Despite reductions in budgeted positions over the last ten years, the Clerk reports that there has been little impact on the office's ability to provide required services. Staff members do not receive overtime, but they do regularly receive compensation time.

There has been a significant reduction in filings with the Clerk's office. In the last ten years, the peak number of criminal case filings was 29,892 cases in 2004. By 2007, however, criminal case filings were down to 13,300. In the current year, officials in the Clerk's office predict that there will be approximately 16,000 criminal filings. The decline in civil cases has been even more dramatic. In 2004, there were 3,032 civil cases filed in the City Court. Through late November 2009, there had only been 650 civil cases filed. Clerk officials attribute the decline to the establishment of uniform filing fees across the State that eliminated the price advantage that the Gary City Court had previously enjoyed for civil litigants.

As of November 2009, there were more than 162,000 open cases in the City Court case management system. These include cases that had not yet reached disposition or those cases where there were outstanding judgments.

In 2008, Gary City Court collected a total of \$890,538 in fines fees and other court related costs. Of this amount, however, only \$227,406 went to the City. The State received more than 60 percent of all revenue collected by the Clerk. Total court revenue was down by 12 percent from just the prior year. Moreover, most of the decline was in revenue to the City.³

The allocation of court revenue is determined by the type of offenses before the court, a set allocation of court costs and fine and fee amounts set by State and local law. All fines on state law violations are forwarded to the State of Indiana and all fines on local code violations are forwarded to the City of Gary. Court cost revenue is allocated such that 55 percent goes to the State, 25 percent to the City and 20 percent to Lake County. In comparison, despite having a smaller population, the Hammond City Court generates significantly more in total revenue than the Gary City Court and slightly more in local revenue.

³ The City of Gary provided court filing data and revenue data for 2008 and 2009. Historic data is from the Indiana Courts website at www.in.gov/judiciary.



2007 Court Revenue Comparison

	Population	State Revenue	County Revenue	Local Revenue	Total	Local Revenue Per Capita
Gary	96,240	\$528,300	\$120,334	\$365,086	\$1,013,719	\$3.79
Hammond	77,035	\$786,211	\$128,139	\$369,488	\$1,283,838	\$4.80

The Clerk can take payment on fines and fees at the time of judgment, either in the courtroom or in its office. The Court, however, sometimes postpones payments to a later date. Upon judgment, the Clerk will send a notice to pay. If a judgment goes unpaid, the Court can move to suspend the defendant's license to drive. The Clerk will only take payments in check or cash: there is no provision for on line payments or payments by credit cards. The Clerk, however, is not responsible for collection of probation costs or fees for defendants participating in the City Court drug court program.

The Clerk's office does not have data on the total amount of uncollected fines and fees owed to the City, either in aggregate or by age of the delinquency. While the Clerk does have outside counsel, it has not to date referred delinquent accounts for collection. Interest is not charged on outstanding fines or fees until a case is referred for debt collection. For those cases referred for debt collection, the City can impose a ten percent surcharge to cover the cost of collection.

Assessment

CL01. Delinquent fine and fee collection

FY2010 Impact: \$360,000

Five Year Impact: \$360,000

The Clerk, Lake County and the State should develop a short term initiative to identify and collect on outstanding court related debt. Because significant portions of unpaid fines and fees would ultimately go to the County and the State, they have a fiscal stake in funding this effort. The joint initiative should work to (a) identify a total amount of outstanding debt; (b) conduct an age analysis of the debt (e.g. the percentage of outstanding fines, fees and court costs from within the last year, three years and five years); (c) develop a request for proposals for one time collection of outstanding debt. The cost of actual debt collection should be subsidized – at least in part – by the ability to impose a surcharge for the cost of collection.

Court data suggest that approximately half of all cases in City Court are disposed of by failure to appear or make payment. Assuming that uncollected fines and fees in a given year are equal to the amount actually collected, that suggests that there are approximately \$950,000 in uncollected fines and fees per year (based on the amount collected over the last two years). Because the likelihood of collection diminishes over time, the total collection rate on this unpaid debt may be rather low. Even if it was just 30 percent for debt accrued over the last five years, it would result in \$1,425,000 in new revenue – with approximately \$360,000 coming to the City of Gary.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
360,000	0	0	0	0	360,000



CL02. Eliminate Civil Division
FY2010 Impact: \$210,000

Five Year Impact: \$1,103,000

Based on 2009 YTD data, fewer than three civil cases per day are now being filed in the Civil Division of the City Court. The Court’s civil jurisdiction – and the civil division of the Clerk’s office – can be eliminated with relatively little impact on court services actually delivered to Gary residents. Because the Clerk was unable to furnish a staffing analysis that suggested the number of deputy clerks and other staff assigned to civil cases, the best estimate is based on the division of supervisors – one of the four supervisors in the Clerk’s office is assigned to civil cases. The Clerk would probably need to retain one or two staff members to work to close out existing civil cases already filed with the court. Overall though, elimination of the Civil Division should allow for the elimination of six additional positions in the Clerk’s office. Budget savings are calculated on the basis of an 18.75 percent reduction in personnel related costs.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
210,000	215,000	220,000	226,000	232,000	1,103,000

CL03. Create a model fee and fine collection program

FY2010 Impact: \$250,000

Five Year Impact: \$3,500,000

In addition to working to collect outstanding court debt, the Clerk, County and State need to work together to significantly increase fine, fee and cost collection from cases that continue to go through the criminal division of City Court.

Fine and fee collection is both a potentially important source of revenue for the City and an important component of ensuring a just outcome of cases before the City Court. Fines and costs can be an effective punishment with deterrent effect. In theory, fines create a general and specific deterrent based on economic loss, much as incarceration creates a deterrent based on the prospect of a loss of liberty. Most studies suggest that “fines may act as a deterrent to criminal activities.”⁴ An analysis based on other research studies found that fines can have at least as much of an effect on recidivism as other sanctions.⁵

In order for fines and fees to be a deterrent, however, they must actually be collected. To the extent that certainty is an important component of the deterrent effect of any sanction, the fact that fines and fees go largely uncollected sends offenders a message that there are only limited consequences to their criminal activity. Moreover, the lack of collection on mandated fines and fees has the effect of eroding the judicial process itself.

In 1996, the National Center for State Courts (NCSC) developed a detailed best practices analysis of judicial debt collection, based on work in 40 courts in 22 states. The analysis found that there were three keys to successful fine collection:

- Adoption of a philosophy that active collection was necessary
- Decision to improve community perceptions that fines had to be paid

⁴ Doris L. Mackenzie, “Criminal Justice in Crime Prevention,” in Lawrence Sherman, et. al, *Preventing Crime: What Works, What Doesn’t, What’s Promising* (National Institute of Justice, 1998).

⁵ Paul Gendreau and C. Goggin, “Principles of effective correctional programming,” *Forum on Corrections Research*, 1996.



- Staff and resources dedicated to the collection effort⁶

While court clerks are frequently charged with the actual collection of judicial debt, the NCSC study found that “a collections program cannot be successful without strong, consistent support from the bench.” Successful collection programs depend on judges who are willing to make payment upon disposition the rule, not the exception. The NCSC study found that “successful courts all have a judge who tells defendants that payment must be made that day or within 24 hours...”

Effective collection programs also require clear and specific sanctions for those offenders who fail to pay. In some cases, offenders who willfully fail to pay fines can be jailed. However, jail space is a costly and scarce resource in most jurisdictions. Thus, any program that creates the potential of using jail resources as a means of compelling fine payment should probably be reserved for the most extreme cases and should be based on a careful balancing of the benefit of additional fine collection and the cost of incarceration to the County. For most cases, judges need to have an alternative sanction – in some cases, that may be driver’s license suspension and in other cases, it may be community service. Some of the most effective programs use different means of finding offenders and offender assets. Best practices include garnishment of wages and unemployment compensation, intercepts of lottery winnings and tax refunds and targeted collection efforts at the largest scofflaws during holidays.

Other studies have also found that there may be a benefit to customizing certain required payments because some criminal defendants have more resources than others. A number of United States jurisdictions have sought to replicate the process for fines used in many European countries. In Europe, courts seek to individualize fines for offenders based on their ability to pay. In the United States, fines have historically been set based on the severity of the offense. The problem is that a \$500 fine for an individual who earns \$100,000 annually is very different than for a defendant who earns \$10,000 a year. The European system of “day fines” – set based on the value of a day of offender wages – makes it more likely that offenders can afford to make required payments.⁷

Admittedly, there are significant obstacles to the collection of debt from offenders. Many lack income. Many move frequently and are difficult to find. Nevertheless, courts that have implemented best practices approaches have increased collections. In 1993, Dallas County launched a fine collection pilot program in three criminal misdemeanor courts. In fact, the Dallas County program worked so well that the Texas Legislature moved to mandate the program in the majority of county and municipal courts in the state in 2005.

The components of the program include:⁸

- Staff dedicated exclusively to collection activities.
- Expectation that all court costs, fees and fines are generally due at the time of sentencing or pleading.
- Defendants unable to pay in full on the day of sentencing are required to apply for an extension of time.

⁶ John T. Matthias, Gwendolyn Lyford and Paul Gomez, *Current Practices in Collecting Fines and Fees in State Courts: A Handbook of Collection Issues and Solutions*, National Center for State Courts, 1996.

⁷ Justice Management Institute and Vera Institute of Justice, *How to Use Structured Fines (Day Fines) As an Intermediate Sanction*, Bureau of Justice Assistance, 1996.

⁸ Texas Office of Court Administration, *OCA Model Court Collections Program Components* at <http://www.courts.state.tx.us/oca/collections/modelcomp.asp>.



- Application information is verified and evaluated to establish an appropriate payment plan for the defendant.
- Payment plans are usually strict (e.g. 50 percent of the total amount due must be paid within 48 hours; 80 percent within 30 days; and 100 percent within 60 days).
- Alternative enforcement options (e.g., community service) are available for those who do not qualify for a payment plan.
- Defendants are closely monitored for compliance and action is taken promptly for non-compliance.
- A county or city may contract for collection services on delinquent cases.
- Application of statutorily permitted collection remedies, such as programs for non-renewal of driver’s license or vehicle registration.
- Issuance and service of warrants, as appropriate.

Under the model Texas program, the courts have been able to increase their collection rates significantly. According to data from the Office of Court Administration, counties participating in the program have – on average – seen collection rates grow from 36.0 percent to 66.4 percent. Implementation of the Texas statewide model in Wichita Falls (population 101,428) resulted in FY2008 municipal fine and fee revenue totaling \$1.8 million. Wichita Falls was able to achieve these results with 21 full-time equivalent positions in the Clerk’s office and the Court’s office. Under the scenario proposed below, the City would gradually increase local court revenue by \$1 million per year over the next four years. In FY2010, this would require the City to double municipal revenue from the Court from its 2008 level.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
250,000	500,000	750,000	1,000,000	1,000,000	3,500,000



City Court

Overview

The Gary City Court has jurisdiction over a variety of criminal and civil matters. According to data from 2007, Gary City Court had a total of 15,390 new filings. Most new filings were for infractions (8,249), misdemeanors (2,971) and ordinance violations (2,083). Most infractions are traffic offenses. Civil actions focused on garnishment and eviction actions. Criminal infraction and misdemeanor cases are prosecuted in the City Court by the Lake County prosecutor’s office. Ordinance violations are prosecuted by the City’s Law Department.

Not all cities in Indiana have a separate City Court: most matters within the jurisdiction of the City Court would otherwise be adjudicated by County Court judges. As of 2007, there were 87 city or town courts in the State of Indiana. Of the five largest cities in Indiana, however, Gary is the only one with its own City Court.

The City Court Judge is an independently elected official. In addition to the Judge, the Court also retains attorneys on a part-time basis to act both as referees and public defenders or pauper attorneys. The Court is in operation six days per week and holds court sessions during the evening and on Saturday morning.

In 2007, the City Court disposed of 18,751 cases: 7,456 cases were disposed of by a defendant’s failure to appear in court or to pay fines; 6,140 cases were resolved by plea; 4,160 cases were dismissed and there were 327 bench trials.

The Court Administrator is responsible for the day to day operations of the court’s non-legal employees. The Court also employs probation officers who conduct pre-trial interviews of defendants in criminal cases and engage in supervision. Some defendants may be on both City probation – for cases adjudicated in the City Court – and County probation – for cases adjudicated in the County criminal court system. Bailiffs, for which there are full- and part-time positions, provide court security, prisoner transport and liaison functions with the Clerk’s office. The number of budgeted Court positions has dropped by 18 (29 percent) since FY2006, mainly due to part-time bailiff position reductions.

Historic Employee Count – Budgeted Positions¹

	2006	2007	2008	2009	2010
Judge/Court Administrator	2	2	2	2	2
Referee/Civil Magistrate	5	5	5	5	5
Public Defender/Pauper Attorney	5	5	6	4	4
Probation Officer	4	4	4	5	5
Bailiff	22	22	22	13	7
Other	24	24	22	23	21
Total	62	62	61	52	44

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



Historic Employee Count – Filled Positions²

2006	2007	2008	2009
57	57	58	49

A significant part of the Court's budget and its staffing is devoted to the administration of a series of alternative programs for defendants with substance abuse and mental health problems and for cases involving domestic violence.

- Since its start in 1996, the Gary Drug Court has had more than 500 participants. At any given time, there are between 75 and 80 individuals in the Drug Court program. The program lasts for 52 to 62 weeks and focuses on non-violent substance abusers. The court requires participation in community service, regular drug tests, participation in Narcotics Anonymous and efforts to obtain employment and a high school degree. Participants are required to pay a \$500 fee to the court. The City Court Drug Court program is the only program of its type in Lake County that is certified by the State. The program was started with the support of a federal grant, but has been almost exclusively funded by the City since 2001.
- The Gary Mental Health Court was started in 2005. Between 100 and 150 individuals are in the program at any given time. As part of the initial interview of defendants, the Court identifies those with mental health problems. Cases are diverted with treatment provided by an outside mental health service provider.
- The Court also oversees a domestic violence mediation program, with approximately 125 cases in the program at any given time.

Historical expenditures – City Court

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	1,253,710	1,320,302	1,343,925	1,131,333	-9.8%
P E R F	73,329	82,633	60,916	66,915	-8.7%
F I C A	93,504	98,274	97,455	80,825	-13.6%
Workmen's Compensation	16,103	16,297	20,936	34,208	112.4%
Unemployment Compensation	16,103	17,548	20,936	34,208	112.4%
Supplies & Materials	54,320	58,115	67,750	52,000	-4.3%
Professional Services	102,058	77,613	58,420	65,000	-36.3%
Travel & Education	33,254	19,119	32,501	30,000	-9.8%

² The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported outside the General Fund.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Telephone & Postage	6,816	8,273	3,883	6,000	-12.0%
Printing	1,549	5,865	5,675	3,500	126.0%
Advertising	250	3,162	0	2,500	900.0%
Repairs & Maintenance	6,787	20,859	14,920	7,500	10.5%
Subscription & Dues	6,061	2,803	4,460	3,000	-50.5%
Leases	11,781	5,279	14,125	4,500	-61.8%
Machinery & Equipment	22,855	27,000	0	0	-100.0%
Other Expenses	3,311	5,229	8,963	5,000	51.0%
Grants & Subsidies	10,055	7,081	4,213	2,500	-75.1%
Total	1,711,845	1,775,452	1,759,079	1,528,989	-10.7%

The Court's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and FICA taxes are frozen for the five-year period. The City's contribution to PERF grows by 5.0 percent annually while others increase by 2.5 percent. The cost of the City's contribution to employee health insurance is not shown here since it is budgeted separately, as it is for most units.

Projected baseline expenditures – City Court

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	1,121,500	1,121,500	1,121,500	1,121,500	1,121,500	0.0%
P E R F	64,440	67,662	71,045	74,597	78,327	21.6%
F I C A	85,795	85,795	85,795	85,795	85,795	0.0%
Workmen's Compensation	42,960	42,960	42,960	42,960	42,960	0.0%
Unemployment Compensation	42,960	42,960	42,960	42,960	42,960	0.0%
Supplies & Materials	54,000	55,579	57,215	58,908	60,662	12.3%
Professional Services	55,500	56,888	58,310	59,767	61,262	10.4%
Travel & Education	30,000	30,750	31,519	32,307	33,114	10.4%
Telephone & Postage	6,000	6,150	6,304	6,461	6,623	10.4%
Printing	3,500	3,588	3,677	3,769	3,863	10.4%
Advertising	2,000	2,050	2,101	2,154	2,208	10.4%
Repairs & Maintenance	9,000	9,225	9,456	9,692	9,934	10.4%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Leases	5,500	5,638	5,778	5,923	6,071	10.4%
Refunds, Awards & Indemnities	2,000	2,050	2,101	2,154	2,208	10.4%
Subscriptions & Dues	3,000	3,075	3,152	3,231	3,311	10.4%
Current Charges	2,500	2,563	2,627	2,692	2,760	10.4%
Machinery & Equipment	1,000	1,025	1,051	1,077	1,104	10.4%
Department total	1,531,655	1,539,456	1,547,549	1,555,947	1,564,662	2.2%

Assessment

As discussed in the City Clerk chapter, there has been a decline in civil and criminal filings with the City Court resulting in a reduction in caseload. The rate of cases disposed due to defendant failure to appear (FTA) or pay in Gary City Court is higher than in Lake County courts overall or in city and town courts statewide. In 2007, 39.8 percent of cases in the City Court were disposed of as FTA: only cases involving ordinance violations or infractions can be closed in this manner. By comparison, all town and city courts statewide closed 13.8 percent of cases as FTA and, in all Lake County courts (excluding Gary City Court), FTAs accounted for 20.8 percent out of a total of 81,541 infraction and ordinance violation case dispositions.

The low appearance rate – combined with the relative lack of enforcement of fines detailed in the Court Clerk section – needs to be understood as more than just a revenue problem. The degree to which court sanctions can have a deterrent effect is greatly limited by the lack of certainty in punishment. A sanction that is imposed but not enforced is in some ways worse than no sanction at all.

Staff reductions over the last four years have resulted in cuts to the court's drug and mental health programs. The Court unsuccessfully sought new federal funding to support those programs in 2009.

Initiatives

- CT01. Increase prosecution of traffic cases as ordinance violations**
FY2010 Impact: N/A **Five Year Impact:** N/A

Court revenue to the City is dependent in part on the type of offense charged. Many offenses – particularly traffic offenses – can be prosecuted as either infractions (where a violation of State law is charged) or ordinance violations (where the violation of City Code is charged). The charging decision is largely left to the discretion of the officer issuing the citation. Working with the Court, the Police Department could instruct officers to charge violations of local ordinance wherever possible. The City Court Judge has raised this issue in the past with the Police Department. Given the lack of detailed, accessible data on cases before the court, the fiscal impact is unclear.

- CT02. Seek County and State support for alternative programs**
FY2010 Impact: \$200,000 **Five Year Impact:** \$1,000,000

To the extent that they are successful at reducing recidivism, the Gary drug and mental health court programs are likely saving both the County and the State costs related to incarceration in the County Jail and the state prison system. Reduced recidivism also has public safety



benefits for Gary residents. Neither the State nor the County currently provides significant direct support to the drug court or mental health court programs. The Court does collect probation and drug court fees and the State and the County prosecutor provide approximately \$12,500 in funding annually through small grants. The City funds the rest of the estimated \$500,000 in costs related to the diversion programs.

The City should seek “fair share” contributions from the State and County for continuation of the Drug Court and Mental Health Court programs. To the extent that it can demonstrate a fiscal benefit to its intergovernmental partners, funding for the programs would “save” both the County and State funds over the alternative of increased incarceration and prosecution related costs. If the City cannot demonstrate fiscal benefits or the County and State are unwilling to provide for additional funding, the City should move to reduce and gradually eliminate the programs. While further analysis is necessary to determine the “fair” amount of State and County support, the projection below assumes the State and County would cover 40 percent of the \$500,000 costs cited above.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
200,000	200,000	200,000	200,000	200,000	1,000,000

CT03. Eliminate City Court

FY2010 Impact: \$1,320,000

Five Year Impact: \$12,032,000

As an alternative to eliminating the civil jurisdiction of the City Court (as recommended in the chapter on the City Clerk) or increasing revenue from ordinance violation prosecution and State and County support of alternative programs (outlined above), the City could eliminate the City Court. Cases currently heard by the City Court would be directed to the County court system. The City would have to create an alternative means of disposing local ordinance violations: in other Indiana cities, there are ordinance violation bureaus.

The Clerk’s office would likely still need to retain staff to manage the close out or transfer of the open City Court cases to the County. But, over time, the Clerk’s duties would be limited to serving as Clerk to the City Council. The funding for the City Court staff and the City Court judge would be eliminated. In South Bend, where there is no City Court, the Clerk had an FY2008 budget of \$328,927 with five full-time equivalent positions.

There are two scenarios for calculating the fiscal impact of eliminating City Court. The first scenario assumes the City would make a decision whether to eliminate the Court by April 2010 and begin implementing the decision by July 2010. The Court would be phased out by the end of December 2011. In that scenario 50 percent of the net savings of salary from the Clerk’s office (offsetting the continued cost of its City Council support function) would be achieved in FY2010, 80 percent of would be achieved in FY2011 and 100 percent would be achieved in subsequent years. In addition, the fiscal impact calculation assumes 50 percent of savings of the City Court budget in FY 2010 and 100 percent in subsequent years. The calculation reduces potential savings by the \$227,000 in baseline municipal revenue for court costs, fines and fees³ in FY2010.

³ Based on the 2008 actual revenue to the City. The forgone revenue is discounted by 50 percent in 2010 to match the expenditure discount and grows by 2.5 percent each year.



Fiscal Impact: Scenario I

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
City Clerk Savings	523,890	838,234	1,047,780	1,047,780	1,047,780	4,505,464
City Court Savings	909,827	1,857,984	1,899,841	1,945,582	1,995,598	8,608,833
Subtotal	1,433,717	2,696,218	2,947,621	2,993,362	3,043,378	13,114,297
Lost Revenue	(113,703)	(233,091)	(238,918)	(244,891)	(251,014)	(1,081,618)
Net savings	1,320,014	2,463,127	2,708,703	2,748,470	2,792,364	12,032,679

The second scenario seeks to account for the alternatives to elimination of the Court detailed in this chapter and the chapter on the City Clerk. In other words, if City Court was eliminated, the potential savings and revenue from those initiatives would also be lost. Even taking account of those other initiatives, elimination of the court would still save \$6.5 million over the next five years.

Fiscal Impact: Scenario II

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
City Clerk Savings	523,890	838,234	1,047,780	1,047,780	1,047,780	4,505,464
City Court Savings	909,827	1,857,984	1,899,841	1,945,582	1,995,598	8,608,833
Subtotal	1,433,717	2,696,218	2,947,621	2,993,362	3,043,378	13,114,297
Lost Municipal Court Revenue	(113,703)	(233,091)	(238,918)	(244,891)	(251,014)	(1,081,618)
Forgone Additional Collection Revenue (CL03)	(250,000)	(500,000)	(750,000)	(1,000,000)	(1,000,000)	(3,500,000)
Foregone Civil Division Savings (CL02)	(210,470)	(210,470)	(210,470)	(210,470)	(210,470)	(1,052,350)
Foregone State and County Support (CT02)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(1,000,000)
Total Projected Savings	659,544	1,552,657	1,548,233	1,338,000	1,381,894	6,480,329

It is understood that the City's deliberations on how to restructure its Court and Clerk functions will occur within the context of similar deliberations in Lake County where County Council recently authorized a study of the costs and benefits associated with closing or consolidating County Court satellite offices in Gary, Hammond and East Chicago. If all three of these satellites were closed and City Court was closed, City residents would have to use the Court facilities in Crown Point. County Council does not have authority to execute any recommendations that come from the study since that power rests with the County Commissioners and County Court.

While the City should be mindful of these County deliberations, the urgency of addressing its own financial distress and uncertainty of the nature and timing of any County changes should preclude the City from waiting for the County study to be completed before taking action. The City should reach a decision on how to proceed by mid-2010.



4. Professional Services



Finance Department

Overview

The City of Gary's Finance Department serves to safeguard and administer the financial resources of the City. The Department is responsible for the City's payroll function, accounts payable, debt management, capital projects, grants administration, and budgeting and financial reporting. The Department Director also serves as the City's Controller and oversees certain City operations.

The Divisions within the Finance Department include Accounting, Operations, Internal Audit, and Management Information Systems.

- The **Accounting Division** is responsible for bank reconciliation, cash management, grants and projects, and budgets and financial statements.
- The **Operations Division** manages revenue and accounts receivable, accounts payable, payroll services, and purchasing.
- The **Internal Auditor** is responsible for assisting in the preparation of the annual audit, coordinating responses and plans to address auditor's comments, and internal controls reviews within City departments.
- The **Management Information Systems (MIS)** staff is responsible for system and network administration and providing user support.

While the Department is responsible for managing the City's finances, the City's Board of Works must approve each payroll, as well as payments of claims against contracts. The Board of Works must also approve any contract greater than \$5,000. The Finance Director sits on this board along with the Deputy Mayor and the Director of Public Works.

In mid-2009 the Department of Human Resources was combined with the Finance Department. This change was intended to produce greater efficiency in human resource management and create savings by reducing staffing needs.¹ MIS was also budgeted separate of Finance until FY2009. As the tables below show, the City has reduced the number of filled and budgeted positions across these three units.

Filled Positions – Finance and Related Units²

	2006	2007	2008	2009
Finance	14	14	14	16
Human Resources	8	8	8	4
MIS	4	4	4	3
Total	26	26	26	23

¹ Though Human Resources is now part of Finance, it is addressed in its own chapter.

² The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported outside the General Fund.



Budgeted Positions – Finance and Related Units³

	2006	2007	2008	2009	2010
Finance	16	16	15	17	20
Human Resources	8	8	8	0	0
MIS	4	4	4	3	0
Total	28	28	27	20	20

The historical expenditures for Finance, Human Resources and MIS are shown in the chart below. Please note that there are several large items in Finance's budget that are actually related to the operations of several departments. For example, the light and power expenses (\$1.5 million in FY2009) cover several facilities, most of which are outside of Finance's operations. The same is likely true of other utility, insurance and postage expenses, which are grouped below separate of the Department's operating expenditures. Budgeting utility costs in one department may be more convenient for processing payments and it is advisable that one unit (in this case Finance) has responsibility for paying these obligations on time. However, consolidating all utility expenses into one department's budget⁴ also makes it more difficult to determine the actual cost of a specific department's services since their associated utility costs do not appear in that specific budget. Finance's budget also shows several very large transfers, debt service and loan repayments, which are grouped separately in the chart below.

Historical Expenditures – Finance and Related Units

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	644,299	632,800	572,172	643,429	-0.1%
Other Compensation	24,063	1,224	0	232,000	864.1%
Overtime Pay	4,365	2,069	0	0	-100.0%
P E R F	130,078	49,065	31,239	52,526	-59.6%
F I C A	49,813	46,799	41,295	53,470	7.3%
Workmen's Compensation	6,625	7,156	10,552	35,017	428.5%
Unemployment Compensation	6,625	7,590	10,552	35,017	428.5%
Supplies & Materials	1,429,794	175,942	181,679	152,000	-89.4%
Contractual Maintenance	516,812	362,068	154,593	43,000	-91.7%
Professional Services	217,027	189,032	150,352	130,000	-40.1%

³ The budgeted positions shown for FY2009 are from the revised FY2009 budget.

⁴ While most of the utility expenses seem to be concentrated in Finance, there are smaller miscellaneous amounts in other department budgets, indicating there may not be a uniform policy for budgeting utility expenses. There are also inconsistencies across different years. Gasoline expenses are budgeted under Finance's supplies and materials in FY2006 (\$1.2 million of the \$1.4 million shown) but not in subsequent years. Utility management from a more operational perspective is addressed elsewhere.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Travel & Education	10,467	3,932	3,300	3,500	-66.6%
Leases	192,834	276,810	152,132	181,000	-6.1%
Grants & Subsidies	991,662	393,741	348,255	200,000	-79.8%
Other Expenses	551,013	476,325	130,548	118,000	-78.6%
Operations subtotal	4,775,477	2,624,551	1,786,669	1,878,959	-60.7%
Telephone & Postage	866,282	1,278,951	1,308,195	870,000	0.4%
Utilities Sewer	0	717	0	202,201	N/A
Hydrant Rental	335,286	1,552,402	953,880	0	-100.0%
Light & Power	1,011,748	2,736,421	2,007,270	1,490,000	47.3%
Water (Excl. Hydrant Rental)	143,163	202,572	158,402	195,000	36.2%
Other Services Property Ins	416,252	421,623	380,220	495,000	18.9%
Centralized cost subtotal	2,772,730	6,192,684	4,807,967	3,252,201	17.3%
Loans	4,872,492	480,000	0	0	-100.0%
Loans Repaid	17,142,311	8,303,659	8,434,857	0	-100.0%
Debt Service-Interest	1,935,122	451,061	1,675,455	1,108,990	-42.7%
Debt Service-Principal	68,102,592	0	0	0	-100.0%
External Transfers	0	0	72,107,864	35,512,608	N/A
County Court Costs Transfer	100,153,209	68,372,436	25,994,973	3,991,000	-96.0%
Loans, debt and transfers	192,205,725	77,607,156	108,213,149	40,612,598	-78.9%
MIS subtotal	634,592	724,476	347,561	425,633	-32.9%
Human Resources subtotal	450,788	412,805	348,306	164,035	-63.6%
Total	198,066,582	81,368,989	110,695,685	43,081,225	-78.2%

The Department's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and FICA taxes are frozen for the five-year period. The City's contribution to PERF grows by 5.0 percent annually while others increase by 2.5 percent. The cost of the City's contribution to employee health insurance is not shown here since it is budgeted separately, as it is for most units.



Projected baseline expenditures – Finance and Related Units

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	857,486	857,486	857,486	857,486	857,486	0.0%
Other Compensation	40,000	40,000	40,000	40,000	40,000	0.0%
P E R F	53,849	56,542	59,369	62,337	65,454	21.6%
F I C A	68,658	68,658	68,658	68,658	68,658	0.0%
Workmen's Compensation	34,299	34,299	34,299	34,299	34,299	0.0%
Unemployment Compensation	34,299	34,299	34,299	34,299	34,299	0.0%
Supplies & Materials	152,000	155,800	159,695	163,687	167,780	10.4%
Professional Services	85,000	87,125	89,303	91,536	93,824	10.4%
Travel & Education	5,200	5,330	5,463	5,600	5,740	10.4%
Printing	12,000	12,300	12,608	12,923	13,246	10.4%
Advertising	15,000	15,375	15,759	16,153	16,557	10.4%
Contractual Maintenance	158,000	161,950	165,999	170,149	174,402	10.4%
Repairs	28,500	29,213	29,943	30,691	31,459	10.4%
Leases	42,000	43,050	44,126	45,229	46,360	10.4%
Refunds, Awards & Indemnities	35,000	35,875	36,772	37,691	38,633	10.4%
Subscriptions & Dues	17,000	17,425	17,861	18,307	18,765	10.4%
Current Charges	23,000	23,575	24,164	24,768	25,388	10.4%
Grants & Subsidies	255,000	261,375	267,909	274,607	281,472	10.4%
Department total	1,916,292	1,939,677	1,963,714	1,988,422	2,013,822	5.1%

Expenses for property insurance, postage, utilities and debt service are presented separately as "Consolidated Operations."

Projected baseline expenditures – Consolidated Operations

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Telephone & Postage	720,000	738,000	756,450	775,361	794,745	10.4%
Property Insurance	495,000	507,375	520,059	533,061	546,387	10.4%
Light, Power, Heat	2,600,000	2,665,000	2,731,625	2,799,916	2,869,914	10.4%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Water	230,000	235,750	241,644	247,685	253,877	10.4%
Debt Service - Interest	250,000	250,000	250,000	250,000	250,000	0.0%
Department total	4,295,000	4,396,125	4,499,778	4,606,023	4,714,924	9.8%

Assessment

This section focuses on the three areas most critical for successful City financial operations – financial reporting, property tax monitoring and collection, and budgeting. The City of Gary’s future depends on substantial changes in each of these areas to provide decision makers and stakeholders with timely, accurate information and to effectively implement financial procedures and policies that will support financial stability.

Financial Reporting

One of the Department’s most important responsibilities during this period of severe fiscal stress is to provide financial information so that all interested parties – elected officials, appointed managers, other employees, taxpayers, community stake holders, and investors – are knowledgeable about the City’s financial status and challenges. Currently, the City manages its budget and prepares its annual reports on a cash basis. This presentation for the annual report does not comply with generally accepted accounting principles (GAAP), which state that governments should present financial statements for governmental funds, such as the General Fund (the City’s primary operating fund), on a modified accrual basis. The City’s practices are clearly disclosed in its annual reports, which are audited by the State Board of Accounts. These differences are noted both in the Auditor’s opinion and in the footnotes (some years ago, the City prepared a GAAP annual report, although the budget has typically been a cash-based budget).

Though the GAAP principles may seem too technical to make a difference in the City’s daily operations, reporting financial position on a GAAP basis, at least for individual funds, is critical for sound financial management. They provide decision makers with solid information to use in making decisions and allow potential investors to gauge the financial status of entities when they are considering investing in their debt. They ensure that entities provide financial information in a manner that is transparent and comparable across like entities so that vulnerabilities and liabilities can be detected quickly and accurately.

Financial reports as currently prepared have the following weaknesses.

- The City does not provide balance sheet information; its cash and investment balances are shown, but that is the only component of a balance sheet that is shown on the statements. The balance sheet provides key financial items such as receivables and payables; fund balance; and interfund loans as well as other financial information. Receivables provides information on amounts due the city, but not received. Payables provide information about amounts the City owes, but has not yet paid. Fund balance is one of the fundamental measures of financial position for governmental entities; it is a measure of the City’s available resources, taking into account items other than just cash. Interfund loans reflect the borrowing activity from current and prior years among funds. Absent this information, the City does not have a complete picture of its financial position.



- The City's financial statements report loans from other funds (which must be repaid) as receipts, when they are made, and disbursements, when they are repaid. As such, the City's ending cash balances include receipts from the net loans outstanding to the government. For example, if the general fund has borrowed \$10 million from other funds and has not repaid it by fiscal year end, then the impact of that loan is reflected in the ending cash balance. The same is true for tax anticipation warrants (TAWs). Since the City reports its cash basis only, it is extremely difficult to understand or accurately evaluate the City's financial condition because positive cash balances may mask significant repayment obligations.
- In contrast, those funds from which loans are made show reduced balances, and their actual financial position is not readily apparent either.
- A cash basis budget, with no GAAP-based general fund report, does not reflect where the City fails to pay bills due to cash shortages. The amounts that are known and owed are not accrued. A government may technically seem to have lived within its resources, but that may be only because they are not paying all their bills. The liabilities have not gone away, annual budget amounts may be used to make deferred payments for services provided in prior years, and decision-makers do not then have the entire financial picture of the City.
- Grants, for which there is a time lag in reimbursement, may show a negative cash balance. It is more difficult to identify the actual fund balance due to reimbursement lags.
- A number of the components of information to provide at least an estimate of fund balance for the City's General Fund are contained in the footnotes to the financial statements. However, it would require an astute and determined reader to combine all the parts and come to any conclusions. As a result of the cumulative effect of these policies, and limited internal capacity, the City does not have an accurate estimate of its fund balance. In turn, this means that the full extent of the financial challenge facing the City is difficult if not impossible to ascertain.

In order to provide the City, the DUAB and the public with better information, and in order to guide the consultant team, a summary of the impact of interfund loans and tax anticipation warrants was compiled. While this is not an accounting presentation and is not necessarily complete, the following table shows the potential cumulative impact of all of the above items.



Category	Year Ended		
	2008	2007	2006
General fund			
Cash and investments - ending balance - as reported	(6,374,231)	4,961,272	(496,336)
Interfund loans outstanding	16,552,127	20,986,984	30,151,361
Cash and investments - excluding interfund loan balances	(22,926,358)	(16,025,712)	(30,647,697)
TAW balances outstanding	29,201,892	46,485,586	-
Cash balances, excluding loans and TAW	(52,128,250)	(62,511,298)	(30,647,697)
Gary Bldg Corp. fund - ending balance	(736,963)	(804,504)	643,311
Internal service funds - ending balance	(1,507,835)	(1,576,354)	(828,527)
Payables (primarily general fund obligations)	3,712,143	NA	NA
Cumulative impact	(58,085,191)	(64,892,156)	(30,832,913)
Adjustment for property tax collection delays	30,956,079	34,954,975	-

In summary, without additional information or scouring the footnotes and preparing supplemental analysis, the City's financial statements do not make clear the actual financial position of the City. While management of cash is important, especially when funds are tight, reporting solely on a cash basis does not provide a total picture of financial position. The City should provide a more complete picture of its financial position to the governing body, citizens and stakeholders. At the very least, it needs to provide some summarized information that estimates the overall financial picture; its goal should be to prepare financial statements that comply with GAAP.

Property tax collections

In addition to the changes in the property tax caps that are now effective for local governments in the Indiana, in recent years the City has also been affected by reassessment activities. The number of appeals and adjustments has caused delays in the issuance of property tax bills and the subsequent receipt of funds by the City.

These unexpected changes have made it more difficult for the City to manage its finances. It has required Gary to use tax anticipation warrants for longer periods of time, and for greater amounts, to address the cash flow uncertainty caused by delayed property tax billing. The additional interest costs are borne by the General Fund as well as other funds that have also needed larger, longer temporary borrowings to meet cash flow needs.

Moreover, the City's accounting for property taxes, as well as limited information received from the County, makes it extremely difficult to establish what portion of current year property taxes are received on time. For purposes of this report it is assumed that an amount equal to 100 percent of current year revenues are received each year, composed of 75-80 percent current year revenue and 20-25 percent prior year revenue. Improvement in these figures will ease City cash flow pressure, provide additional investment income, reduce collection costs and effort, and provide a one-time revenue increase.

In addition to changes that the City must make to modernize and streamline operations, throughout this fiscal monitor report the consultant team has areas identified that require support from other levels of government or the public. This is one such area. Gary's many financial problems have been exacerbated by the unavailability of the full amount of property tax revenue that is due to the City and its



various units. Accordingly, for purposes of this report, it is assumed that beginning in FY2010 the City will receive its property tax revenues in a timeline manner. To the extent that continued issues arise in this area that the City has no control over, the report presumes that the City will be made whole (by a millage allowance that covers the amount, by a penalty payment from the County, or another means). TAW borrowing costs are presumed to be at the levels commensurate with timely receipt of property tax revenues during the year.

Budgeting

The City's current budget document is primarily focused on legal compliance and line item detail. While these items are important, the budget should also be used as a tool to communicate with Council and the public, to manage spending and monitor performance, and to achieve a number of other goals. Many of the challenges identified in this report will be addressed in part with a clear, comprehensive strategic approach to budgeting that articulates the City's direction and provides a framework for executing its plans.

While there is detailed line item information, it is not sufficient for interested parties to identify the critical elements of the budget. The budget should include narrative charts or summaries to provide a clear picture of where funds are being spent and where they come from; explanations of material changes and the use of one time revenues; information about what the City is providing in terms of services for the taxes and fees collected; discussion of major challenges facing the City, and how the City plans to address them; and basic assumptions and forecast information used to develop the budget. In short, the budget should describe the City's priorities, and how it will achieve them within available resources.

The City also does not provide regular interim financial reports or forecasts to help inform decision makers about the current fiscal status of the City. At regular intervals, the City should provide information about the financial status of the City, *even if it is uncertain*. Interim reports should include summary information to clearly and concisely communicate financial position as the year progresses. Without a real plan for interim reporting – even if frequent adjustments are necessary – knowledge about the city's financial challenges and direction have increased uncertainty, and can lead to surprises for decision makers. The sooner issues are identified, even if they cannot immediately be resolved, the sooner leaders can react and make adjustments as necessary.

Initiatives

- FI01. Revise financial reporting to provide GAAP results**
FY2010 Impact: N/A **Five Year Impact: N/A**

Currently the City reports its financial status and manages its budget on a cash flow basis. This practice is clearly disclosed in its annual reports. However, this is not in compliance with generally accepted accounting principles (GAAP). For governmental funds, such as the General Fund (the City's primary operating fund), the City should present financial statements on a modified accrual basis. Ideally, the City should produce its annual report on a GAAP basis. At a minimum, it should prepare GAAP reports for the major funds. In the interim, and on a periodic basis, it should also prepare some summary information to better inform decision makers of the financial exposure to the City. Decision makers should have more information than cash position, especially when the City has had such large interfund loans and tax anticipation warrants outstanding at year end.

- FI02. Revise financial reporting to include management discussion and analysis**
FY2010 Impact: N/A **Five Year Impact: N/A**

In recent years, the City ceased including a Management Discussion and Analysis (MD&A) in its annual report. The MD&A is intended to be management's analysis of the year end results



for the governmental entity and is considered a financial best practice, as well necessary to comply with GAAP. Even if the City does not otherwise comply with all aspects of GAAP, the MD&A is the only place in the City’s annual report where the government discusses its financial position, as opposed to leaving readers to pore through 100 or more pages of financial information. This is especially important to inform the stakeholders about the City’s fiscal health when it is in a time of fiscal stress, to allow thorough, knowledgeable discussion of challenges facing the City.

FI03. Adopt a schedule of interim reporting
FY2010 Impact: N/A

Five Year Impact: N/A

While the City may provide *ad hoc* reports at certain points, it should provide regular periodic reporting (monthly or quarterly) of its financial position. Interim report could also include a highly summarized “dashboard” report that is simpler to prepare and touches on key financial indicators about the City’s fiscal health.

FI04. Adopt policies related to internal service fund cost recovery
FY2010 Impact: N/A

Five Year Impact: N/A

The City uses two internal service funds to account for health care, unemployment and other personnel-related costs that are allocated among all departments. This is a common practice among cities; it allows the City to reflect these costs in each department, which is a more accurate reflection of the costs to the City. However, the internal service funds have shown negative balances over the past three years. There are several concerns with deficits in internal service funds. The primary source of funding for these funds is the General Fund; this means that these “other fund” deficits are primarily liabilities of the General Fund. While an astute reader of financial statements may determine this, there is no ability to understand the full impact of these deficits when they are distributed across funds. At least some of the deficits are allocable to other sources, including grants. A delay in recovery of internal service fund costs may hamper the ability of the City to collect these funds in the future, from grants that have expired, or other sources that are no longer available.

The City should adopt policies to establish rates for internal service funds so that they are fully funded. If deficits do develop, it should be communicated to policy makers and rates should be adjusted accordingly.

FI05. Revise annual budget documents so budgets can be used as communication tools
FY2010 Impact: N/A

Five Year Impact: N/A

The City should revise its budget document to make it more informative to the various stakeholders. A very similar recommendation was made in the best practices analysis section of the 2006 Maximus report. One approach for the City is to use the Distinguished Budget Presentation Awards program of the Government Finance Officers Association (GFOA) as a guide. While the City would ideally add all elements to meet the criteria of the program, at a minimum it should revise its budget to include at least some of the key elements that will help make the budget more user-friendly, including:

- A budget message that describes priorities and issues for the budget for the coming year.



- Summaries of revenues and expenditures, including some historical comparison information.
- A description of major revenue sources, underlying assumptions and trends.
- Projected changes in fund balance.
- An organization chart and a description of activities or services carried out by organizational units.
- Charts and graphs should be used, where appropriate, to highlight information.

While the preferred elements are more extensive, the City should start with a manageable amount of changes, and make improvements each year.

The City should also review the non-reverting and other funds it maintains outside those that are currently included in the annual salary and operating budget. Where those funds support critical functions of the City’s operating departments (i.e. Ambulance Non-Reverting Fund that supports Fire and EMS activities), they should be included in the budget or merged into the department’s General Fund allocation.

FI06. Adopt a strategy for bank accounts and banking services
FY2010 Impact: N/A **Five Year Impact: N/A**

The City does not have a standard policy as to the number of bank accounts it uses, or when to open them. It currently has a very high number of accounts for a government of this size. The Finance Department must reconcile each bank account every month; the number of accounts makes this a time-consuming process where efforts could be much better deployed to needed financial management and oversight functions. Extra bank accounts also typically increase banking fees and make investing activities less efficient. Additionally, the City does not periodically bid its banking services. The City needs to revise its approach to banking services to reduce administrative burdens, improve investment opportunities and reduce banking fees. While no immediate savings are estimated for this initiative, this process typically results in substantial savings for most governments.

FI07. Develop an investment policy
FY2010 Impact: N/A **Five Year Impact: N/A**

The City has no investment policy and no real strategy regarding investments. While the City’s cash position is limited, it should nonetheless seek to maximize its earnings. Investing is made more complex by the number of separate funds that the City maintains (see FI06 above). The City needs to adopt an investment strategy; consolidate accounts to improve investment opportunities; and provide periodic reporting of investments to the City’s stakeholders. If the City is unable to perform these duties in house, it should investigate outsourcing this function.

FI08. Revise financial management systems
FY2010 Impact: N/A **Five Year Impact: N/A**

The City’s current financial system is functional on a certain level, but it is limited in the information and reporting that can easily be retrieved. Furthermore, a number of processes (such as approvals for purchases) are intensively manual in nature. As it is affordable, the City needs to consider replacing its current system, or seeking substantial system improvements in



its current system to eliminate paper/ manual processes and to improve financial information for the city. The City has a request for proposals out to procure a new system. It is equally important, as the City moves forward with such changes, that it seeks to streamline processes and use the new system to its full capabilities and not to revert to a “business as usual” approach. Since this process is underway, the cost of procuring and implementing a new system is assumed to be incorporated in the existing budget. After the first year, such a system should be budget neutral or positive.

FI09. Communicate financial information in a timely manner via the Internet
FY2010 Impact: N/A **Five Year Impact: N/A**

The City should take advantage of its website and use it to communicate timely information about the City’s financial status. While the City does make its annual financial reports available on its website, their posting lags substantially; the 2006 annual report is still not available on line. Additionally, while the City includes its annual budget, it is primarily line item detail. As the City makes changes in its reports, and develops interim reports, this information should be shared with stakeholders on the City’s website.

FI10. Develop budgeting and forecasting capabilities
FY2010 Impact: N/A **Five Year Impact: N/A**

Currently, the City has no budget office or budget staff. Budget duties are handled by the Finance Director with some support from accounting staff. There is no internal resource that focuses on the assorted budget, forecasting and reporting issues described in other initiatives in this section. The City would be well served by dedicating experienced staff to this effort. Adding budgeting capability can help the city monitor collection of its revenues; develop interim reports; look for additional revenue opportunities and collection issues for existing revenues; maintain a multiyear financial plan; work with departments to seek opportunities for improved use of resources.

FI11. Develop policies related to TAWs and interfund loans and structural balance
FY2010 Impact: N/A **Five Year Impact: N/A**

The City has addressed its delayed tax collections and other fiscal stresses over the past several years by a combination of interfund loans and issuance of tax anticipation warrants (TAWs). For the City to achieve structural balance, the use of these resources must be “matched” to the purposes for which they were issued. In effect, if the combined loans outstanding at the end of the year exceed the property tax collections for the current year that was delayed to the subsequent year, then the City has likely not achieved structural balance. The City should seek to achieve such balance along with making provision for all payments due and owed in the same year. The City has no policies regarding the use of such loans and TAWs. While each such loan is approved by the City Council, it is also important that there be some policy guidance about how long such loans remain outstanding and a goal to achieve structural balance.

At the end of 2008, the City had approximately \$29 million of TAWs and \$16 million in interfund loans outstanding in the General Fund, or a total of \$45 million. The 2008 property taxes that were collected in 2009 were approximately \$31 million; in effect, without addressing adjustments for accounts payable and other fund deficits, the City should have had \$14 million less in such combined loans if it had achieved structural balance. One approach to such a policy would be to limit the amount of interfund loans and TAWs outstanding at year end to the



amount of property tax collections for the current year that were expected, but not collected in that year. Any amounts in excess of that are like to indicate deficit spending for operations and should not be permitted.

FI12. Develop and expand markets for disposal of obsolete property
FY2010 Impact: N/A **Five Year Impact: N/A**

The City has no real program related to the disposal of obsolete property, and the maximization of revenues from the sale of this property. Absent a focus on this area, departments tend to retain unused and underused assets that could otherwise generate revenues. Additionally, some cities have realized success by expanding their disposal sales by using internet bidding as a means of reaching a broader audience. The City should review its options for obsolete property and revise its programs to seek to realize additional revenues from this source.

FI13. Develop a revenue manual and adopt a policy of reviewing fees and charges on a regular cycle
FY2010 Impact: N/A **Five Year Impact: N/A**

The City has a number of different fees and charges, and has periodically changed them. However, there is no single place where all of the City’s revenues, their purposes, history and rates, reside. The City should develop and maintain a revenues manual (some of which should also be reflected in the budget document). The City should also have a regular cycle of reviewing the fees and charges to make sure that it stays current, especially with the limitations placed on key revenue sources for the City.

FI14. Reduced TAW interest costs
FY2010 Impact: \$0 **Five Year Impact: \$3,000,000**

As noted earlier in this chapter, the City has been forced in recent years to borrow large amounts of Tax Anticipation Warrants (TAW) and keep them outstanding much longer than they would if property taxes arrived on time. This report identifies numerous ways in which the City can work to address its financial challenges. This particular issue, however, is generally beyond the City’s control, and should be rectified by other levels of government.

Based on county and state efforts to bring the assessment, billing and appeals process back on schedule, as well as lower overall levels of property taxes, this plan assumes that the City will be able to borrow smaller TAW amounts for shorter periods beginning in FY2011. Estimated savings are indicated below. If property tax receipts continue to be delivered late due to late billing or other issues out of the City’s control, the City should receive its property tax revenues timely and the other levels of government should take out TAWs to fund timely payment to the City and bear the interest burden for late performance.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	750,000	750,000	750,000	750,000	3,000,000



F115. Add professional staff to the Finance Department

FY2010 Impact: -\$175,000

Five Year Impact: -\$855,000

The earlier initiatives in this chapter require the Finance Department to revise its financial reporting to GAAP and include an MD&A section; provide interim financial reports; upgrade the budget and budget reporting; revised financial policies and banking relationships; implement a new financial system; and more aggressively police City spending. While some of these items are one-time efforts that can be handled by a combination of in-house and existing consultant resources, more professionally-trained Finance Department staff will be needed to take on this expanded work and execute at a higher technical level.

This initiative includes funding for the salary and benefits for two senior professional staff to report to the Finance Director/Controller to implement the initiatives in this section and perform additional duties commensurate with the financial operations of a strongly-performing local government. Their appointment is expected by April 2010.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
(135,000)	(180,000)	(180,000)	(180,000)	(180,000)	(855,000)



Human Resources

Overview

Human Resources handles most, but not all, personnel-related functions for City employees. Most personnel decisions pertaining to firefighters and police officers, including promotions and discipline, are administered through the Police and Fire Civil Service Commissions, which are addressed in separate chapters.

Human Resources' responsibilities include:

- Employee recruitment, hiring, training and development
- Administering the employee assistance program
- Processing and maintaining grievances and work-related accidents
- Processing and maintaining unemployment compensation
- Maintaining personnel files and insurance records
- Offering health insurance and assist employees with retirement
- Assisting managers and supervisors with personnel policies and procedures
- Implementing and maintaining performance management processes
- Monitoring employee leaves of absences
- Implementing and maintaining employee recognition programs

Before 2008 Human Resources was separately budgeted department in the City's General Fund. In the initial FY2009 budget, three of the eight positions were eliminated. In the revised FY2009 budget the remaining five positions were merged into the Department of Finance. The Human Resources Director now reports directly to the Finance Director.

Historic Employee Count – Budgeted Positions¹

2006	2007	2008	2009	2010
8	8	8	0	0

Before the Human Resources budget allocation was consolidated into the Department of Finance, most of its General Fund allocation was spent on employee compensation. The FY2009 budgeted figures shown below are from the initial budget. As with other most units, the cost of the City's contribution to employee health insurance was budgeted separately.

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



Historical expenditures – Human Resources

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full Time Salaries & Wages	268,347	276,985	260,436	103,713	-61.4%
Other Compensation	20	0	0	0	-100.0%
P E R F	19,457	21,459	14,177	5,964	-69.3%
F I C A	20,239	20,790	19,046	7,618	-62.4%
Workmen's Compensation	4,553	4,134	5,138	3,870	-15.0%
Unemployment Compensation	4,553	4,486	5,138	3,870	-15.0%
Professional Services	38,290	25,507	29,497	20,000	-47.8%
Travel & Education	36,051	5,141	940	1,000	-97.2%
Printing	5,362	3,719	52	1,000	-81.4%
Advertising	1,419	736	761	0	-100.0%
Subscription & Dues	355	2,405	1,872	1,500	322.5%
Refunds, Awards & Indemnities	6,672	12,580	1,160	0	-100.0%
Current Charges	45,470	31,564	9,545	15,500	-65.9%
Grants & Subsidies	0	3,301	545	0	N/A
Total	450,788	412,805	348,306	164,035	-63.6%

Because the City now includes Human Resources expenditures in the Department of Finance's budget, no projections are provided here.

Assessment

Despite the recent round of layoffs, the City has maintained adequate staffing for human resources functions. Including the two administrative positions in the Police and Fire Commissions, the City has approximately one HR-related staff member for every 122 employees. As a point of comparisons, among the five largest municipalities in the State of Ohio,² ratios of municipal employees to HR staff vary from 160:1 (Akron) to 286:1 (Cleveland).

To strengthen workers' compensation claims management, Human Resources has focused on improving claims reporting, claims tracking, and educating employees on the City's workers' compensation policies. As a result, the City's third party administrator reports that City workers' compensation costs are well within the mainstream of other Indiana jurisdictions.

Directly before publication, the City completed a successful re-bidding its HMO plan that secured a new provider offering lower premium rates than the incumbent.

² These cities are Akron, Cincinnati, Columbus, Toledo, and Cleveland.



Recent developments, however, have also revealed the limitations of existing Human Resources personnel. The State of Indiana’s 2008 audit highlighted concerns about a lack of internal controls pertaining to the reliability and accuracy of personnel information tracked by Human Resources. This includes incorrect information in the 2008 Salary Ordinance and poor maintenance of employee service records. As of 2009, many of these systemic issues have not been resolved, which was underscored by the misreporting of City employee compensation information to the Indiana Department of Workforce Development. Consequently, multiple recently laid-off employees had received incorrect amounts of unemployment benefits.

In particular, Human Resources continues to struggle with data monitoring. It does not track Citywide personnel data, including leave accruals, attendance rates, or overtime. Because Human Resources personnel do not track leave accruals, the City does not have an accurate understanding of liabilities owed to employees upon separation. Multiple legal challenges have been filed by retirees on this issue, leaving the City potentially vulnerable in legal proceedings.

Further, it should be noted that over the course of this analysis, the Fiscal Monitor noted the City could not readily produce basic personnel information, including headcount and health plan enrollment.

Human Resources appears to be struggling to meet its responsibilities as a critical component of the City’s Finance Department. In view of other recommendations in this Plan that will require changes in employee compensation, increased unemployment claims and changes in health insurance management, the unit’s struggles are even more concerning. The City needs to improve its Human Resources management capacity for it to overcome the financial and personnel related challenges ahead.

Initiatives

- HR01. Create a Human Resources prioritization plan**
FY2010 Impact: N/A **Five-year impact:** N/A

The City should draft a strategic plan that prioritizes its most important Human Resource functions, creates a strategy for how these functions can be performed at a high level and assigns responsibilities to individual staff members. Part of this plan should include a strategy for improved coordination with other large departments (e.g., Fire, Police, Public Works, etc.) with which there appears to be minimal communication. Specific action items should be developed, identified, and executed. The Prioritization Plan should be reviewed by the Finance Director, and used a tool to evaluate the performance of Department of Human Resources personnel.

- HR02. Monitor and report leave accruals**
FY2010 Impact: N/A **Five-year impact:** N/A

The City must track leave accruals for all employees. This includes sick, vacation, compensatory, and approved unpaid leave. Tracking leave accruals will allow the City to appropriately budget termination payouts and reduce the likelihood of lawsuits from retiring employees. Additionally, tracking employee leave usage rates will help management within departments respond to emerging trends and any leave abuse.

- HR03. Coordinate and support regular employee evaluations**
FY2010 Impact: N/A **Five-year impact:** N/A

The City makes minimal use of employee evaluations. If conducted regularly, employee evaluations build accountability and responsibility for performance, acknowledge and



encourage strong performers and help weaker performers identify areas for improvement. These evaluations can help spur employee productivity, efficiency, and improved morale if there is an understanding of the steps and desired outcomes of the process. Human resources does not need to conduct all employee evaluations – managers within individual departments are better suited to provide feedback to their staff – but it should coordinate and support the process to make sure it is fair and constructive and help retain records of evaluations conducted.

Please note that there are many other initiatives outside of this chapter that are closely related to Human Resources responsibilities. In particular, Human Resources staff will have to help execute the time sensitive recommendations in initiative WF18 in the Workforce chapter (purchase excess coverage for worker's compensation) and initiative LW07 in the Law Department chapter (Meet new CMS reporting requirements for liability claims) to prevent potential exposure to large liabilities.



Law Department

Overview

The City Law Department is responsible for all legal matters involving the City of Gary. The Law Department represents the City before Federal and State Courts and agencies; advises other City departments regarding legal matters; and oversees prosecution of violations of the City Code in City Court and if necessary, the institution of the proceedings in Superior Court to enforce City ordinances. The Law Department is led by the Corporation Counsel, who reports to the Mayor.

The Law Department currently has three full time employees – the Corporation Counsel, the City Attorney and an administrative assistant. The Department has no full time support or investigative staff other than the single administrative assistant. The Department uses a Building Department employee on an as available basis as an investigator and there is a part-time contract employee who provides certain paralegal support.

Historic Employee Count – Filled Positions¹

2006	2007	2008	2009
4	4	4	3

Historic Employee Count – Budgeted Positions²

2006	2007	2008	2009	2010
4	4	4	3	3

In addition, the Department has retained outside counsel for labor relations, debt collection, code enforcement cases, civil rights complaints against the City and assistance in handling individual cases. In FY2008, the Department spent \$281,000 on professional services including outside counsel. As of December 2009, there is \$159,000 in outstanding judgments against the City for non-payment of professional services. In addition, the Law Department reports \$405,000 in currently unpaid bills for outside counsel. A number of City departments and related entities also retain their own outside attorneys. The City Council, the Sanitary District, the Police Commission, Housing Authority, City Clerk, Parks and Recreation, Redevelopment and Community Development all retain their own outside counsel.

The Department’s budget includes funds for judgments, settlements and claims (referred to in the chart below as “Refunds, Awards and Indemnities”). Through the first nine months of FY2009, the City had paid \$823,000 on judgments, settlements and claims -- \$123,000 more than the budgeted amount for the year. The Corporation Counsel reports that there are more than \$1.13 million in unpaid judgments that range in amount from \$1,500 to \$153,000. In addition, the City is currently appealing two cases with total verdicts of \$1.07 million.

¹ The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported outside the General Fund.

² The budgeted positions shown for FY2009 are from the revised FY2009 budget.



Historical expenditures – Law Department

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	166,201	173,785	160,414	151,418	-8.9%
P E R F	12,049	13,468	8,691	9,085	-24.6%
F I C A	12,632	13,237	11,856	11,583	-8.3%
Workmen's Compensation	2,307	1,521	2,879	6,057	162.5%
Unemployment Compensation	2,307	1,607	2,879	7,571	228.1%
Professional Services	458,608	375,151	281,136	300,000	-34.6%
Travel & Education	1,803	921	0	2,000	10.9%
Subscription & Dues	18,645	9,108	19,977	5,000	-73.2%
Printing	115	100	403	600	421.0%
Leases	0	600	0	0	N/A
Refunds, Awards & Indemnities	469,136	1,210,611	512,786	700,000	49.2%
Current Charges	0	0	1,500	0	N/A
Grants & Subsidies	0	0	10,125	0	N/A
Total	1,143,803	1,800,110	1,012,646	1,193,314	4.3%

The Corporation Counsel reports that many of the judgments and claims against the City are for non-payment by other City departments. In other words, departments who lack funds to make payments on a contract stop paying and the eventual judgment then comes out of the Law Department budget. The Law Department reports that there are approximately 75 pending cases in litigation against the City. There are also more than 100 pending tort claims against the City. The Law Department does not have a case management, tracking or scheduling program. As a result, the precise number and value of outstanding cases and claims is difficult to determine. The baseline expenditure projections shown below only include \$600,000 (growing by 2.5 percent each year) in concert with the City's FY2010 budget. Clearly the City will need to spend more than this to retire the \$1.1 million obligation (\$2.2 million if the two large pending appeals are unsuccessful).

Projected baseline expenditures – Law Department

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	151,418	151,418	151,418	151,418	151,418	0.0%
P E R F	9,085	9,539	10,016	10,517	11,043	21.6%
F I C A	11,583	11,583	11,583	11,583	11,583	0.0%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Workmen's Compensation	6,057	6,057	6,057	6,057	6,057	0.0%
Unemployment Compensation	6,057	6,057	6,057	6,057	6,057	0.0%
Professional Services	190,000	194,750	199,619	204,609	209,724	10.4%
Travel & Education	2,000	2,050	2,101	2,154	2,208	10.4%
Printing	600	615	630	646	662	10.4%
Refunds, Awards & Indemnities	600,000	615,000	630,375	646,134	662,288	10.4%
Subscriptions & Dues	5,000	5,125	5,253	5,384	5,519	10.4%
Department total	981,800	1,002,194	1,023,110	1,044,560	1,066,559	8.6%

The Department lacks the staff to pursue affirmative claims on behalf of the City, though the City does file counterclaims on some cases and some effort has been made to recover insurance in cases involving damage to City property. In addition to General Fund departments, the Law Department also provides counsel to the Gary Sanitary District without receiving compensation.

The Law Department is also responsible for responding to requests for public information. Under local ordinance, the City can only charge ten cents per page for documents. The Department plays a limited role in the processing and review of City contracts.

Assessment

When compared to other law departments in similarly sized Indiana cities, the Gary Law Department appears under-resourced and understaffed. Excluding funds for judgments, claims and settlements, the Gary Law Department had a total budget of \$493,314 for FY 2009. By comparison, South Bend – with a population of just over 100,000 residents – had a Law Department budget of \$960,080 in FY 2008. Staffing consisted of five part-time attorneys (2.5 FTEs), four full time attorneys and five other full time staff. Evansville with a population of approximately 115,000 had an FY2009 budget for its Corporation Counsel of \$583,940, with three full time attorneys.

The City has also consistently underfunded the cost of judgments, settlements and claims. Between FY2005 and FY2009, actual payments have exceeded budget by more than \$1.15 million. This figure does not include outstanding unpaid judgments and verdicts pending appeal totaling more than \$2 million. At the same time, the amount of payments for judgments, settlements and claims is high for a City the size of Gary. The lack of a case management system limits the ability to analyze the source of past liability and future risk.

The amount charged by the Law Department for freedom of information requests is lower than the actual cost of meeting those requests. Under state law, the City can set the fee for document requests. Lake County charges a fee of \$1 per page – ten times the current rate charged by the City.

Initiatives

- LW01. Consolidate legal services in the Law Department**
FY2010 Impact: N/A **Five Year Impact: N/A**



The Law Department should function as the centralized provider of legal services to City government. Individual department and agency counsel should be consolidated within the Law Department. Where organizations that currently retain their own counsel are funded through the General Fund, those funds should be shifted to the Law Department. Where those entities are partially funded by non-General Fund sources, there should be a cost sharing arrangement that provides non-General Fund resources to the Law Department as well.

While the fragmentation of legal services makes it difficult to project the additional resources this would provide the Law Department, this should be viewed as a critical initiative given the large liability that the City has both in terms of judgments and dollar value. Efficiency and coordination of effort in this area is crucial to the City’s chances for regaining fiscal health.

LW02. Increase internal capacity by reducing reliance on outside counsel
FY2010 Impact: N/A **Five Year Impact: N/A**

While use of outside counsel and contract attorneys is a logical and appropriate staffing decision to deal with specialized legal issues, the Department appears to be relying on outside counsel for routine cases (e.g. code enforcement) as well. Outside legal fees may be higher than the cost of hiring additional full time legal and paralegal staff in the Law Department. The Department’s current outside counsel budget – not including the budget for outside counsel of other departments -- could support staff and benefits for between three and four additional full time attorneys and support staff.

LW03. Create a pro bono and municipal law intern program
FY2010 Impact: N/A **Five Year Impact: N/A**

Additional legal support for the City Law Department may be available through the creation of a pro bono program with local and regional law firms, especially those in the City of Chicago. Given the current economic downturn, many national firms are deferring the hiring of associates and laying off attorneys. In New York, the City’s Corporation Counsel has initiated a program with local law firms to put these young attorneys to work for the City – without compensation. Under the program, attorneys are working primarily on tort litigation for two to three days per week. The program is an extension of an existing Public Service Program, where more than two dozen firms were participating in a pro bono program that provided associate time to the City Law Department.³

In addition, Gary is uniquely situated to take advantage of no-cost legal talent and support available from area law schools. Six out of the nation’s 200 ABA accredited law schools are within one hour of Gary. The Law Department should seek the support of faculty at one or more of the area law schools to create a municipal law intern program. Gary offers lawyers and law students the opportunity for hands on experience in a wide variety of legal matters.

LW04. Pay outstanding judgments and legal bills and adjust future budget appropriations
FY2010 Impact: -\$500,000 **Five-Year Impact: -\$2,047,000**

The City needs to establish a fund that will – at a minimum – be sufficient to pay off all outstanding judgments and bills for outside counsel. Moreover, the City needs to adequately budget for likely judgments and settlements in future years. While the level of payments in any given year may vary considerably, the City should use the average over the last five years as

³ Noeleen Walder, “Laid Off Lawyers Offered (Unpaid) Work, Ego Boost,” *New York Law Journal*, March 13, 2009.



the amount. Over the last five years the City has paid approximately \$4.2 million and owes another \$1.13 million. That indicates the City should budget \$1.0 - \$1.1 million through FY2014. The impact shown below is the difference between \$1.1 million and the City's baseline projection for FY2010 and FY2011 and the difference between \$1.0 million and the City's baseline for FY2012, FY2013 and FY2014.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
(500,000)	(485,000)	(370,000)	(354,000)	(338,000)	(2,047,000)

LW05. Increase department accountability for claims, judgments and settlements

FY2010 Impact: \$0

Five Year Impact: \$330,000

In most cases, individual operating departments are in the best position to manage their risk and potential liability for settlements and legal judgments. For example, the Law Department can have little control over claims against the City that are the result of car accidents or employee negligence. At present, operating departments have little financial incentive to work toward reducing the amount of spending on settlements and judgments resulting from their activities because funding is centralized in the Law Department's budget. This appears to be especially true in those cases where the City is being sued for non-payment by expenses incurred by operating departments.

Shifting accountability to the operating departments should induce them to take steps to reduce risk and future liability. The New York City Comptroller – in recommending a similar shift in budgetary responsibility – has suggested that potential savings of 25 percent over a five year period.⁴ This initiative assumes a savings of 15 percent over five years.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	33,000	66,000	99,000	132,000	330,000

LW06. Increase cost recovery for public record requests

FY2010 Impact: N/A

Five Year Impact: N/A

In 2008, the Law Department processes requests for public records. The City currently charges ten cents per page for these requests which does not cover the City's costs in terms of staff time assigned to this task. The City should follow the lead of Lake County and institute a charge of one dollar per page for document requests. The City should still make documents available for public inspection for free.

⁴ The estimate is based on the experience of the New York City Health and Hospital Corporation, which has responsibility for its own claims, judgments and settlements.



LW07. Meet new CMS reporting requirements for liability claims

FY2010 Impact: -\$12,000

Five Year Impact: -\$60,000

Effective January 1, 2010, the U.S. Centers for Medicare and Medicaid Services (CMS) will require all employers to report automobile and liability bodily injury claims to Medicare. As part of the mandatory reporting requirement, employers must track and report these claims to CMS on an ongoing basis. The fine for noncompliance is \$1,000 per claim per day. The City of Gary may lack the resources to comply with this CMS reporting requirement, which will include the creation and maintenance of a database, as well as the generation of regular reports to CMS. The City should consider partnering with a private contractor to ensure that the City is in compliance with this new requirement. The City's third-party administrator reports that it has the means to build the required database, maintain it, and produce the required reports to CMS.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(60,000)



Department of Health

Overview

The mission of the Gary Department of Health is to “provide a wide range of services and programs designed to promote healthy living through prevention, protection, and intervention.”¹ The Department is under the supervision of the Health Commissioner and the Gary Board of Health, a Mayor-appointed body of seven Commissioners who set policies, examine and approve contracts, and provide high-level oversight.²

The Health Department provides the following services:

- The **STD/HIV Clinic** offers Sexually Transmitted Diseases (STD) and Human immunodeficiency virus (HIV) exams, lab testing, counseling, and supportive services for patients with HIV.
- The **Maternal Child Health Program** offers child health physicals; prenatal care and coordination; free pregnancy testing; hearing, anemia and vision screenings for children; child immunizations; preventative pediatric dental services; and Medicaid enrollment.
- The **Childhood Lead Prevention Program** works to reduce the incidence of childhood lead poisoning by reducing and abating the number of lead hazards in homes.
- **Nursing Services** provides childhood and travel immunizations, preventative health screenings, health cards for food distribution workers, and tuberculosis testing.

The Department also has personnel dedicated to the following areas: Fiscal Service (grant monitoring and vendor payment); Vital Records (birth and death certificates; other types of formal documentation); Prenatal Substance Abuse Prevention; Emergency Preparedness (specifically for a biologic attack or pandemic); and Environmental Health (inspections for all food establishments, nuisance abatement – including rodent control – and additional less-frequently required inspections).

Within the City’s General Fund, the Health Department has 11 full-time positions in addition to the seven Commissioners. The four-position increase in FY2008 was related to the City consolidating the Department of Community Services into the Department of Health. Several program areas, including Fiscal Services and Childhood Lead Poisoning Prevention, were categorized as Community Services until the FY2009 budget. Under the restructuring, the Health Commissioner³ position was eliminated from the General Fund salary budget, and the position is now funded as a professional services contract. As a result of the change, the City is no longer obligated to provide benefits contributions associated with his salary.

Historic Employee Count – Budgeted Positions (General Fund Only)⁴

	2006	2007	2008	2009	2010
Full-time (Health)	9	9	13	11	11
Commissioners (Health)	7	7	7	7	7
Total	13	13	20	18	18

¹ City of Gary Health Department. “Our Mission.” 2007. <http://www.gary.in.us/healthandhumanservices/default.asp>

² Indiana Code 16-20-4-6

³ This full-time position is separate from the Board of Health Commissioners previously referenced.

⁴ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



The Department maintains a central facility at 1145 West 5th Avenue. Most department operations and administrative functions are located at this facility. The Maternal Child Health program operates from a separate, leased facility on 2200 Grant Street, located within a medical office plaza.

Characteristic of most urban health departments, the City of Gary Health Department provides a wide-array of traditional public health services, including communicable disease diagnosis and treatment, environmental health services, and testing and preventative care. The table below summarizes operational indicators relating to communicable disease, sexually transmitted disease, and lead poisoning prevention since 2006. Reflective of Gary's low-income population and old housing stock, the Department sees a high case load of sexually transmitted diseases and screens a large portion of the City's childhood population under the age of six for lead poisoning:

**Communicable Disease Cases, STD Cases, and Lead Poisoning Prevention Indicators
City of Gary, 2006 - 2009**

	2006	2007	2008
Tuberculosis Screening and Prevention			
Active TB Cases	5	2	1
Persons receiving preventative meds	14	18	16
Sputum sets collected	8	5	2
TB Clients contact screened	62	48	20
Communicable Disease Evaluations			
Animal Bites	11	9	13
E-Coli	1	2	5
Hepatitis A	1	1	2
Hepatitis B	10	7	9
Hepatitis C (most chronic)	72	66	68
Lyme Disease	1	1	0
West Nile Virus	1	0	0
STD Cases- Jasper, Newton, and Porter Counties			
Syphilis Cases Reported	60	40	49
Gonorrhea Cases Reported	1,001	965	1,174
Chlamydia Cases Reported	2,542	2,415	2,659
Childhood Lead Poisoning Prevention			
Number of children age 0-6 tested	1,617	1,513	1,588
Number of children with Blood Lead Level > or = 10 mcg/dL	46	49	29
Number of children with confirmed Blood Lead Level > or + 10 mcg/dL	27	26	10

More than 70 percent of the Department's expenditures in the General Fund are related to employee compensation. Those costs have increased with the consolidation of Community Services into the Department. The increase in professional service costs is related to the previously described change in the Health Commissioner position's status. Please note that the Department has other expenditures and positions covered by other funds that do not appear in the City's annual operating and salary budget.



Historical expenditures – Department of Health (General Fund Only)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	308,653	380,703	372,115	422,059	36.7%
P E R F	22,084	29,067	20,056	25,323	14.7%
F I C A	22,831	28,203	27,080	31,956	40.0%
Workmen's Compensation	8,526	8,850	11,029	16,709	96.0%
Unemployment Compensation	8,526	9,499	11,029	16,709	96.0%
Chemical Supplies	27,483	17,629	16,020	30,000	9.2%
Medical Supplies	28,770	36,888	20,923	30,000	4.3%
Other Materials	0	259	0	0	N/A
Professional Services	16,000	14,940	5,003	91,000	468.8%
Travel & Education	0	1,592	1,373	800	N/A
Telephone & Postage	0	1,084	0	0	N/A
Contractual Maintenance	13,508	15,918	17,608	12,500	-7.5%
Repairs To Building	369	0	0	0	-100.0%
Leases	14,506	7,904	4,234	28,000	93.0%
Current Charges	680	1,156	531	0	-100.0%
Total	471,935	553,693	507,002	705,056	49.4%

The baseline expenditure projections shown below are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while other expenses grow by 2.5 percent. Employee health insurance is budgeted outside of Department's allocation as it is for most other departments.

Projected expenditures – Department of Health (General Fund Only)

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	355,601	355,601	355,601	355,601	355,601	0.0%
P E R F	21,336	22,403	23,523	24,699	25,934	21.6%
F I C A	26,882	26,882	26,882	26,882	26,882	0.0%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Workmen's Compensation	14,056	14,056	14,056	14,056	14,056	0.0%
Unemployment Compensation	14,056	14,056	14,056	14,056	14,056	0.0%
Chemical Supplies	20,000	20,500	21,013	21,538	22,076	10.4%
Medical Supplies	25,000	25,625	26,266	26,922	27,595	10.4%
Professional Services	114,000	116,850	119,771	122,766	125,835	10.4%
Travel & Education	5,000	5,125	5,253	5,384	5,519	10.4%
Printing	300	308	315	323	331	10.4%
Contractual Maintenance	16,500	16,913	17,335	17,769	18,213	10.4%
Leases	850	871	893	915	938	10.4%
Department total	613,581	619,189	624,964	630,911	637,036	3.8%

Taking a broader look beyond the General Fund allocation, the Department's total operating expenses are projected to reach \$1.4 million in FY2010. The Department will receive approximately \$700,000 in grant funding and \$100,000 from its Health and Human Services Fund in addition to the General Fund allocation shown above. The largest sources of grant funding include Maternal Child Health, Sexually Transmitted Disease Program, Prenatal Substance Abuse Prevention and two grants related to Childhood Lead Poisoning.

Assessment

The Health Department serves a large and growing high-needs population in the City of Gary. Because of the elimination of the Health Department in Hammond – as well as the subsequent closing of the County satellite clinic that replaced the Hammond Health Department facility – the Gary Health Department also serves an increasing number of patients from neighboring jurisdictions.

As the table below illustrates, the proportion of high-needs populations in the City of Gary has risen steadily over the past three years. In 2008, nearly one of every three Gary families fell below the federal poverty line:

City of Gary – High-Needs Populations

	2005	2006	2007	2008
Single Parent Households	20.1%	23.1%	19.0%	22.4%
Families Below Poverty Level	25.0%	27.1%	26.2%	31.1%
Population Age 65 and Older	12.2%	13.8%	15.1%	14.4%

Source: US Census Bureau, American Community Survey

The Health Department also operates as the de-facto health department for most of northern Lake County. Services offered to non-residents include immunizations, sexually transmitted disease (STD) testing and screening, well child and prenatal care, and testing for communicable diseases. The



STD/HIV clinic serves as the state-designated STD treatment and prevention agency for Lake, Newton, Porter, and Jasper Counties. The division also handles STD data collection for the entire service region and reports this data to the State. Moreover, the Nursing Services division is the only health agency in the State of Indiana that issues health cards and screens food service for these diseases for persons working in the food industry.

The growth of high-needs populations – coupled with funding cuts in Gary and the reduction of services in neighboring jurisdictions – has resulted in a spike in demand for services. The number of immunizations performed has grown steadily since 2006, exceeding 3,400 in 2008. Because of strong demand for the H1-N1 vaccine, 2009 immunizations figures are likely to be higher. Demand for maternal and child health services has also been rising. The division’s goal for the number of children receiving physicals at the Grant Street facility is 150 children per year – in 2008 the division saw approximately twice that number. Finally, the number of patients seen by Maternal Child Health has increased by more than 10 percent since the City of Hammond transferred its Health Department functions to the County.

Initiatives

The Gary Health Department provides critical public health services to some of Lake County’s neediest populations. The current fiscal crisis in Gary, however, threatens the City’s fiscal solvency and requires the Gary community to rethink these services. In the absence of additional funding from the County or State, the Department must scale back operations, and only focus on activities that are grant funded. And despite the severe reductions in staff and resources to date, the Health Department must continue to explore ways to reduce operating expenses.

The first three initiatives present three different scenarios. The first scenario (HD01), assumes that the City of Gary closes the Health Department. It illustrates the net cost savings that would accrue to the City, and discusses the service impacts for the County facility in Crown Point. The second scenario (HD02) assumes that the City provides funding for the Health Department, but only through matching funds of State grants. The third scenario (HD 03) assumes that Department will continue to operate, but that General Fund subsidy will be reduced through a series of revenue enhancements, expenditure reductions, and improved grants management practices.

HD01. Close Health Department and transfer responsibilities to Lake County
FY2010 Impact: \$383,000 **Five Year Impact: \$1,990,000**

Currently, Lake County’s Health Department is based at the Government Center in Crown Point. Should the City of Gary close its Health Department, the County Health Department can expect a significant increase in requests for administrative services – e.g., birth and death records; affidavits for paternity; and restaurant licensing. Additionally, the County can expect to see a dramatic increase in demand for more traditional public health services.

- More than 3,400 immunizations, a figure that is expected to rise in 2009 and 2010 in response to the H1-N1 virus.
- Communicable disease screening and monitoring of Gary residents with tuberculosis and hepatitis (A, B, and C).
- Childhood lead poisoning environmental risk assessments, abatements, and blood level testing, which will require County staff to travel into City limits to perform on-site evaluations
- Inspections of food establishments, responses to environmental complaints, and rodent control abatement. In 2008, the Gary Health Department conducted more than 550 inspections and rodent abatements.



As the Gary Health Department also provides clinical services and is the only source of primary care services to many residents in Gary, Hammond, and the surrounding region, the County Health Department facility in Crown Point should anticipate a possible surge in demand for the following services:

- Sexually transmitted disease testing, tracking, evaluation, and treatment of approximately 4,000 combined cases of syphilis, gonorrhea, and Chlamydia from Gary, as well as Newton, Porter, and Jasper counties. Additional demand can be expected for HIV testing and treatment
- Prenatal services for the City's Medicaid-eligible population. This will include pregnancy tests, substance abuse and counseling, and medical testing such as additional screenings and treatment for sexually transmitted diseases, urinalyses, hemoglobin testing, childhood physicals, and hearing and vision screenings

Public transportation between Gary and Crown Point is available via the City's bus service. Though the route is somewhat circuitous and the schedule somewhat infrequent – resulting in a burden for residents without transportation – the County can expect to see a large increase of Gary and Hammond residents in this scenario. Given that the Gary Health Department is the lone provider of medical services to many high-need populations; it is not outside the realm of possibility to envision daily busloads of Gary residents traveling to Crown Point to receive services.

The table below illustrates the fiscal impact *across all funds* of closing the Gary Health Department. Savings from eliminating the General Fund and Health and Human Services Fund expenditures will be partially offset by the decrease in vital records and restaurant licensing revenue. Since the fiscal monitor's analysis is focused only on property-tax supported funds, the impact of HD02 on the General Fund is the same as the impact of HD01.

Fiscal Impact⁵

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Expenditure Reduction						
General Fund Personnel	506,931	516,393	526,798	538,243	550,836	2,639,201
General Fund Non-Personnel	181,650	186,191	190,846	195,617	200,508	954,812
Health & Human Services Matching Funds	129,000	132,225	135,531	138,919	142,392	678,066
Revenue Reduction						
Fees	206,227	211,382	216,667	222,083	227,636	1,083,994
Reimbursements	98,839	101,310	103,843	106,439	109,100	519,529
Total Net Impact	512,515	522,117	532,665	544,257	557,001	2,668,556

HD02. Operate Health Department on grant funding only

FY2010 Impact: \$383,000

Five Year Impact: \$1,990,000

In this scenario, the City would eliminate its General Fund contribution to the Health Department, but maintain its grant funding match of \$129,000. All City services not supported

⁵ This is the net impact across the General and Health and Human Service Funds. The latter is the fund through which the City provides matching funds for State and other grants. The General Fund impact would be the same as in HD02.



by grant funding would be eliminated. Additionally, grant-funded programs partially dependent on general fund revenue would be curtailed as well.

Under this arrangement, all Health Department staff not directly funded through grants would be laid off. The City would cease all vital records and inspection functions, and immunization programs would be eliminated as well. The City could continue to monitor communicable diseases and provide prenatal services, at a reduced level, through the MCH program. Additionally, the Department may be able to continue some very limited STD and childhood lead poisoning prevention services.

Because of the reductions in staff, the Department would most likely only operate partial hours during the week. An overflow of Gary and Hammond clients could still seek services at the Crown Point facility in this scenario.

Fiscal Impact⁶

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Expenditure Reduction						
GF Personnel	506,931	516,393	526,798	538,243	550,836	2,639,201
GF Non-Personnel	181,650	186,191	190,846	195,617	200,508	954,812
Revenue Reduction						
Fees	206,227	211,382	216,667	222,083	227,636	1,083,994
Reimbursements	98,839	101,310	103,843	106,439	109,100	519,529
Total Net Impact	383,515	389,892	397,135	405,339	414,609	1,990,489

HD03. Increase revenues and reduce expenditures to maintain operations

FY2010 Impact: \$244,000

Five Year Impact: \$1,274,000

In this scenario, the City would continue to operate the Health Department, but use a combination of revenue enhancements, expenditure reductions, and improved grants management to minimize the required subsidy from the General Fund. By focusing on operations funded by grants, reimbursements, and fees, the Department would continue to operate, but at reduced service levels.

Suggested revenue enhancements include:

- **Increase Fee Revenue by 50 percent (\$85,000).** The Gary Health Department prides itself on charging fees to clients that are lower than regional health departments, removing a barrier to health access. Facing the possibility of closure, the City may have to adjust its fee levels to continue operations.
- **Implement New Fees (\$30,000).** The Health Department should investigate the possibility charging new fees to recover the costs associated with service delivery. A \$10 fee on immunizations, for example, could generate approximately \$30,000 in revenue.
- **Issue Notice of Violations (\$25,000).** The Health Department does not issue fines or citations for health code violations, nor does the Department charge back to business

⁶ This is the impact on the General Fund. The City would still have expenditures from the Health and Human Services Fund to meet matching requirements for its grants.



and home owners the cost of rodent abatement – a common practice in many municipal health departments.

- **Improve Medicaid Reimbursement (\$50,000).** The Health Department may be able to increase its Medicaid reimbursement rate for services rendered. Sexually transmitted disease testing for Medicaid-eligible women and reimbursement for lead abatement activities are two areas the Department is currently pursuing.

Suggested expenditure reductions include:

- **Reduce Commissioner’s Pay by 50 percent (\$36,500).** While the Commissioner no longer receives benefits, he is still paid a full-time salary even though he works on a part-time schedule.
- **Eliminate Professional Services and Travel & Education (\$17,500)**

Suggested changes in grants management include:

- **Reduce General Fund Spending on Grant-Related Programs (\$170,000).** From the data on departmental grants expenditures provided to the Fiscal Monitor, it appears that expenditures charged to grant-funded programs exceed grant revenues by approximately \$170,000. If this assessment is correct, the Department should reduce its expenditures on grant-related programs to the amount of revenue disbursed by State and federal grantors. This would result in additional personnel and service reductions. Wherever possible, the City should attempt to shift the costs associated with personnel to grant-funded revenue lines.

In addition to the abovementioned considerations for revenue enhancement, expenditure reductions, and grants management, the City may consider partnering with local community health providers. Such partnerships may help lower the certain elements of clinical service delivery, or the Department’s operating costs more generally:

- **Facility sharing agreements.** Consider negotiating facility sharing agreements with other community health care providers. For example, a local non-profit – the Gary Community Health Center – owns a large facility adjacent to the Gary Health Department. A Health Department operation within the Gary CHC building could be eligible for enhanced Medicaid reimbursements and other forms of direct federal support. Other city health departments, such as the New Orleans Health Department, have leveraged this enhanced federal funding by sharing a facility with community-based health clinics.
- **Collective Purchasing Agreements.** Explore opportunities for bulk purchasing of common medical supplies with other community health providers such as Methodist Hospital Northlake, Gary Community Health Center, North Shore Health Centers, and HealthVisions Midwest. Leveraging economies of scale from these purchases could drive down medical supply costs and free limited financial resources for more important priorities. Other City departments, such as General Services, have in the past used these agreements to reduce costs for frequently used supplies.
- **Contract for Services.** Explore contract agreements with community health providers to deliver some Health Department clinical services. The Gary Community Health Center (CHC), located adjacent to the Health Department facility, provides some of the same health services provided by the Health Department. Contracting with the Gary CHC or other area providers may allow the Department to scale back some of its more



costly clinical operations. Gary CHC, for example, has a larger staff than the Gary Health Department, offers a more comprehensive array of services to patients in a single setting, and has robust sources of grant funding from the federal government and private foundations.

Fiscal Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Expenditure Reduction						
Commissioner's Salary	36,500	36,500	36,500	36,500	36,500	182,500
Professional Services	17,500	17,938	18,386	18,846	19,317	91,986
Revenue Enhancement						
Increase Fee Revenue	85,000	87,125	89,303	91,536	93,824	446,788
New Fees	30,000	30,750	31,519	32,307	33,114	157,690
Issue NOVs	25,000	25,625	26,266	26,922	27,595	131,408
Medicaid Reimbursement	50,000	51,250	52,531	53,845	55,191	262,816
Total Net Impact	244,000	249,188	254,505	259,955	265,541	1,273,188

HD04. Leverage additional funding opportunities

FY10 Impact: N/A

Five Year Impact: N/A

The City should explore opportunities to secure funding for health department services from federal Ryan White HIV/AIDS grants.

The US Department of Health and Human Services offers grants under the Ryan White HIV/AIDS program to hospitals, academic institutions, community health centers, evaluation centers, community-based organizations, and state and local health departments. The **Ryan White Part D- Services for Women, Infants, Youth, and their Families** grant offers funding for family-centered care for women, infants, children and youth with HIV/AIDS. The program requires that grantees educate clients about HIV/AIDS research and research opportunities as well as inform them on the benefits of participation and how to enroll in research.

Fundable activities include:

- Family-centered primary and specialty medical care
- Support services
- Logistical support and coordination.

Funding from this grant could be used to support testing and support services at the department's STD/AIDS clinic, freeing up additional General Fund revenue for other purposes.

Alternatively, the **Ryan White Part F – Special Projects of National Significance** grant provides funding for innovative modes of care and support for individuals with HIV. The grant requires recipients to evaluate innovations and disseminate findings to the larger HIV community. This program explicitly allows funding for development of an electronic client information data system that allows the grant recipient to report clinic-level data. Such a system can be used to upgrade the technological capabilities of the department and allow for better processing and management of patient records.

The City should also continue discussions with Lake County regarding possible financial support for the City Health Department. In the absence of City provided services, the County would likely bear a larger burden for services, which would in turn increase its costs and would make access to services more difficult for Northwest Indiana residents. Instead of thinking



about health services as being either the realm of the City or the realm of the County, both governments should pursue cooperative ventures to that serve the residents of both.



Human Relations Commission

Overview

The Gary Human Relations Commission (HRC) was established to enforce the local anti-discrimination law. Its primary responsibility is to promote equal opportunity without regard of race, color, creed, religion, sex, national origin, ancestry, disability or familial status in employment, education, housing and public accommodations. The Commission is also charged with the responsibility to protect employers, real estate brokers, property owners and others from unfounded charges of discrimination.

The duties and responsibilities of HRC are governed by the Gary Civil Rights Ordinance. The Commission reports to the Mayor's Chief of Staff and is regulated by the US Department of Housing and Urban Development and the Equal Employment Opportunity Commission. The Commission has a total of 11 Commissioners who are appointed by the Mayor to four year staggered terms with Council approval. Commissioners are responsible for reviewing and making recommendations on HRC cases and are paid a stipend of \$25 per meeting. The Commission receives complaints from residents of other municipalities, though but it has no jurisdiction to investigate.

The Human Relations Commission is staffed by five full-time personnel and two volunteers. The Commission also employs the services of two contractors to provide project and anti-redlining coordination. Its operations are funded by the City, HUD, EEOC and Community Development Block Grant funds. Before FY2009 the Commission had five full-time employees supported by the General Fund. In FY2009 two positions were transferred to other grand supported funds and a monitoring specialist position was eliminated. The Monitoring Specialist was replaced by two volunteers who are paid by AARP and work approximately 18 hours per week

Historic Employee Count – Budgeted Positions¹ (General Fund Only)

	2006	2007	2008	2009	2010
Full-time positions	5	5	5	2	2
Commissioners	N/A	N/A	N/A	11	11
Total	5	5	5	13	13

The table below shows the Commission's expenditures from the General Fund for FY2006 through FY2008 and the FY2009 General Fund allocation. Expenditures from grant supported funds are not included. The expenditures also do not include the City's contributions to employee health care, which is budgeted separately. The position transfers and cut account for the declining salary and wage and total spending.

¹ The numbers shown here for FY2009 come from the revised FY2009 budget. Commissioners were not included in budgeted positions before FY2009.



Historical expenditures – Department of Human Relations (General Fund Only)²

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	143,809	146,527	123,129	60,462	-58.0%
P E R F	8,860	9,775	6,459	3,628	-59.1%
F I C A	9,249	9,549	8,718	4,075	-55.9%
Workmen's Compensation	1,648	1,886	2,527	2,130	29.3%
Unemployment Compensation	1,648	2,017	2,527	2,663	61.6%
Subscription & Dues	355	200	200	250	-29.6%
Printing	0	490	70	500	N/A
Travel & Education	0	0	0	2,500	N/A
Refunds, Awards & Indemnities	3,725	4,075	4,400	5,500	47.7%
Total	169,292	174,518	148,031	81,708	-51.7%

The Department's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent.

Projected baseline expenditures – Department of Human Relations (General Fund Only)³

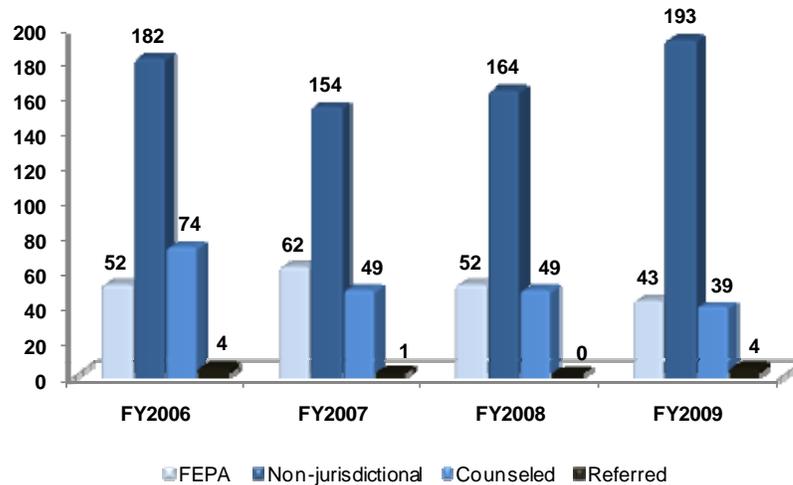
	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	58,262	58,262	58,262	58,262	58,262	0.0%
Part-Time Salaries & Wages	6,600	6,600	6,600	6,600	6,600	0.0%
P E R F	3,892	4,086	4,291	4,505	4,730	21.6%
F I C A	4,457	4,457	4,457	4,457	4,457	0.0%
Workmen's Compensation	2,330	2,330	2,330	2,330	2,330	0.0%
Unemployment Compensation	2,330	2,330	2,330	2,330	2,330	0.0%
Travel & Education	2,000	2,050	2,101	2,154	2,208	10.4%
Printing	500	513	525	538	552	10.4%
Refunds, Awards & Indemnities	500	513	525	538	552	10.4%
Subscriptions & Dues	250	256	263	269	276	10.4%
Department total	81,122	81,398	81,685	81,985	82,298	1.4%

² This does not include expenditures from grant supported funds that are not included in the City's annual budgets.

³ This does not include expenditures from grant supported funds that are not included in the City's annual budgets.



EEOC Case Load



All EEOC and HUD cases must follow a process before being heard by the Board of Commissioners and therefore referred to FHAP or FEPA. When an individual comes into the HRC office to file a complaint,

- Jurisdictional status is determined;
- If the plaintiff lives within the jurisdiction, the information is recorded and registered into a case management system. If the individual does not live within the jurisdiction, they are referred to an appropriate service provider (HUD cases) or given advice or other assistance (EEOC cases);
- Jurisdictional cases are assigned to an investigator;
- A fact finding session is conducted where investigators interview both parties and make a recommendation to the Board;
- A case review is conducted by a review board consisting of the Commission's Executive Director and two Commissioners (Commissioners serve on a rotational basis);
- The Case Review Board makes a recommendation and files the case with either FHAP or FEPA.

In recent years, the total case load handled by the Commission has decreased. Between FY2006 and FY2009, the number of housing cases decreased by 40.2 percent (from 184 to 110). Employment cases dropped by 10.6 percent over the same time period (from 312 to 279) thereby bringing the total caseload decrease to 21.5 percent.



Housing and Employment Caseload

	FY2006	FY2007	FY2008	FY2009	Growth %
Housing	184	154	131	110	-40.2%
Employment	312	266	265	279	-10.6%
Total	496	420	396	389	-21.6%

In its current state, the Gary Human Relations Commission serves as the liaison between the plaintiff and either HUD or EEOC. The number of cases actually being filed with FHAP and FEPA are relatively low (as indicated on the graphs above). Furthermore, the HRC spends a significant portion of its time listening to non-jurisdictional EEOC cases and either referring petitioners to the appropriate agency or counseling them.

The neighboring jurisdictions of Hammond and East Chicago also have Human Relations Commissions. Hammond only investigates HUD complaints and East Chicago only investigates EEOC complaints. Hammond residents who wish to make an EEOC complaint must do so with the Indiana Civil Rights Commission. East Chicago residents who wish to make a HUD complaint must do so directly with the Department of Housing and Urban Development.

Given the declining caseload and availability of service at other levels of government, the City should consider eliminating the Commission. In doing so, Gary residents would be required to contact the Indiana Civil Rights Commission for their EEOC complaints or Department of Housing and Urban Development for their housing complaints. Eliminating the HRC would generate approximately \$95,000 in General Fund savings - \$81,000 as projected above plus another estimated \$15,000 for employee health benefits. The City could maintain the grant funded activities or eliminate them without impacting the General Fund. The City should review its Civil Rights Ordinance to determine whether changes are necessary prior to eliminating the Commission.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
95,000	97,000	98,000	99,000	100,000	489,000



Commission for Women

Overview

The mission of the City of Gary's Commission for Women is to insure female City residents can fully utilize their talents and the realize their rights as citizens. The Commission was initially established in 1970 as an advisory body to improve the status of women within the City. In 1974, the City Council passed legislation to officially establish the advisory body as a City department.

The Commission for Women serves as an advocate for women and works to educate the community on issues facing women. The Commission operates two shelters:

- **The Rainbow:** An emergency shelter for women who are either homeless or victims of domestic violence or sexual assault. Domestic violence victims are allowed to utilize the shelter for up to 45 days while rape victims can stay up to three days and homeless women up to 15 days. If a domestic violence victim needs to stay beyond the 45 day allowable time, they must be employed. They may also be admitted to the Ark upon expiration of the 45 day period.

The Rainbow has a total of seven bedrooms for singles or families to utilize. The shelter takes walk-ins or phone arranged clients who reside in Lake County. Services provided at the Rainbow include shelter, advocacy, counseling, community education and referral information.

- **The Ark:** Established in November 1989, the Ark is a transition facility for homeless women and their children. The facility has a total of 17 two-bedroom apartments and a full laundry area. All apartments are fully furnished with basic furniture, dishes, bedding and all needed household items. Residents are also provided with food upon their initial entrance. The facility also provides a food and clothing bank.

The Ark primarily serves City residents however, non-residents are assisted with food and clothing needs. Ark clients are charged a nominal monthly rent based on their income and in accordance with U.S Department of Housing and Urban Development (HUD) regulated Section (8) scales. Under HUD regulated guidelines, residents are allowed to stay at the Ark for up to 24 months.

If a victim has a child, both the Ark and the Rainbow will accept the child upon admittance of the victim.

The Commission for Women is headed by an Executive Director and has a total of thirteen board members. The Executive Director reports dually to the Commission Board and the City's Deputy Mayor. Board members are appointed by the Mayor and scheduled to meet once per month and receive a stipend of \$50 for each meeting attended.

Across all funds (including those that are grant supported), the Commission has a total of 19 employees including an Executive Director, volunteer coordinator, project aide, administrative assistant, seven caseworkers at the Rainbow and eight caseworkers at the Ark. Before FY2009 only the Executive Director and Administrative Aide positions were supported by the General Fund. In FY2009 the salary expenses associated with those positions were transferred off the General Fund to grants.



Historic Employee Count – Budgeted Positions (General Fund Only)¹

	2006	2007	2008	2009	2010
Full-time positions	2	2	2	0	0
Commissioners	13	13	13	13	13
Total	15	15	15	13	13

Most of the Commission's expenses are covered by grants and do not appear in the City's annual operating or salary budgets. The transfer of two full time positions from the General Fund to grant sources leaves the Commission with just \$9,000 in budgeted FY2009 expenditures.

Historical expenditures - Commission for Women

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	61,092	66,910	46,192	8,034	-86.8%
P E R F	4,353	5,162	2,425	0	-100.0%
F I C A	4,469	4,921	3,311	615	-86.2%
Workmen's Compensation	1,217	1,205	924	0	-100.0%
Unemployment Compensation	1,217	1,307	924	0	-100.0%
Subscription & Dues	290	75	0	0	-100.0%
Grants & Subsidies	0	10,000	0	0	N/A
Total	72,638	89,581	53,776	8,649	-88.1%

The only expenditures in the City's FY2010 operating budget are those related to Commissioner compensation, which are projected at a flat level through FY2014.

Projected baseline expenditures – Commission for Women

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Part-Time Salaries & Wages	7,800	7,800	7,800	7,800	7,800	0.0%
F I C A	597	597	597	597	597	0.0%
Department total	8,397	8,397	8,397	8,397	8,397	0.0%

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



Assessment

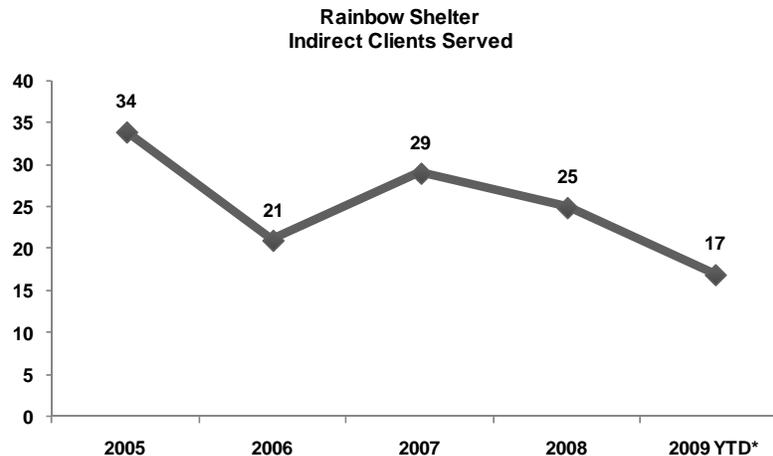
The average number of cases for the Rainbow shelter has somewhat fluctuated over the past five years. In 2005, the Rainbow had a total of 66 cases. This number decreased to 59 in 2007 and then rose to 68 in 2008. As of October 31, 2009, the Rainbow had a total of 58 cases, an average of 5.8 cases per month. If this trend continues, the shelter can expect to have approximately 70 cases by the end of the year.

Historical Caseload – Rainbow Shelter

	2005	2006	2007	2008	2009 YTD*
Violence ²	47	35	39	38	39
Homeless	19	26	20	30	19
Total	66	61	59	68	58
<i>Average</i>	<i>33.0</i>	<i>30.5</i>	<i>29.5</i>	<i>34.0</i>	<i>29.0</i>

*YTD Data is as of October 31, 2009

In addition to serving shelter clients directly, the Rainbow also provides indirect services to residents of Gary and surrounding Lake County. Indirect services include food, clothing, Christmas gifts and household items. The following chart shows the annual number of clients serviced from 2005 to 2008 and 2009 year-to-date.



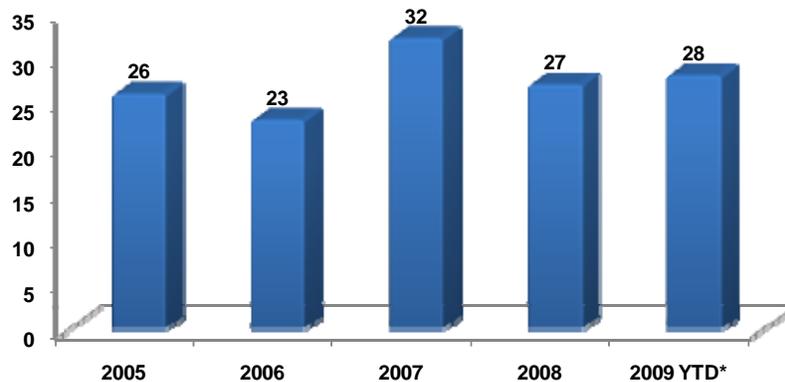
The number of indirect clients served decreased from 34 in 2005 to 25 in 2008. As of October 31, 2009, the shelter served 17 clients indirectly. The Commission anticipates an increase in activity during the holiday season.

The annual number of shelter residents at the Ark has been more stable over this period, though the individuals who receive the service may change frequently. Between 2005 and 2008, the Ark provided shelter to an average of 27 adults. The highest number of adults receiving shelter was 32 in 2007 while the lowest was 23 in 2006. As of October 31, 2009, the number of adults receiving shelter at the Ark was 28.

² Includes victims of sexual assault



**Ark Shelter
Annual Number of Adults Served**



**YTD Data is as of October 31, 2009*

Initiatives

- CW01. Explore opportunities to partner with local non-profits and faith-based organizations**
FY2010 Impact: N/A **Five Year Impact: N/A**

While the kinds of services provided by the Commission are undoubtedly important, other large municipalities appear to have non-profit organizations, like local Young Women's Christian Associations (YWCAs), as their primary service providers. The City should explore opportunities to partner with the Gary YWCA or other non-profit organizations to see if there is any interest and advantage to having non-profit organizations assume this work or provide complementary services to those provided by the Commission.



5. Public Safety



Fire Department

Overview

The Gary Fire Department provides fire suppression, fire prevention, water rescue, and emergency medical services (EMS) to City residents. The Department reports directly to the Mayor, while the purchase of most supplies and services require Board of Works approval. Most personnel issues, including promotions, testing, and grievances are addressed through the City Fire Civil Service Commission,¹ which is addressed in a separate chapter.

The Department consists of three divisions:

- **Fire Suppression and Rescue** is divided into three platoons, each of which is commanded by a Division Chief. Four battalions are assigned to each Division Chief. Firefighters and officers involved in fire suppression activities work 24-hour shifts. On average, nine engines are operational daily, and the Department strives to have five ladders operational (with one in reserve). At time of writing, three ladders were in service.
- **Emergency Medical Services** operates under the supervision of an assistant chief for EMS, and the direction of a civilian medical director at Methodist Hospital, which serves as the Division's sponsor. The Division is divided into three platoons, each of which has six ambulances and two paramedic chase vehicles. Each platoon is supervised by an EMS division chief and a paramedic supervisor working 24-hour shifts. These personnel are stationed in six fire stations throughout the city. On average, four ambulances are operational daily.
- **Supportive Services** supports the daily operations of the department by providing key administrative and operational support services. Supportive Services is divided into six areas: Building and Grounds, Communications, Fire Prevention/Investigations, Information Services, Training, and Vehicle Maintenance.

In the amended FY2009 salary budget, the Fire Department has a total of 241 sworn positions (excluding EMS), of which 134 are firefighters or engineer-chauffeurs. This represents a reduction of 36 positions (13 percent of headcount) since the FY2008 salary budget, and a base salary savings of \$1.42 million. The City eliminated 21 positions in the original FY2009 budget and then made another 15 cuts in the amended FY2009 budget. Of the 36 positions cut, 35 were firefighters; one was a captain. EMS has 46 positions, most of which are paramedics or emergency medical technicians (EMTs). The City cut two paramedics, nine EMTs and a mechanic position in its original FY2009 budget and then cut two secretarial positions in the amended FY2009 budget.

Historic Employee Count – Budgeted Positions² (General Fund Only)

	2006	2007	2008	2009	2010
Fire (sworn & civilian)	290	290	277	241	241
EMS	60	60	60	46	46

The number of filled positions shows a more gradual level of reduction in fire department staffing with a decrease each year since 2006. This indicates the City may not have been filling budgeted vacant positions.

¹ Please see initiative FC02 in this chapter for a recommendation related to the promotion process.

² The budgeted positions shown for FY2009 are from the revised FY2009 budget.



Historic Employee Count – Filled Positions³ (General Fund Only)

	2006	2007	2008	2009
Fire Department	286	275	249	239
EMS	56	57	54	49

The following table provides an overview of Fire Department personnel by title for 2008 and 2009.

Sworn Personnel by Rank – Gary Fire Department (Excluding EMS)

	Headcount 2008	Headcount 2009	Base Salary	Total Base Salary 2008	Total Base Salary 2009	Change (2008 to 2009)
Fire Chief	1	1	\$104,738	\$104,738	\$104,738	\$0
Deputy Chief	1	1	\$60,845	\$60,845	\$60,845	\$0
Division Chief Pay Grade						
Chief of Operations	1	1	\$53,927	\$53,927	\$53,927	\$0
Division Chiefs	4	4	\$53,927	\$215,708	\$215,708	\$0
Chief of Buildings & Grounds	1	1	\$53,927	\$53,927	\$53,927	\$0
Chief Inspector	1	1	\$53,927	\$53,927	\$53,927	\$0
Chief Mechanic	1	1	\$53,927	\$53,927	\$53,927	\$0
Chief of Communications	1	1	\$53,927	\$53,927	\$53,927	\$0
Chief Training Officer	1	1	\$53,927	\$53,927	\$53,927	\$0
Chief of Health & Safety	1	1	\$53,927	\$53,927	\$53,927	\$0
Subtotal:	11	11	\$53,927	\$593,197	\$593,197	\$0
Battalion Chief Pay Grade						
Battalion Chiefs	12	12	\$47,776	\$573,312	\$573,312	\$0
Drill Master	1	1	\$47,776	\$47,776	\$47,776	\$0
MIS Officer	1	1	\$47,776	\$47,776	\$47,776	\$0
Senior Inspector	1	1	\$47,776	\$47,776	\$47,776	\$0
Master Mechanic	1	1	\$47,776	\$47,776	\$47,776	\$0
Subtotal:	16	16	\$47,776	\$764,416	\$764,416	\$0
Captain Pay Grade						
Captain	39	39	\$45,501	\$1,774,539	\$1,774,539	\$0
Captain Safety Officer	3	3	\$45,501	\$136,503	\$136,503	\$0
Inspector	3	3	\$45,501	\$136,503	\$136,503	\$0
Arson Investigator	3	3	\$45,501	\$136,503	\$136,503	\$0
Carpenter	1	1	\$45,501	\$45,501	\$45,501	\$0
Fiscal Officer	1	1	\$45,501	\$45,501	\$45,501	\$0
Radio Technician	1	1	\$45,501	\$45,501	\$45,501	\$0
Mechanic	3	3	\$45,501	\$136,503	\$136,503	\$0
Dive Master	1	1	\$45,501	\$45,501	\$45,501	\$0

³ The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are funded outside the property tax supported funds.



	Headcount 2008	Headcount 2009	Base Salary	Total Base Salary 2008	Total Base Salary 2009	Change (2008 to 2009)
Equipment Officer	1	1	\$45,501	\$45,501	\$45,501	\$0
Training Officer	2	1	\$45,501	\$91,002	\$45,501	(\$45,501)
Subtotal:	58	57	\$45,501	\$2,639,058	\$2,593,557	(\$45,501)
Lieutenant	21	21	\$43,334	\$910,014	\$910,014	\$0
Engineer-Chauffeur	63	63	\$41,271	\$2,600,073	\$2,600,073	\$0
Firefighter	106	71	\$39,304	\$4,166,224	\$2,790,584	(\$1,375,640)
Total	277	241	\$436,696	\$11,838,565	\$10,417,424	(\$1,421,141)

The following table provides a breakdown of fires and other responses by type between 2006 and 2008. In addition to the responses listed below, the City's ambulances respond to approximately 17,000 calls for service annually. Over this time, the number of fire responses has declined and the number of "other responses" – particularly for false alarms – has increased.

Fire Department Responses by Type: 2005 – 2008, Excluding EMS

	2005	2006	2007	2008
<u>Fire Responses</u>				
Residential	383	358	373	367
Non-Residential	9	1	6	13
Commercial	10	14	13	11
Miscellaneous	12	-	69	4
Grass & Brush	469	215	173	173
Automobile	352	346	365	304
Rubbish	351	340	365	356
Out of City (Mutual Aid)	15	13	17	16
Arson	138	129	114	63
Total Fire Responses	1,739	1,416	1,495	1,307
<u>Other Responses</u>				
Smoke Scares	50	130	155	132
False Alarms	623	1,065	1,179	1,030
Carbon Monoxide Calls	207	254	312	403
Unit 113 Calls	129	254	212	165
Ambulance Assist.	2,116	2,184	3,273	2,048
Total Responses	4,864	5,303	6,626	5,085
Total Alarms	4,397	4,666	5,918	4,454

Facilities

The Department operates 13 fire stations throughout the City of Gary, and one additional station at the Gary-Chicago International Airport. The table below lists the location of each station, neighborhood served, and the apparatus associated with the station. Station 10 is currently closed due to flood damage.



Gary Fire Department Stations

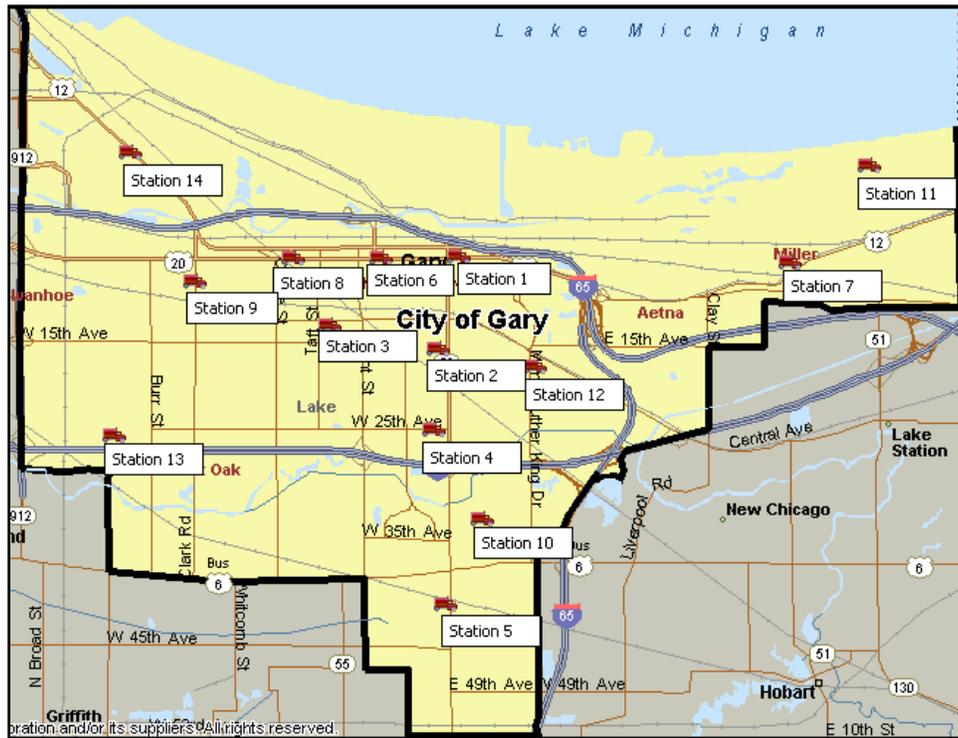
	Address	Neighborhood Served	Company Type
Station 1	200 East 5th Ave	Downtown	Engine 1, Truck 1, Medic, Shift Commander
Station 2	1620 Adams Ave	Midtown	Engine 2 , Squad 2, Hazmat Trailer, Battalion Chief 4
Station 3	1200 Roosevelt St	Tolleston	Engine 3
Station 4	330 West 25th Ave	Midtown	Engine 4, Truck 4, Medic
Station 5	4101 Washington St	Glenn Park	Engine 5, Medic, Battalion Chief
Station 6	1201 West 5th Ave	--	Chief Paramedics, Safety Officer
Station 7	380 South Grand Blvd	Miller	Engine 7, Truck 7, Medic
Station 8	2800 West 5th St	Horace Mann	Engine 8, Medic, Battalion Chief
Station 9	761 Clark Road	Brunswick	Engine 9
Station 10	3310 Virginia St	Non-Operational	
Station 11	8010 Indian Boundary	Miller	Engine 11
Station 12	1901 Mississippi St	East Midtown	Engine 12
Station 13	6012 West 26th St	Black Oak	Engine 13, Truck 13, Medic
Station 14	6001 West Industrial Highway	Gary/Chicago Airport	Two Crash Trucks and a Rapid Intervention Unit

Trucks and engine units may be taken out of service or redeployed between stations depending on apparatus availability (i.e., whether or not the piece of equipment is down for repairs) and manpower availability (i.e., whether enough firefighters are available to staff the pieces of apparatus at the station).

The following map shows the location of each station.



City of Gary – Fire Station Locations



The fire department fleet consists of 53 pieces of equipment, including 22 passenger vehicles (cars, SUVs, vans, and pick-up trucks).⁴

Expenditures

The City budgets for expenditures related to fire suppression, prevention and training activities (Fire Department) separately of those related to EMS. That distinction is maintained in the charts below. Personnel expenditures account for nearly all of the expenditures shown below, which is partly a result of the City’s budget structure. Gasoline and fleet maintenance costs are not included in this presentation, and neither is the cost of the City’s contribution to employee health insurance. Nearly all of the expenses in the table below are personnel-related. The City budgets only nominal amounts for apparatus and other operational equipment from its General Fund. As a result, the “budgeted” amount for the Fire Department does not reflect the full cost of fire service in Gary.

Historical expenditures – Department of Fire

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full-Time Salaries & Wages	12,180,457	12,280,278	10,617,572	10,417,424	-14.5%
Other Compensation	350,016	304,974	245,169	179,000	-48.9%
Longevity Pay	217,529	224,629	209,197	190,000	-12.7%
Overtime Pay	1,601,493	1,167,514	1,580,971	451,528	-71.8%

⁴ Vehicle inventory list provided by the Fire Department



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Clothing Allowance	430,506	412,787	361,500	452,500	5.1%
P E R F	2,135,960	2,261,772	2,088,833	1,995,516	-6.6%
F I C A	142,705	137,165	134,341	153,000	7.2%
Workmen's Compensation	57,181	53,378	73,570	149,800	162.0%
Supplies & Materials	20,994	12,764	6,827	9,000	-57.1%
Repairs	67,925	83,192	9,760	11,200	-83.5%
Other	271,137	61,691	9,500	135,450	-50.0%
Total	17,475,903	17,000,144	15,337,239	14,144,418	-19.1%

The Department's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel-related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows 5.0 percent annually while others by 2.5 percent. The City intends to pay firefighters a uniform allowance from its Public Safety Welfare Fund in FY2010 and then eliminate the allowance in subsequent years. Since the Public Safety Welfare Fund is not included in the baseline projections, the allowance does not appear at all in the chart below.

Projected baseline expenditures – Department of Fire

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	10,417,424	10,417,424	10,417,424	10,417,424	10,417,424	0.0%
Other Compensation	137,000	137,000	137,000	137,000	137,000	0.0%
Longevity Pay	289,200	289,200	289,200	289,200	289,200	0.0%
Overtime Pay	550,000	550,000	550,000	550,000	550,000	0.0%
P E R F	2,138,648	2,245,580	2,357,859	2,475,752	2,599,540	21.6%
F I C A	127,000	127,000	127,000	127,000	127,000	0.0%
Office Supplies	2,000	2,050	2,101	2,154	2,208	10.4%
Medical Supplies	3,800	3,895	3,992	4,092	4,194	10.4%
Repair Parts	3,500	3,588	3,677	3,769	3,863	10.4%
Contractual Maintenance	3,200	3,280	3,362	3,446	3,532	10.4%
Repairs To Equipment	4,500	4,613	4,728	4,846	4,967	10.4%
Subscriptions & Dues	450	461	473	485	497	10.4%
Department total	13,676,722	13,784,090	13,896,816	14,015,168	14,139,426	3.4%

The City's EMS operations are funded through two funds – the Ambulance Non-Reverting Fund and the General Fund. The Ambulance Non-Reverting Fund is supported by 50 percent of EMS reimbursements, and is primarily used for operating costs related to maintaining and repairing ambulances and fire suppression vehicles, as well as other non-personnel operating costs. The General Fund allocation is almost exclusively for personnel costs, though the City's contribution to employee health insurance is not shown below. Vehicle fuel and utilities are also budgeted separately.



Historical expenditures – EMS (General Fund Only)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full-Time Salaries & Wages	1,983,958	2,276,894	1,944,422	1,760,985	-11.2%
Other Compensation	13,706	14,476	9,053	25,000	82.4%
Longevity Pay	32,845	34,317	35,641	59,800	82.1%
Overtime Pay	217,864	147,069	156,878	115,000	-47.2%
Clothing Allowance	70,138	79,672	76,500	64,000	-8.8%
P E R F	132,874	160,475	106,018	114,201	-14.1%
F I C A	169,422	187,712	158,639	145,594	-14.1%
Workmen's Compensation	32,485	29,841	29,426	57,470	76.9%
Unemployment Compensation	32,485	31,861	29,426	83,845	158.1%
Other	2,010	6,917	0	6,500	223.4%
Total	2,687,787	2,969,235	2,546,004	2,432,395	-9.5%

Projected baseline expenditures for EMS from the General Fund follow the same assumptions explained above. The City has appropriated money from its General Fund for a clothing allowance, which is a much smaller expense for EMS.

Projected baseline expenditures – EMS (General Fund Only)

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	1,746,789	1,746,789	1,746,789	1,746,789	1,746,789	0.0%
Longevity Pay	52,800	52,800	52,800	52,800	52,800	0.0%
Overtime Pay	85,000	85,000	85,000	85,000	85,000	0.0%
Clothing Allowance	66,000	64,000	64,000	64,000	64,000	-3.0%
P E R F	109,907	115,403	121,173	127,232	133,593	21.6%
F I C A	140,132	140,132	140,132	140,132	140,132	0.0%
Workmen's Compensation	69,872	69,872	69,872	69,872	69,872	0.0%
Unemployment Compensation	69,872	69,872	69,872	69,872	69,872	0.0%
Other	25,700	26,343	27,001	27,676	28,368	10.4%
Department total	2,366,071	2,370,209	2,376,638	2,383,371	2,390,425	1.0%

Assessment

The City has taken several steps to reduce the Fire Department's costs and improve operational performance:

- As mentioned previously, the Department reduced its fire suppression staff by 13 percent between 2008 and 2009. In addition to firefighter reductions, the Division of Emergency Medical Services eliminated nine EMTs, two paramedics, and one mechanic between 2008 and 2009.



- As described more extensively in the Workforce chapter, the Department has dramatically reduced overtime expenditures from \$5,707 per employee in 2008 to a forecasted \$2,637 per employee in 2009.
- Through successful legal action, the Department now can staff apparatus with three firefighters on each piece of apparatus. Previously, the Department staffed apparatus with four firefighters – forcing the Department to spend large sums of overtime – even though most regional jurisdictions in only staff three firefighters per apparatus.
- The EMS Division nearly doubled transport fees, bringing rates charged by the City of Gary more closely in line with private ambulances services operating in Lake County.
- Some department leaders have independently monitored leave usage among employees during their shifts. As a result, attendance has reportedly improved dramatically in some instances by working within the parameters of existing language in the collective bargaining agreement.
- To comply with State reporting requirements, the Fire Department will soon launch the Firehouse Software system that has the potential to improve the tracking of response data by the Department.
- The Department implemented an overtime waiver for officers earning overtime in a lower rank. Previously, when an officer (e.g., captain) worked in place of a firefighter, the captain would be paid overtime at a captain's rate of pay, even though he or she was performing the work of a firefighter who receives a lower rate of pay.

In spite of some progress in departmental reform in recent years, the Gary Fire Department continues to face significant and deep-rooted challenges:

- **Staffing:** Staffing levels and the number of fire stations are higher than national benchmarks for cities of similar population, creating increased fiscal pressure on the City's operations budget. Past minimum manning operational practices, high levels of leave usage, and absenteeism have all contributed to excess staffing and overtime expenditures that, though significantly lower in recent years, still exceed budgeted allotments.

As noted above, the City has recently cut positions. However, those reductions disproportionately impact firefighters, not officers, because of an inverse seniority layoff clause in the firefighter's collective bargaining agreement. Consequently, the department is "top-heavy," with a disproportionate number of sworn personnel receiving compensation at the captain and battalion chief pay grades. Meanwhile, multiple parties including collective bargaining unit representatives and management recognize that employee morale is low, in no small part as a result of a multi-year wage freeze, staffing reductions, and poorly-maintained fire stations.

- **Leave usage:** The Department lacks a comprehensive leave policy. There is no well-defined benefit for on-duty injuries; as a result, all uniformed employees receive up to 90 days of sick leave annually. In practice, there is virtually no distinction between leave that is used for illness or short-term on-duty injuries and leave taken for personal use. Despite the reported progress in addressing absenteeism, Fire personnel continue to use high levels of leave. At present the Department addresses the problem by increasing overtime or temporarily closing stations and running fewer ambulances.
- **Facilities and fleet:** Fire stations are obsolete, in disrepair, and in need of significant renovation. The City does not have a comprehensive capital improvement plan, and fire station locations have not been reevaluated in light of the City's population loss in recent years. The cost of departmental fleet operations are very high, driven by high personnel costs and an old, oversized



fleet. Departmental fleet operations are staffed by five uniformed personnel, none of whom are below the rank of captain. As a result, the Fire Department budgeted to spend an estimated \$333,000 on personnel-related fleet costs in 2009 (excluding workers' compensation or unemployment) – more than forty-five percent of the total personnel budget for the Department of Motor Vehicle Maintenance.

- **Performance management:** The Department's leadership does not use any performance data in management decision-making. This includes basic measures of operational performance including average response times for fires and EMS calls; number of responses broken down by incident type; number of calls for, and responses to, incidents requiring mutual aid; number of arsons and prosecution success rate; and number of fire inspections performed. In fact, the Department continues to use National Fire Protection Association codes from the 1950s, which means it does not track more detailed and nuanced data that could be used improve fire suppression response. The imminent launch of the Firehouse software system will challenge the Fire Department's leadership to address these issues.

Finally, no Department-wide effort regularly tracks leave usage to identify cases of leave abuse, and the Department does not have complete historical records of human resources information. This makes the City vulnerable to challenges related to the calculation of separation payouts.

- **Cost recovery:** Despite the passage of multiple local ordinances and the fact that the Indiana State Code expressly grants the City authority to do so, the Gary Fire Department attempts only minimal revenue recovery for false alarms, hazardous materials response, and fire reports. The City also shoulders most of the costs for fire suppression and EMS response service at the Gary/Chicago International Airport, an enterprise operation.

Challenges specifically related to EMS include:

- Emergency Medical Services runs an operating deficit in excess of \$2 million annually, while the Department's plan to become revenue neutral omits key cost inputs and is based on unrealistic revenue assumptions. Further, the Department reports a strategy to accumulate a \$500,000 cash balance in its non-reverting fund from ambulance revenue. Though these funds are targeted for apparatus replacement and repair, which is understandable given that the City does not budget for apparatus replacement, the Department has no formal policy for making expenditures from the is fund, and the City Finance Department does not consider this revenue in making departmental budget allocations.
- Nearly two-thirds of EMS transports are for individuals insured by Medicaid (31 percent of transports) or with no insurance coverage (34 percent). Medicaid reimbursements represent only a fraction of the cost of service, while the City does not actively pursue individuals without insurance – hampering the EMS Division's ability to operate on a revenue neutral basis.

Staffing Levels

The tables that follow present data from the National Fire Protection Association (NFPA), which tracks and publishes national staffing and apparatus averages for fire departments throughout the country. These figures reflect data reported to NFPA, not NFPA-recommended rates or a defined fire protection standard.⁵ This data reveals that the City of Gary has more than twice as many firefighters per 1,000 residents than other US cities with population between 50,000 and 99,999. The NFPA reports that the median number of firefighters per 1,000 residents in cities in the Midwest region of the United States is 1.16, versus 2.83 for the City of Gary.

⁵ U.S. Fire Department Profile through 2008, National Fire Protection Association.



Career Firefighters per 1,000 Residents (2008)⁶

Population	Low	Median	High	Gary (2009)
50,000 - 99,999	0.00	1.33	3.91	2.83

The City also has nearly twice as many fire stations per 1,000 residents compared to U.S. cities with a population between 50,000 and 99,999 residents, assuming that Station 10 remains closed:

Number of Fire Stations per 1,000 Residents (2008)

Population	National Average	Gary
50,000 - 99,999	0.081	0.154

With more firefighters and stations per capita, the number of pieces of apparatus within the Department's fleet is also higher than U.S. cities of similar size.

Pieces of Apparatus per 1,000 Residents Jurisdictions with Population of 50,000 to 99,999 Residents (2008)

Per 1,000 Residents	National Median	Gary (2009)
Pumpers	0.083	0.166
Aerial Apparatus	0.016	0.059

Historically, one of the operational factors that caused the relatively high level of Fire Department personnel was the practice of staffing four firefighters on each piece of apparatus. This practice was included in the firefighters' collective bargaining agreement. In recent years, however, high rates of absenteeism forced the department to call-in off duty firefighters, in turn generating extremely high levels of overtime – more than \$12,000 per firefighter in 2005. In a subsequent judicial proceeding, the collective bargaining agreement was deemed “expired,” allowing the Department to staff apparatus with three firefighters. Looking at large Northwest Indiana jurisdictions with career fire departments, four of five departments have a minimum staffing requirement of three firefighters per piece of apparatus, or lower:

- **East Chicago:** Minimum of three on an engine, two on ladder trucks and rescue vehicles
- **Hammond:** Minimum of three for all pieces of equipment, though will increase to four when staffing levels permit
- **Hobart:** Minimum of two on a piece of equipment, though generally strives for three or four
- **Portage:** Minimum of three for all pieces of equipment, though will increase to four when staffing levels permit
- **Valparaiso:** Reported minimum of four for all pieces of equipment, but in practice all pieces – except one engine – run with three firefighters

⁶ All population figures based U.S. Census American Community Survey, 2006-2008 3-Year Estimates.



Emergency Medical Services

The City's Emergency Medical Services Division requires a net subsidy of approximately \$2.0 million annually from the City's General Fund. The table below illustrates a review of receipts and disbursements performed by the City's financial advisory services firm Cender and Company, LLC, who independently reviewed EMS reported revenues and expenditures from 2006 to 2008. According to Cender's analysis, between 2006 and 2008, the General Fund subsidized Gary EMS operations by nearly \$7.5 million – exclusive of costs associated with health insurance costs and fleet maintenance.

Cost of City of Gary Ambulance Services (Analysis by Cender & Company, LLC)⁷

Statement of Receipts and Disbursements

For the Years Ended December 31, 2008, 2007, & 2006, \$

	2008	2007	2006
Receipts			
Ambulance Fees – General	386,884	248,886	303,969
Ambulance Fees - Ambulance Nonreverting	386,033	247,606	303,970
Total Receipts	772,917	496,492	607,939
Disbursements			
Full Time Salaries and Wages	1,944,422	2,276,894	1,983,958
Other Compensation	9,053	14,476	13,706
Longevity Pay	35,641	34,317	32,845
Overtime Pay	156,878	147,069	217,864
Clothing Allowance	76,500	82,422	70,622
PERF	106,018	160,475	132,874
FICA	158,639	187,712	169,422
Workmen's Compensation	29,426	29,841	32,485
Unemployment Compensation	29,426	31,861	32,485
Office Supplies	-	-	898
Garage and Motor Supplies	12,959	2,580	-
Medical Supplies	27,988	66,159	40,134
Other Supplies	1,945	-	-
Building Materials	826	6,511	119
Repair Parts	13,923	11,337	4,666
Other Materials	12,484	3,844	522
Professional Services	31,768	4,739	16,329
Travel and Education	445	16,141	13,342
Telephone and Postage	-	10,221	-
Printing	1,922	537	42
Contractual Maintenance	2,608	4,169	4,553
Repairs to Equipment	58,083	31,234	32,171
Repairs to Building	3,000	-	-
Miscellaneous	-	124	-
Machinery and Equipment	22,338	341,286	311,199
Other Capital	-	18,001	11,800
Total Disbursements	2,736,292	3,481,950	3,122,036
Excess (Deficiency) of Receipts over Disbursements	(1,963,375)	(2,985,458)	(2,514,097)

⁷ "City of Gary, Indiana Selected Financial Schedules for Ambulance Services," February 6, 2009. Cender & Company, LLC.



Other Financing Sources (Uses)

Transfers In	-	-	359,940
Transfers Out	-	-	(359,940)
Refunds	712	83	-
Voided Checks	-	406	48
Total Other Financing Sources (Uses)	<u>712</u>	<u>489</u>	<u>48</u>
Net Excess Disbursements over Receipts	<u>(1,964,087)</u>	<u>(2,985,947)</u>	<u>(2,514,145)</u>

In response to the Cender & Company analysis, the Fire Department performed its own analysis of receipts and reimbursements, and developed a plan to make EMS a revenue neutral operation. The table below summarizes the Department's analysis, presenting a schedule of projected 2009 expenditures and revenues with a 60 percent collection rate.



Cost of City of Gary Ambulance Services (Analysis by Gary Fire Department)⁸

	2009	2010	2011
101-300			
Salaries	1,778,906.00	1,815,906.00	1,815,906.00
Other Compensation	-	-	-
Longevity	67,200.00	67,200.00	68,000.00
Overtime	90,000.00	75,000.00	75,000.00
Clothing Allowance	72,000.00	67,500.00	67,500.00
PERF	# 120,486.00	123,481.61	123,481.61
FICA	# 141,594.00	145,272.48	145,272.48
Workmen's Comp.	# 74,036.00	76,268.05	76,268.05
Unemployment Comp.	# 92,545.00	94,427.11	94,427.11
Medical Supplies	1,500.00	-	-
Professional Services	1,000.00	-	-
Travel & Education	2,500.00	-	-
Telephone & Postage	1,000.00	-	-
Subscriptions & Dues	500.00	-	-
Sub-total	<u>2,443,267.00</u>	<u>2,465,055.25</u>	<u>2,465,855.25</u>
224-305			
Salaries	-	-	-
Other Compensation	-	-	-
Longevity	-	-	-
Overtime	-	-	-
Clothing Allowance	3,000.00	2,000.00	2,000.00
PERF	# -	-	-
FICA	# -	-	-
Workmen's Comp.	# -	-	-
Unemployment Comp.	# -	-	-
Office Supplies	2,000.00	2,000.00	2,000.00
Garage & Motor Supplies	10,000.00	10,000.00	10,000.00
Medical Supplies	75,000.00	65,000.00	75,000.00
Other Supplies	10,000.00	7,500.00	7,500.00
Repair Parts	20,000.00	15,000.00	10,000.00
Professional Services	85,000.00	10,000.00	10,000.00
Travel & Education	-	3,000.00	3,000.00
Subscriptions & Dues	-	500.00	500.00
Contractual Maintenance	5,000.00	5,000.00	5,000.00
Repairs to Equipment	100,000.00	40,000.00	30,000.00
Machinery & Equipment	170,000.00	100,000.00	100,000.00
Other Capital Outlays	20,000.00	-	-
Sub-total	<u>500,000.00</u>	<u>260,000.00</u>	<u>255,000.00</u>
Grand Total	\$ 2,943,267.00	\$ 2,725,055.25	\$ 2,720,855.25
Billed Charges @ 60% collection rate	<u>2,696,884.40</u>	<u>3,060,000.00</u>	<u>3,240,000.00</u>
Surplus/Deficit.	\$ (246,382.60)	\$ 334,944.75	\$ 519,144.75

This analysis shows total expenditures billed to the General Fund (101-300) and the Non-Reverting Fund (224-305) based on the 50 percent of collected EMS fees that reverts to the Fire Department. In terms of expenditure levels, the Department's analysis closely mirrors the Cender & Company analysis. Cender & Company estimated 2008 expenditures at \$2.73 million while the Fire Department estimated 2009 expenditures at \$2.94 million.

⁸ "Division of Emergency Medical Services Report of Self-Sufficiency," City of Gary, Indiana Fire Department, April 13, 2009.



Effective January 1, 2009, the City of Gary substantially raised its EMS fees to more closely match market rates charged by neighboring jurisdictions and private ambulance services operating in Lake County. The City increased the Basic Life Support Transport fee from \$250 regardless of residency, to \$450 for residents and \$550 for non-residents. Advanced Life Support Transport fees rose from \$375 regardless of residency to \$575 for residents and \$675 for non-residents. Additionally, the charge per mile increased from \$5 to \$10. Reflecting these rate increases, the City of Gary boosted its billed revenue forecast to \$400,000 per month in 2009, as illustrated in the table below:

Anticipated EMS Revenue through 2011 (Analysis by Gary Fire Department)⁹

Billed amount for mm/yy indicated	2007	#	2008	#	2009	#	2010	2011
January	275,535.00		-		273,157.41		425,000.00	450,000.00
February	251,675.00		-		166,180.00	3	425,000.00	450,000.00
March	228,400.00		-		453,460.93	4	425,000.00	450,000.00
April	251,360.00		-		400,000.00		425,000.00	450,000.00
May	251,230.00		236,325.00		400,000.00		425,000.00	450,000.00
June	253,025.00		259,175.32		400,000.00		425,000.00	450,000.00
July	246,269.00		216,403.40		400,000.00		425,000.00	450,000.00
August	294,005.00	5	173,279.10	3	400,000.00		425,000.00	450,000.00
September	265,290.00		190,585.00		400,000.00		425,000.00	450,000.00
October	259,425.00		63,388.66	2	400,000.00		425,000.00	450,000.00
November	246,260.00		96,469.81		400,000.00		425,000.00	450,000.00
December	-		191,775.10		400,000.00		425,000.00	450,000.00
Total	\$2,822,474.00		\$1,427,401.39		\$4,494,807.34		\$5,100,000.00	\$5,400,000.00
Average per month	\$235,206.17		\$118,950.12		\$374,399.86		\$425,000.00	\$450,000.00
Annual collection at specified rate:								
		70%			\$3,146,365.14		\$3,570,000.00	\$3,780,000.00
		65%			\$2,921,624.77		\$3,315,000.00	\$3,510,000.00
		60%			\$2,696,884.40		\$3,060,000.00	\$3,240,000.00
		55%			\$2,472,144.04		\$2,805,000.00	\$2,970,000.00
		50%			\$2,247,403.67		\$2,550,000.00	\$2,700,000.00

The key assumption in the Fire Department's analysis is the annual collection rate. As a baseline assumption, the Department assumes a 60 percent collection rate. This assumed collection rate of 60 percent is not supported by historical collections for which data are available. For the final eight months of 2008, for example, the department collected 43 percent of billed revenue (see chart below).¹⁰ Further, the Fire Department's analysis appears to omit the 8.75 percent processing fee levied by the EMS billing provider, AccuMed.

⁹ "Division of Emergency Medical Services Report of Self-Sufficiency," City of Gary, Indiana Fire Department, April 13, 2009.

¹⁰ The Fiscal Monitor reviewed invoices from the City's EMS billing service provider, AccuMed, showing the amount of revenue collected. The amount billed comes from the Department's own analysis in the table above.



EMS Collection Rate¹¹

	2008 Billed	2008 Collected
January	n/a	n/a
February	n/a	n/a
March	n/a	n/a
April	n/a	n/a
May	236,325	54,736
June	259,175	53,708
July	216,403	91,598
August	173,279	76,507
September	190,585	96,565
October	63,389	85,116
November	96,470	84,634
December	191,775	70,485
Total (May-Dec)	1,427,401	613,835
Collection Rate		43%

To identify the net EMS revenue collected by the City in 2009, the Fiscal Monitor reviewed billing invoices from the City's EMS billing provider, and factored out the 8.75 percent collection fee. If collection trends for the first nine months of 2009 hold for the final three months of the year, the City can expect to generate approximately \$1.22 million in EMS revenue versus the \$2.70 million anticipated by the Gary Fire Department in its baseline forecast, predicated upon a 60 percent collection rate.

Actual and Anticipated 2009 EMS Revenue

Month	Gross Revenue Collected	AccuMed Fee (8.75%)	Net Revenue Collected	Revenue to EMS Non-Reverting Fund
Jan-09	\$107,371	\$9,395	\$97,976	\$48,988
Feb-09	\$95,074	\$8,319	\$86,755	\$43,378
Mar-09	\$128,772	\$11,268	\$117,504	\$58,752
Apr-09	\$144,231	\$12,620	\$131,611	\$65,805
May-09	\$132,736	\$11,614	\$121,122	\$60,561
Jun-09	\$97,305	\$8,514	\$88,791	\$44,395
Jul-09	\$117,304	\$10,264	\$107,040	\$53,520
Aug-09	\$104,283	\$9,125	\$95,158	\$47,579
Sep-09	\$145,614	\$12,741	\$132,873	\$66,436
2009 Actuals (Jan - Sept)	\$1,072,690	\$93,860	\$978,830	\$489,415
2009 Forecast	\$1,340,863	\$117,325	\$1,223,537	\$611,769

In addition to overly optimistic revenue projections, the Fire Department's EMS analysis omits multiple cost inputs. The Department's analysis fails to include the costs associated with fleet maintenance performed by uniform personnel in the Fire Department's garage, vehicle acquisition, and the health insurance costs associated with its personnel. These are direct costs associated with EMS delivery, even if they are shown outside of the Fire and EMS unit's budget.

The table below accounts for all direct costs associated with the EMS service using the figures previously used in the Department's own analysis¹² with additional information for fleet, fuel, health insurance and

¹¹ For 2008 billed revenue, see column "2008" in previous table titled "Anticipated EMS Revenue through 2011 (Analysis by Gary Fire Department)". Collections data from 2008 client invoices from AccuMed Billing Inc. Data prior to May 2008 are not available.



other expenditures. When accounting for all the related direct costs, the estimated gross cost of EMS in Gary is approximately \$3.56 million.

Estimated Cost of EMS¹³

	2009 Budgeted	2010 Budgeted
Personnel		
Base Wages	\$1,778,906	\$1,746,789
Longevity	\$67,200	\$52,800
Other Compensation	\$0	\$0
Overtime	\$90,000	\$75,000
Health Insurance*	\$331,200	\$331,200
Pension	\$120,486	\$123,482
FICA	\$141,594	\$145,278
Workers' Compensation	\$74,056	\$76,028
Unemployment	\$92,545	\$94,427
EMS Non-Reverting Fund	\$3,000	\$2,000
Subtotal:	\$2,698,987	\$2,647,003
Fleet Maintenance		
Personnel (Wages & Benefits)**	\$200,015	\$203,652
Fuel***	\$38,802	\$38,802
EMS Self-Reverting Fund	\$130,000	\$65,000
Subtotal:	\$368,817	\$307,454
Supplies		
General Fund	\$1,500	\$17,000
EMS Non-Reverting Fund†	\$87,000	\$74,500
Subtotal:	\$88,500	\$91,500
Other Services and Charges		
General Fund	\$5,000	\$8,700
EMS Self-Reverting Fund‡	\$90,000	\$15,000
Subtotal:	\$95,000	\$23,700
Capital Expenses		
General Fund	\$0	\$0
Vehicle Acquisition	\$140,000	\$140,000
EMS Non-Reverting FundΔ	\$190,000	\$100,000
Subtotal:	\$330,000	\$240,000
Total Cost of Service:	\$3,581,304	\$3,309,657

* - Based on \$7,200 per employee budgeted by the Finance Department; actual costs of health insurance are higher .
 ** - Based on 60% personnel and benefits costs associated with 5 sworn personnel performing vehicle maintenance for the Fire Department; Fire Chief reported approximately 60% Department vehicle maintenance staff time spent on EMS vehicles.
 ***-Assumes 40% of forecasted 2009 departmental fuel costs used for ambulances.
 † - includes medical supplies (\$75,000), office supplies (\$2,000), and other supplies (\$10,000).
 ‡ - Includes contractual maintenance (\$5,000) and professional services (\$85,000).
 α - assumes the purchase of one ambulance annually.
 Δ - Includes machinery and equipment (\$170,000) and other capital outlays (\$20,000).

¹² Note that the Fire Department's figures differ from those actually adopted in the City's annual budget.
¹³ Sources: General Fund figures from 2009 Final Amended Operating Budget; "Division of Emergency Medical Services Report of Self-Sufficiency." Health insurance estimate from Finance Department; fuel information provided by Department of Motor Vehicle Maintenance.



The table below provides the estimated net cost of EMS delivery in 2009 and 2010. For 2009, the EMS division will have a net operating deficit of approximately \$2.4 million. In 2010, the division will continue to operate at a loss. Even assuming the Department’s overly optimistic expenditure forecasts (which omit key cost inputs), and assuming a very aggressive hypothetical revenue growth rate of 50 percent, the EMS Division will operate with estimated deficit of nearly \$1.5 million in 2010. Again, the 50 percent growth rate is a hypothetical assumption shown to illustrate the continued operational deficit in even the most optimistic of scenarios. Actual losses, most likely, will be considerably larger.

Estimated Net Cost of EMS Delivery 2009 & 2010 Assuming a Hypothetical 50% Increase in Revenue

	2009	2010 (Hypothetical 50% Revenue Increase)
Estimated EMS Revenue	\$1,223,537	\$1,835,306
Cost of EMS Service Delivery	\$3,581,304	\$3,309,657
Surplus/(Deficit)	(\$2,357,766)	(\$1,474,351)

Finally, a core strategy for the Department to increase EMS revenue is to provide non-emergency transport services. The Department has a verbal agreement with Methodist Hospital to provide patient transfers. This has the opportunity to generate meaningful revenue for the Department. The incremental cost of providing this additional service, however, is not mentioned in the Department’s analysis. While providing non-emergency transportation services could theoretically generate additional revenue, it may also generate additional expenditures (e.g., the costs associated with hiring additional staff and running additional ambulances). Further, additional capital expenditures for information technology upgrades would be required to handle the administrative elements of hospital transfers. The transfers could generate revenue for the Department. However, if costs are not constrained, it could also present an additional drain on General Fund resources.

Leave and Overtime

Employee leave has been an issue of particular concern for the Department. Multiple and prolonged absences contribute to ongoing, systematic staffing shortages throughout the Department, while keeping the Department’s overall personnel costs high. On average for 2009:

- EMS paramedics and EMTs will use 29 days or 706 hours of leave;
- Firefighters will use 24 days of leave or 587 hours of leave.

In a given month, a Gary firefighter or EMS employee is usually scheduled to work 10 shifts. Each year, therefore, each Gary firefighter averages just under two-and-a-half months of leave, while each EMS employee averages nearly three months of leave annually.

The table below provides a more detailed breakdown of leave usage for EMS personnel and firefighters, as well as a comparison with Department of General Services’ employees to provide a point of reference for civilian personnel who work eight-hour shifts:



Forecasted 2009 Leave Usage – Average Leave Used Per Employee¹⁴

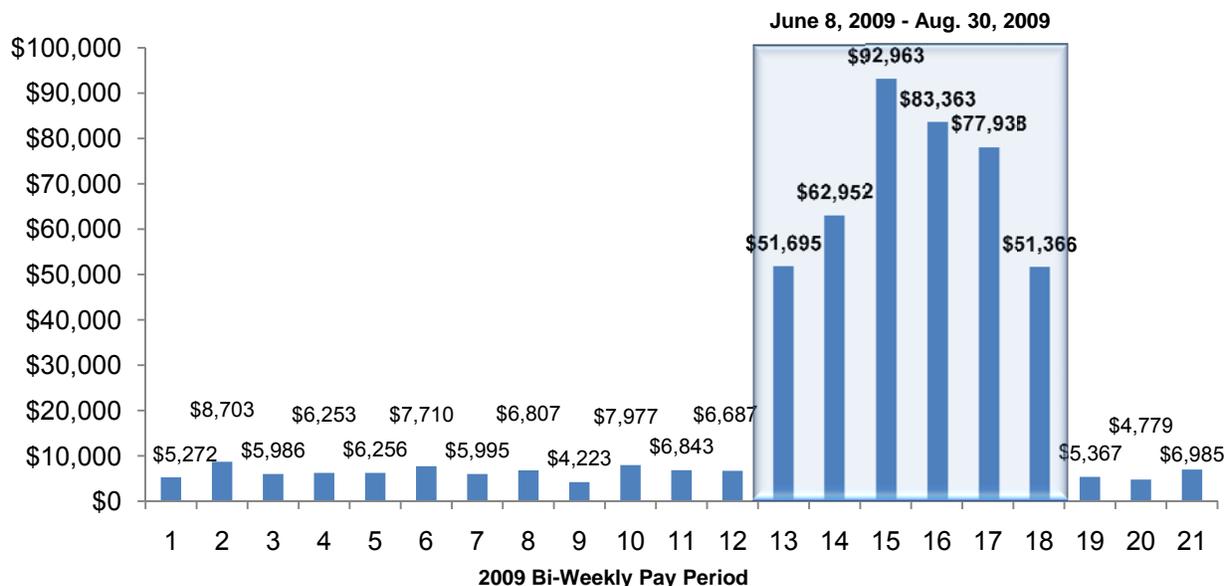
	Sick Leave		Compensatory Leave*		Vacation		Total Leave	
	Days	Hours	Days	Hours	Days	Hours	Days	Hours
EMS	12	283	5	118	13	305	29	706
Firefighters	12	297	6	134	7	157	24	587
General Services	11	89	N/A	N/A	15	118	31	251

* Compensatory leave data not available for General Services' employees; figures in chart represent compensatory leave days accumulated by firefighters.

In response to this high leave usage, some officers within the Department have taken simple measures to curtail leave abuse, with demonstrable results. By monitoring the amount of sick leave charged by each employee on his shift and sending a timely letter following consecutive absences, one Division Chief has registered a 25 percent decrease in leave usage among firefighters his platoon. Average daily absences fell from eight during the first nine months of 2008 to six during the first nine months of 2009. This experience suggests that improved monitoring of leave usage, increased communication with employees and the application of fair and transparent discipline – when necessary – can improve Fire Department attendance levels.

In addition to leave usage, vacation scheduling during the summer months leaves the Department understaffed at critical points in the year and increases overtime costs. As the figures below illustrates, fire department overtime expenditures spike dramatically in the summer months, when many firefighters schedule vacation, and remains relatively flat for the rest of the calendar year. This suggests that improved vacation scheduling practices and attendance levels may lower overtime expenditures to sustainable levels.

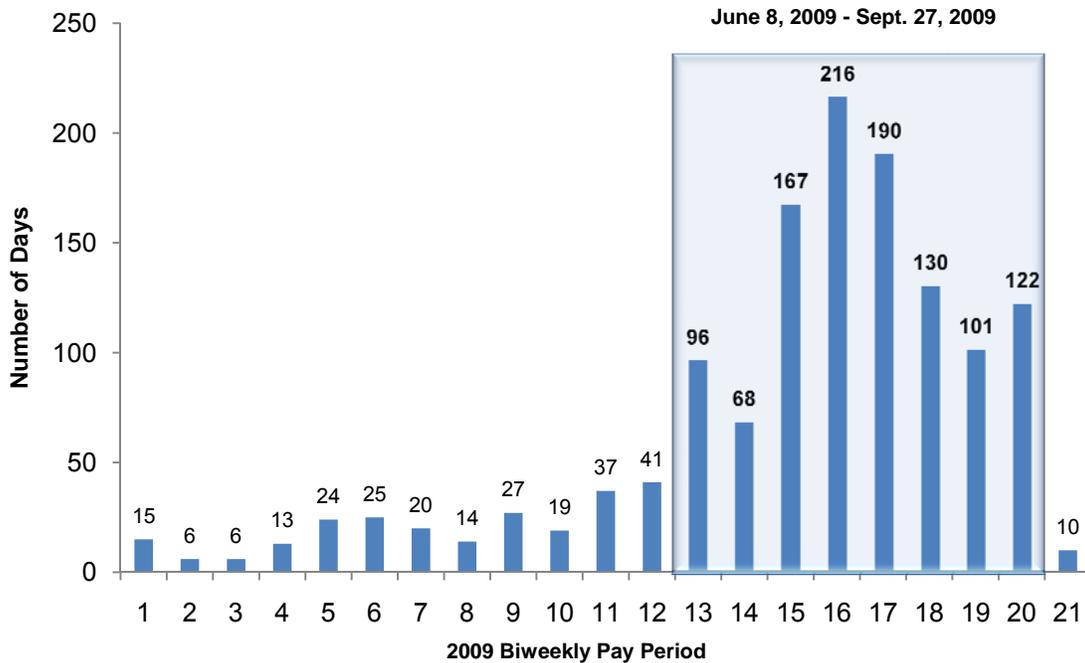
2009 Year-to-Date Overtime Expenditures by Biweekly Pay Period



¹⁴ All figures rounded to nearest day of leave. Calculations based on raw leave usage data of Fire Department and General Services personnel.



Gary Fire Department 2009 Year-to-Date Total Vacation Days Taken



In response to these trends, the Fire Department plans to spread out allowed vacation time throughout the year to minimize the spike in summertime overtime. Nonetheless, overtime remains an ongoing concern. While significant reductions of overtime have been achieved recently (see Workforce Chapter), the Department continues to exceed its overtime budget. The 2009 revised operating budget allocates \$451,528 for fire department overtime – a more than ample amount to pay for overtime mandated by the Fair Labor Standards Act for firefighters working 24-hour shifts. Through October 11, 2009, the Department had spent \$516,121 on overtime year to date – already exceeding its annual allotment by 14 percent with more than three-and-one-half months remaining in the year.

Initiatives

As a major City cost center, and in light of the significant reductions in City revenue, Gary Fire Department operations must be adjusted to provide appropriate fire protection at the lowest possible cost. The initiatives below seek to reduce the size of the department to make it commensurate with its role and with the size of departments in similar cities. Recognizing the under-investment in Fire services in recent years, specific initiatives also address upgrading fire plant and equipment. The initiatives related to fire prevention and suppression are presented first (though some may also apply to EMS employees) followed by those specifically connected to Emergency Medical services.

FD01. Create a fire station cut list
FY2010 Impact: See FD02

Five Year Impact: See FD02

The Fire Department should create a formal “cut list” for its fire stations. A cut list establishes a list in priority order as to which companies will be in operation. When there is insufficient manpower on a given day to staff all fire stations, the station(s) that rank lowest on the cut list are temporarily closed for that day. No overtime should be granted to call in off-duty firefighters to keep stations opened. The Department already does this on an informal basis, closing certain stations when manpower is not available to staff all of them.



FD02. Restructure staffing and operations

FY2010 Impact: \$833,000

Five Year Impact: \$14,872,000

As noted in the Assessment section, the City has more firefighters per capita than other municipalities of its size but still struggles to fully staff operations without relying on expensive overtime due to high leave usage. The City also has more stations and apparatus than other municipalities its size. The City can restructure fire operations to make them more efficient while still providing the level of protection the City needs. One option for restructuring daily operations is presented below.

At the time of writing, the Department average nine engines and three ladders in service on a daily basis. Assuming one engine and one ladder are used as reserve vehicles, this equates to eight companies in operation, assuming that two fire stations have the capacity to house one engine and one ladder. It also assumes that with eight companies in operation, the department only needs three battalion chiefs with two or three companies per battalion chief. The City also has a high number of positions at the division chief pay grade that should be evaluated. Critical elements of the restructuring scenario follow:

- Staffing levels for the rank-and-file are based on three firefighters or engineer-chauffeurs per piece of apparatus. The Chief of the Department may run four firefighters on a piece of apparatus if manpower levels permit, or if the Chief decides to operate fewer fire stations. Staffing levels, however, will be set at three firefighters per apparatus
- Staffing levels for officers are based on one lieutenant and one captain for every two companies.
- If manpower levels dip because firefighters do not report to work, the Chief of the Department will temporarily close stations according to the cut list (see FD01). No overtime is allowed, except if a firefighter is on the fire ground actively engaged in fire suppression activity during a shift change or as mandated by the Fair Labor Standards Act (FLSA) for hours worked over 212 in a 28 day cycle (see FD05).
- The Department will have a relief factor of 1.20 – meaning that on average, 20 percent of the workforce will be on leave at any given time. This figure is consistent with current rates of leave usage.

In this scenario, it is assumed that the station at the Chicago/Gary International Airport will be operational, but fully supported by the Airport Authority (see initiative FD04). Accordingly, the Department will be responsible for the costs associated with running eight companies with the following staffing complement:

**Recommended Staffing Complement for Fire Suppression Operations
(8 Companies in Operation with 3 Firefighters per Apparatus)**

	Per Shift (no relief factor)	All Three Shifts (relief factor of 1.20)
Firefighters	30	108
Lieutenants	4	15
Captains	4	15
Battalion Chiefs	3	11
Division Chiefs	1	4
Total	42	153



This staffing structure represents a net reduction of 54 fire department positions:

**Staffing Reduction for Fire Suppression Operations
(8 Companies in Operation)**

Net Reduction in Staff	
Firefighters	23
Lieutenants	6
Captains	24
Battalion Chiefs	1
Division Chiefs	0
Total	54

This reduction would generate savings of over \$3.3 million in FY2010, which includes employee salaries and wages, City contributions to health insurance and pension benefits and other compensation. It should be noted, however, that the firefighters' collective bargaining agreement requires layoffs to take place by inverse seniority. Achieving the same cost savings by laying off employees in inverse seniority would require a reduction of 57 firefighters. The savings are discounted by 75 percent in FY2010 to give the City time to roll out this critical restructuring.

Fiscal Impact

FY2010	2011	2012	2013	2014	Total
833,000	3,397,000	3,468,000	3,545,000	3,629,000	14,872,000

The Department could achieve a portion of the \$3.31 million in critically needed cost savings through some means aside from layoffs including:

- Not filling the vacant positions for Fire Prevention Chief and three firefighters.
- Reducing the workforce through attrition (i.e., not filling positions as people retire).

FD03. Fire station consolidation

FY2010 Impact: \$50,000

Five Year Impact: \$250,000

The Fire Department currently operates 13 stations in addition to one station at the Airport,¹⁵ which is more than the average for other similarly sized municipalities and more than the City can afford. When manpower is not available, the Department occasionally closes stations. In the short-term, the City should be able to operate out of nine stations – one for the airport plus eight other engine companies with one engine in reserve (see FD02 for more details). The Fire Chief, in consultation with his operational supervisors and the Administration, should identify the five stations for closure. Factors they may consider in this decision include:

- Operational factors including station location relative to calls for service, response times, station facility condition and size.

¹⁵ Given the special operational needs associated with Station 14 covering the Airport and the surrounding area, that facility is not a candidate for consolidation and is addressed separately in FD04.



- Building and topographical factors including mix of use (commercial, residential), access and barriers to travel routes (i.e. railways) and location of special need facilities such as hospitals and schools.
- Changes in population concentration and building usage.

In the short term, station consolidation will reduce the City’s utility and maintenance costs which are estimated at \$10,000 per station annually. Eliminating the excess capacity will allow the City to dedicate scarce capital resources to improve the condition of the remaining eight stations. Over the long term, the City may be able to consolidate operations in an even smaller number of stations. With the support of outside operations experts, the City should conduct a productivity improvement study of the optimal location for fire stations once it has the financial resources to do so.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
50,000	50,000	50,000	50,000	50,000	250,000

FD04. Transfer cost of Station 14 to the Gary/Chicago International Airport
FY10 Impact: \$0 **Five Year Impact: \$3,105,000**

The City provides fire protection services to the Gary/Chicago International Airport at Station 14, which is staffed by two firefighter engineers-chauffeurs and one firefighter. This staff operates two crash/fire trucks and a rapid intervention vehicle. Multiplying this level of staffing by three shifts and accounting for a relief factor of 1.20¹⁶ yields an estimated 12 employees.¹⁷

Estimated Station No. 14 Personnel Costs

Position	Salary	Employees	Cost
Firefighter-Engineer	42,271	8	338,168
Firefighter	39,304	4	157,216
Total	81,575	12	495,384

Beyond the salary costs, the City provides employee health insurance coverage (budgeted at \$600 per employee per month), contributes to the employee pension benefits (budgeted at 19.5 percent of salary) and pays payroll taxes (budgeted at 7.65 percent of salary). This does not include costs related to employee premium pay, uniform allowance or any overtime required to staff the station. Personnel costs may be largest component of running Station 14 on an annual basis, but they are not the only ones. The City purchases fire apparatus (estimated cost of \$500,000 million with a ten-year replacement cycle) and turn-out gear (\$1,500 per firefighter with a five-year replacement cycle). There are also ongoing costs related to vehicle maintenance and fuel and facility upkeep and utilities. The table below estimates the total cost of operating Station 14 on an annual basis and projected over five years.

¹⁶ FD01 recommends closing fire stations if manpower falls below the level sufficient to staff them. However, Station No. 14 cannot be closed because of the Airport’s reliance on nearby coverage. Therefore, the 1.20 relief factor is used to calculate the level of staffing needed to cover open slots.

¹⁷ The Department also may assign EMS staff to Station No. 14 for response to incidents at the Airport, which would increase the costs of operating Station No. 14.



Estimated Cost of Operating Station 14

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Salary costs	495,384	495,384	495,384	495,384	495,384	2,476,920
Insurance	86,400	95,558	105,688	116,890	129,281	533,817
PERF	96,600	101,430	106,501	111,826	117,418	533,775
FICA	37,897	37,897	37,897	37,897	37,897	189,484
Vehicle maintenance	3,000	3,000	3,000	3,000	3,000	15,000
Vehicle fuel	5,000	5,000	5,000	5,000	5,000	25,000
Station utilities	10,000	10,000	10,000	10,000	10,000	50,000
Turn-out gear	3,600	3,600	3,600	3,600	3,600	18,000
Apparatus	50,000	50,000	50,000	50,000	50,000	250,000
Total	737,881	751,869	767,070	783,598	801,579	3,841,997

For FY2006 through FY2008, the Airport paid the City approximately \$45,000 per year for this coverage. In the Airport's FY2009 budget, the contribution dropped to \$28,000, though the Airport also provided the City with a facility for its General Services operations free of charge while the new General Services building was under construction.

The Airport relies on the proximity to adequate fire and EMS coverage, which places Station No. 14 outside the restructuring recommendations in previous initiatives. The Airport is also a regional asset that has value to businesses and residents beyond the City of Gary. Therefore, the City should not shoulder the full cost of providing protection to this regional asset. The City and Airport should discuss a more comprehensive cost sharing arrangement. The projections below assume the City and Airport would negotiate a cost sharing arrangement in FY2010 that would take effect in FY2011.¹⁸

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	752,000	767,000	784,000	802,000	3,105,000

FD05. Overtime reduction strategy

FY2010 Impact: \$371,000

Five Year Impact: \$1,855,000

While the Department has made some progress in reducing overtime costs, overtime remains a significant driver of expenses, and the Department continues to exceed budgeted levels for overtime expenditures. Accordingly, the Fire Department should implement a three-part overtime reduction strategy – 1) eliminate all discretionary overtime, 2) change the Department's overtime policy to calculate overtime over a 28-day time period, and 3) implement regular reporting mechanisms to the Finance Department and Internal Auditor.

In eliminating discretionary overtime payments, the Fire Department should eliminate all overtime payments except for the following two situations:

¹⁸ Like the City, the Airport has to operate within the property tax caps established under HEA 1001 of 2008. The Airport filed a petition with the DUAB for relief in 2009 and is expected to do so again for 2010. The Airport and its own unique set of challenges are addressed more fully in a separate assessment.



- Mandatory overtime for firefighters working a 24-hour schedule as required in the Fair Labor Standards Act (FLSA)
- Instances where a firefighter is physically on a fire ground and engaged in fire suppression activities during a shift change

No overtime should be paid to uniform personnel working “day shifts” – five eight-hour days in a workweek.

Despite the elimination of discretionary overtime payments, all fire suppression personnel working 24 hour shifts will continue to earn “structured” overtime that is built into their schedule. The FLSA – a federal law governing overtime payments – calls for overtime to be paid when a Fire Department employee works more than 212 hours in a 28-day cycle.

On average Gary firefighters work approximately 56 hours each week¹⁹, which translates to 53 hours paid at straight time and three hours paid at overtime, assuming the firefighter shows up for all scheduled shifts. These three hour weekly increments (156 hours annually) are commonly referred as “structured overtime” to reflect the fact that the overtime payments are built into the salary schedule. The chart below shows how this structured overtime translates into additional payments to firefighters.

Structural Overtime Costs for Firefighter

Annual Base Pay ²⁰	39,304
Hourly rate at 2,756 Hours ²¹	14.26
Overtime rate (1.5 x \$14.26)	\$21.39
Number of Overtime Hours (3 per week x 52 weeks)	156
Total Overtime	\$1,112

Employees at higher ranks may also be eligible for these structural overtime payments.

Structural Overtime per Position

	Structural Overtime
Engineer-Chauffeur	\$1,168
Lieutenant	\$1,226
Captain	\$1,288
Battalion Chief	\$1,352

¹⁹ There are 8,760 hours in a year (365 days x 24 hours = 8,760). The department provides 24-hour coverage through three shifts, each of which covers 2,920 hours per year (8,760 / 3 = 2,920). On a weekly basis, this equates to 56.15 hours (2,920 / 52 weeks).

²⁰ Firefighters receiving longevity, education, or incentive pay may earn overtime at a higher hourly rate

²¹ 52 weeks worked at the FLSA threshold of 53 hours per week (52 x 53) gives 2,756 hours.



Structural Overtime	
Division Chief	\$1,526

As the second part of the Department's overtime reduction strategy, the Department's overtime formula should be changed to more closely reflect language in the US Fair Labor Standards Act. Currently, firefighters working five shifts in a bi-weekly pay period earn a lower hourly rate than firefighters working four shifts in a biweekly pay period. Consequently, the City pays a higher rate of overtime for employees who work four shifts in a biweekly pay period.

If the Department eliminated discretionary overtime without changing its underlying formula, firefighters would not receive the full amount of overtime payments to which they are entitled under the FLSA. This is because overtime payments would be based on an hourly wage derived from a 120 hour bi-weekly pay period (lower hourly wage), instead of a 106 hour-biweekly pay period as called for in the FLSA (higher hourly wage). The 212 hour-28 day FLSA standard is designed to smooth out the bi-weekly variations in the number of hours worked by employees on a 24-hour shift schedule.

As the third component of an overtime reduction strategy, all overtime should be reported on a bi-weekly basis to the City Finance Department and Internal Auditor for regular monitoring. Historically, the Fire Department has not managed its overtime expenditures well, as per employee overtime expenditures have in the past exceeded \$10,000 annually. Monitoring by the Finance Department and Internal Auditor will help to serve as a check on the Fire Department reverting to a practice of distributing unnecessary and excess overtime payments to employees.

The table below shows the savings associated with eliminating structural overtime for the staffing level described in FD02.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
371,000	371,000	371,000	371,000	371,000	1,855,000

FD06. Overhaul sick leave policy

FY2010 Impact: N/A

Five Year Impact: N/A

Paid leave policies that determine how much leave employees receive and when they can schedule those days off are closely related to overtime expenses. If employees are allocated several leave days a year and there are few restrictions on when leave can be scheduled, then there is a higher likelihood of having open slots that are filled on overtime

City of Gary public safety employees, including firefighters and EMS personnel, are entitled to 90 days of sick leave annually. The rationale behind this large allocation is that public safety employees do not have a comprehensive injured-on-duty or short-term disability policy that guarantees access to wage continuance in case they are injured while on duty. While the sick leave is intended as a security net for these situations, in practice some employees use the allotment as an extension of vacation leave. In the absence of active monitoring of leave usage (with a few notable exceptions), the practice has evolved where sick leave becomes virtually indistinguishable from personal leave. Against this backdrop, a handful of employees have become chronic abusers of sick leave.



To address this abuse, the City should draft and implement a formal injured-on-duty policy for public safety personnel. Under such a policy, a firefighter, EMT, or paramedic who is injured on duty – and the injury is documented properly and in a timely manner – will receive full pay and benefits without exhausting his or her accrued sick leave.

For employees injured in non-work related activities, the City should procure short-term disability coverage that becomes effective on the later of either the 22nd day of disability or the exhaustion of accrued sick leave. The core benefit of the short-term disability benefit should be 50 percent of salary (excluding overtime) with optional additional coverage that can be purchased by employee contribution of not more than 60 percent of salary (excluding overtime).

Once these injured-on-duty and short-term disability policies are implemented, the City should eliminate the 90 day sick leave provision within the relevant collective bargaining agreements. Sick leave accruals for firefighters and EMS personnel should be capped at 144 hours annually for firefighters working 24-hour shifts.

The successful overhaul of the City’s sick leave program will also require active and accurate monitoring by human resources personnel, as well as regular communication with employees so that they are aware of their sick leave usage and accrual rates. Further, the City must uniformly, fairly, and transparently enforce this policy with disciplinary action, when needed. Continuing to overlook instances of sick leave abuse will inflate personnel costs and staffing levels when the City must cut services, and further erode workforce morale.

In addition to the operational benefit of having more predictable levels of staff on duty, there is a financial benefit to curtailing sick leave abuse. That benefit will help the City reach the overtime reduction target described in FD05.

FD07. Reinstate uniform allowance at a reduced level

FY2010 Impact: \$0

Five Year Impact: -\$378,000

Historically firefighters have received a uniform allowance of \$1,500. The City plans to use money in the Public Safety Welfare Fund to pay for the allowance in FY2010 and then eliminate it in subsequent years. Instead of eliminating the allowance entirely in FY2011, the City should reduce it to a more reasonable level of \$500 per year. This would cost the City an additional \$94,500 per year once the staffing reductions are incorporated (189 x \$500).

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	(94,500)	(94,500)	(94,500)	(94,500)	(378,000)



FD08. Strengthen mutual aid agreements with neighboring jurisdictions
FY2010 Impact: N/A **Five Year Impact:** N/A

Jurisdictions throughout Northwest Indiana – not just the City of Gary – face serious fiscal challenges. Many jurisdictions must find cost savings and reduce Fire Department-related expenditures. Against this backdrop, the City of Gary should explore strengthening mutual aid agreements with neighboring jurisdictions. The 2006 Maximus study identified this as an active area with potential for enhancement.

This practice may allow for the more efficient deployment of fire suppression resources across jurisdictions, particularly in regions of the City of Gary where the presence of train tracks may delay response times. For example, Gary and the City of East Chicago may reach an agreement where East Chicago can assist with fire responses near the waterfront casinos while the Gary Fire Department provides assistance in areas at other points along the municipal boundary between the two cities.

Additionally, Gary may consider partnering with area volunteer fire departments that have difficulty staffing stations during normal working hours when volunteer firefighters must work at their “day jobs.” Gary could provide expanded coverage during daylight hours, in return for assistance in covering the outskirts of the City during evening hours, when volunteer departments have higher levels of staffing.

FD09. Create vehicle replacement plan for fire apparatus
FY2010 Impact: N/A **Five Year Impact:** N/A

Previous initiatives recommending reductions in staffing, stations and overtime will generate savings that are critical to the City’s financial viability. However, it is equally important that the City invest some of those savings in the Fire Department so firefighters will have the resources they need.

Fire suppression is a capital intensive enterprise. Ladders, pumpers, and rescue vehicles are expensive pieces of equipment with useful lives that can extend more than a decade. Because of the long useful life of these vehicles and the high up-front acquisition expense, many jurisdictions use a vehicle replacement plan to spread out the cost of vehicle acquisition over multi-year time periods. The City of Gary does not have a vehicle replacement plan for any vehicles, including fire apparatus. Consequently, the City does not budget a set dollar amount each year for vehicle replacement, pushing the needed capital expenditures to out-years, and further compounding the costs associated with vehicle acquisition. As a result, many fire department vehicles are outdated and need constant repair.

The City should implement a multi-year fire apparatus replacement plan based on the new lower staffing and station levels and identify a funding source for this purchase. One option would be to create a “sinking fund” where the City contributes a fixed dollar amount each year to a vehicle replacement fund, which in turn, can only be used to purchase fire apparatus.²² Vehicle replacement plans should be reevaluated annually to account for changes in service demand and fiscal condition. See initiative VM07 for more information.

²² Any sinking fund supported by a property tax levy would be subject to the property tax restrictions of HEA 1001 of 2008.



FD10. Civilianize fleet operations
FY2010 Impact: N/A

Five Year Impact: N/A

Many fire departments throughout the country hire civilian staff to maintain fire apparatus. For fleet maintenance of Fire Department vehicles, the City of Gary pays the salaries of five uniform personnel – one Division chief (\$53,927), one Battalion Chief (\$47,776) and three Captains (\$45,501 each). Once benefit costs are included, the total personnel costs associated with fleet maintenance reach \$333,000 for FY2010. The Department schedules these five employees on 24-hour shifts – despite the fact they do not participate in fire suppression activities – in case a vehicle needs to be towed after normal working hours. The Department could have the same coverage by paying an employee to be “on call” instead of physically on site at the fire garage or by contracting with a private towing company.

City fleet maintenance operations are a prime candidate for outsourcing to the private sector. Please see the initiative VM01 in the Motor Vehicle Maintenance chapter for more detail.

FD11. Create replacement scheduled for turn-out gear
FY2010 Impact: -\$56,500

Five Year Impact: -\$282,500

The Department does not budget to replace firefighters’ turn-out gear in any systematic fashion. As a result, many firefighters report having worn out and outdated turn-out gear. The Department should budget a fixed amount each year to purchase turn-out gear. The table below presents the amount of funds the Department should budget annually for turn-out gear, assuming a complement of 189 fire department employees, an average cost of \$1,500, and a five-year replacement cycle.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
-56,500	-56,500	-56,500	-56,500	-56,500	-282,500

The Department should also develop a replacement cycle for other forms of apparatus and fire suppression gear (hose, breathing apparatus, etc.) that would be a funded by separate and transparent line items in the Department budget.

FD12. Implement a false alarm policy
FY2010 Impact: \$37,000

Five Year Impact: \$129,000

According to data provided by the Gary Fire Department, nearly 20 percent of responses are for false alarms (576 of 2,916 runs in 2009 through August). According to the NFPA, in jurisdictions with populations between 50,000 and 99,999, nine percent of runs on average are responses to false alarms. False alarms needlessly increase wear and tear on fire apparatus and expose firefighter to injury.

The State of Indiana recognizes the pernicious consequences of false alarms and the State Fire Code allows a fine of up to \$2,500 for each false fire alarm. Accordingly, the Fire Department should levy a fine and implement a policy to distinguish between deliberate false alarms and accidental alarms. Habitual offenders who deliberately pull false alarms should be prosecuted to the full extent of the law.



While the City may realize a material revenue increase in the short-term as a result of this policy, the purpose of this initiative is not to create a new recurring revenue source. Rather, a comprehensive false alarm policy is designed to lower the total number of false alarms, thereby reducing the wear and tear on vehicles and the needless exposure firefighters to injury.

The table below summarizes the potential revenue generated from implementing a false alarm policy with the \$2,500 maximum fine level, assuming that 25 percent false alarm calls are prosecuted and a 10 percent collection rate. After two years, it is assumed that false alarms will fall to nine percent of calls, in line with the NFPA national average for jurisdictions with population between 50,000 to 99,999 residents.

False Alarm Fee Revenue

	FY2010	FY2011	FY2012	FY2013	FY2014
False Alarms (2009 Forecast)	590	460	330	330	330
Number of Prosecutions	148	115	83	83	83
Discount Factor	90%	90%	90%	90%	90%
Total Revenue	\$37,000	\$29,000	\$21,000	\$21,000	\$21,000

FD13. Implement fire report fee
FY2010 Impact: \$5,000

Five Year Impact: \$25,000

After each fire, an officer is required to write up a summary of the incident in a fire report. Currently, the Department does not charge a fee for producing fire reports. These reports are usually requested by insurance companies accustomed to paying a fee for these services. The cost figures above assume that the Department charges a \$50 fee for producing each fire report, and processes 100 reports annually.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
5,000	5,000	5,000	5,000	5,000	25,000

FD14. Implement hazardous material incident response fee
FY2010 Impact: \$15,000

Five Year Impact: \$75,000

In 1997, a draft ordinance was presented to the Common Council allowing the Fire Department to charge back the cost of service associated with responding to and remediating hazardous materials incidents. The draft ordinance provided a detailed hourly fee schedule indicating how these services should be billed to the shippers and transporters of automobiles and commercial transportation vehicles. This ordinance should be enforced, with an updated fee schedule to reflect the cost of service associated with hazardous material response in 2009. The ordinance should also contain a provision requiring the Fire Department to provide updated fees for service as the basis for reimbursement every two years. The above calculation assumes that the department responds to 15 hazardous material incidents per year, and recovers on average \$500 per incident.



Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
7,500	7,500	7,500	7,500	7,500	37,500

Other potential sources of revenue that the City should consider to recover its costs include charge backs or standby fees charged to organizers of special events that may require increased Fire Department presence, such as the Gary Air Show.

FD15. Pursue grant opportunities in concert with previous initiatives
FY2010 Impact: N/A **Five Year Impact:** N/A

The Department is currently pursuing funding under the Federal Emergency Management Agency’s Staffing for Adequate Fire and Emergency Response (SAFER) Grant program. The SAFER program provides financial assistance to fire departments to hire new full-time firefighters or rehire firefighters who were laid off between January 1, 2008 and October 31, 2009. In either case the grant covers the firefighters’ salary and benefits for a two-year period. Overtime, training, and equipment costs are not eligible for funding. The program requires that new firefighters (but not rehired) be retained for one full year after the two-year grant period. Firefighters hired prior to the award are not eligible for funding.

The City should only pursue this funding if it does not obstruct the other staffing reductions recommended in this Plan. If the City can use federal funds to rehire firefighters that were laid off between January 1, 2009 and October 31, 2009 and can still reduce staffing as recommended in FD02, then it should pursue this grant. **If the City can only use the funds to hire new firefighters for whom there is a longer retention period or if the grant requires the City to maintain its headcount at the level at time of grant receipt, the City should not pursue the grant.** At this point it is more important for the City to have flexibility to make the needed structural changes that will help the City achieve financial stability than to have funding that only supports some positions for two years.

The City should also consider applying for the FEMA Assistance to Firefighters Grant. The grant provides funding to fire departments and EMS organizations to enhance their capabilities with respect to fire and fire-related hazards. Funding is available for training, equipment, personal protective equipment (PPE), wellness and fitness, new vehicles, and modifications to facilities for both fire and fire-based EMS activities. This grant could be possibly used to fund much needed facility and equipment upgrades throughout the Department.

The City of Gary would be potentially eligible for up to \$1 million in funding based on the size of its population. The program requires that 20 percent match be provided for grant funded expenses. The City should review the grant program conditions to determine what types of contributions qualify for meeting the local matching requirement (Do local, regional or state contributions qualify? Do in-kind contributions qualify?). In FY2009, \$565 million in funding was available from the program. In FY2008, 136 Indiana fire departments including those in Hammond, East Chicago, and Crown Point received \$13.1 million in funding from this program.²³

²³US Department of Homeland Security. “Assistance to Firefighters Grant Guidance and Application Kit.” April 2009.



Emergency Medical Services Initiatives

FD16. Issue a Request for Proposal (RFP) for emergency medical services

FY2010 Impact: \$505,000

Five Year Impact: \$4,596,000

As detailed earlier in this chapter, the City's EMS operation runs an annual operating deficit in excess of \$2.0 million annually. Despite the increase in fees in 2009, EMS is not revenue neutral and will not become revenue neutral in the foreseeable future. The City can no longer afford to subsidize EMS at the current level, which the City recognized through the Department's efforts to improve cost recovery. The table below summarizes the projected expenditures, revenues, and net operating deficit through 2014. The EMS deficit is equal to almost 10 percent of projected property tax revenues.

Estimated EMS Net Operating Deficit without Corrective Action²⁴

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Expenditures	(3,656,203)	(3,735,969)	(3,821,033)	(3,911,867)	(4,008,994)	(19,134,067)
Revenues	1,223,537	1,254,125	1,285,479	1,317,616	1,350,556	6,431,312
Net Operating Deficit	(2,432,666)	(2,481,844)	(2,535,554)	(2,594,252)	(2,658,439)	(12,702,755)

Currently, private ambulance services provide mutual aid to the City, but the City does not have a formal agreement in place with any ambulance company. Private ambulance services are already active in Gary and the citizens are accustomed to having third-party ambulances responding to medical emergencies. These providers regularly transport Gary residents to area hospitals. This suggests that private ambulances may be willing to expand service delivery within the City of Gary. Additionally, a private ambulance company provides transport services to the towns of Highland, Dyer, Munster, Griffith, and Merrillville.

The City of Gary should issue a Request for Proposals (RFP) for a private ambulance service to provide EMS coverage within City limits. If the City receives a proposal where a vendor can provide comparable service at lower cost, the City should outsource all or part of EMS delivery. The RFP should be re-bid regularly to ensure the City receives a competitive market rate.

The City has previously approached PROMPT – Northwest Indiana's largest ambulance service – to provide a cursory assessment of outsourcing its entire EMS operations. PROMPT declined to become the EMS provider for the City's entire geographical area, citing the City's high percentage of population who lack health insurance and covered by Medicaid. When the City contacted PROMPT, however, there was no discussion about PROMPT providing partial coverage for the City. It is possible that PROMPT or another ambulance company would find it profitable to provide EMS service to a portion of the City's geographical area, and do so at a lower cost than the City of Gary Division of Emergency Medical Services. Further, there are multiple other private ambulance services active within the Gary Metropolitan area that may be willing to service additional sections of the City.

As part of an agreement with a private ambulance service, the City may be expected to provide some facets of emergency medical services. For example, the Fire Department may be expected to provide first responder services, a function that Fire currently performs. If private

²⁴ This calculation includes revenues and expenditures from the General Fund and the Ambulance Non-Reverting Fund. Revenues are assumed to grow at 2.5% annually. Expenditure calculations use 2009 figure from table titled "Estimated Net Cost of EMS Delivery 2009 & 2010 Assuming a Hypothetical 50% Increase in Revenue" as baseline. Out-year growth rates are 10.6% for health insurance, 5.0% for pension contributions, and 2.5% for all other costs except wages which are held flat.



providers are unwilling to provide all transport services, the City could operate a more limited EMS unit. It also should consider reimbursing private ambulances for transporting patients with Medicaid or without private insurance. The net cost of reimbursing a private ambulance service may be significantly less than providing direct service delivery. Once local vendors respond to the City's RFP, the City will have a better understanding what private providers are willing to provide, and can adjust service levels accordingly.

The American Ambulance Association has released specific guidelines for vendor selection which the City of Gary should use in its process:

- Use staff that are experienced in EMS design
- Determine the competitive variables (e.g., service levels or price) for the procurement.
- Establish standards for reviewers to apply to bid
- Create an impartial evaluation team with objectively identified competencies
- Clearly outline the proposal process, including how many points will be awarded for each criterion and how the criteria will be weighted and totaled

Finally, the Division of EMS does not regularly track average response times or the insurance profile of individuals who receive EMS services. The data are available, but the Division does not use it to make managerial decisions. The Division should regularly track average response times first to create a baseline for evaluation then to assess the impacts of reducing EMS personnel. At the same time, the Division should conduct a comprehensive assessment of the types of transports performed, as well as the insurance status of those who receive services from EMS. This information, in turn, can be used to design a reimbursement framework that would reduce EMS-related costs to the City and provide adequate service levels to the City's residents.

The following table represents a guide to the potential General Fund savings associated with contracting with a private ambulance service. The savings are based on the projected EMS baseline expenditures for FY2010 – FY2014 plus the projected cost of the City's contribution to employee health insurance.²⁵ The City would forgo the ambulance fee revenue, half of which comes to the General Fund.²⁶ Eliminating 100 percent of the expenditures and losing 100 percent of the revenues in FY2010 would result in a net savings of \$2.0 million. Since the City may not be able to rely solely on private firms for this service, the savings projection shown at the beginning of this initiative is based on a 25 percent savings in FY2010 and 50 percent in subsequent years. The City could also achieve further savings from expenditures related to EMS operations that are not budgeted within the department (e.g. utilities, property or vehicle insurance).

Please note that there could be further savings in the Ambulance Non-Reverting Fund, which receives an equal amount of revenue and has fleet and vehicle-related expenditures that do not appear in the General Fund budget. Because the actual expenditures from that Fund are not included in the City's budget or in the baseline projections, the savings in that fund are not included here.

²⁵ The City budgets \$7,200 per year for 46 employees, or \$331,200, in FY2010. Those costs are projected to grow by 10.6 percent annually.

²⁶ The baseline projection for General Fund revenue is \$675,413. A matching amount would go to the Ambulance Non-Reverting Fund given the 50:50 split between the two.



Fiscal Impact – General Fund

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
EMS Department budget	2,366,071	2,370,209	2,376,638	2,383,371	2,390,425	11,886,714
Employee benefits	331,200	351,072	372,136	394,464	418,132	1,867,005
General fund expenditures	2,697,271	2,721,281	2,748,774	2,777,836	2,808,557	13,753,720
General fund revenues	(675,413)	(692,298)	(709,606)	(727,346)	(745,530)	(3,550,193)
Difference (100% reduction)	2,021,858	2,028,983	2,039,168	2,050,490	2,063,028	10,203,527
75 percent reduction	1,516,394	1,521,737	1,529,376	1,537,868	1,547,271	7,652,645
50 percent reduction	1,010,929	1,014,491	1,019,584	1,025,245	1,031,514	5,101,763
25 percent reduction	505,465	507,246	509,792	512,623	515,757	2,550,882

FD17. Increase collections for outstanding EMS claims

FY2010 Impact: \$110,000

Five Year Impact: \$310,000

At the time of publication, the City of Gary is owed approximately \$1.52 million in outstanding EMS revenue, of which more than 50 percent represents accounts receivable that are more than 60 days old. Of the revenue owed to the City, approximately \$1.19 million is owed by individual patients who may not have private health insurance. Many of these obligations will be written off because of the City’s low per capita income levels and high rates of uninsured individuals. Nonetheless, as noted in the most recent State of Indiana audit, the City of Gary has not taken meaningful steps to secure any portion of this large outstanding obligation.

The City of Gary lacks internal capacity to actively pursue these obligations. Accordingly, the City should issue a RFP to retain a collection agency that can recover a portion of these costs. It is not uncommon for EMS agencies to recoup between eight and ten percent of revenue from individuals who lack health insurance. If a collection agency agreed to pay five percent of the revenue owed to the City of Gary by individual patients, the City would realize nearly \$60,000 in one-time revenue.

Prospectively, the City of Gary must actively monitor EMS billing procedures to ensure that it is collecting the highest possible proportion of EMS revenue billed. This includes tracking the performance of its EMS billing contract to make sure that the City receives EMS revenue from commonly overlooked sources, such as:

- **Automotive insurance companies:** When EMS transport is required from the scene of an automotive accident, often the insurance company providing coverage will cover the costs of EMS transport.
- **Retroactive Medicaid Reimbursement:** In instances where a Medicaid-eligible who is not enrolled in Medicaid receives medical services at a hospital, the hospital will enroll the individual in Medicaid, and bill Medicaid retroactively. This process may take up to six months to complete, but hospitals will receive at least a partial reimbursement for services rendered. When the hospital enrolls the individual in Medicaid, the date of enrollment is retroactive to the date of the hospital visit, permitting the City of Gary to bill Medicaid for



services retroactively, even though the individual was not enrolled in Medicaid at the time of EMS transport.

Additional actions the City can directly take to improve collection rates of EMS revenues include:

- The City may be able to charge percentage-based **delinquent collection fees** to cover some of its collection costs. These fees are in addition to existing penalties, interest, and charges imposed as a result of late payment. Commonly, bill payers are given adequate notice before the fee is formally applied. Such fees are current in use by the state of Wisconsin, and are also authorized for use by Ohio counties.
- **Voluntary Wage Garnishment** involves negotiating agreements with delinquent payers that allow for voluntarily garnishment of wages from bank accounts. State revenue departments, such as Maryland's Comptroller's Office, have found these arrangements to be effective when negotiated with a group of commonly used local banks. When bill payers are more cooperative, bank drafted installment agreements can be negotiated that allow for regular bank account transfers as part of a payment plan.
- **Report Delinquencies to Credit Bureaus** reduces the amount of available credit to the delinquent payer and serves as an additional incentive to pay down remaining outstanding ambulance bills.
- **Actively tracking and monitoring delinquent account resolution** can increase the EMS billing contractor's performance by identifying problems quickly. Governments use a similar approach to ensure stronger performance from their tax collector.
- **Regularly rebid EMS billing contract:** AccuMed currently holds the contract with the City to bill EMS services. The company receives an 8.75 percent commission for revenue collected. The City of Gary should make sure to rebid this contract regularly to ensure it is getting the best terms and lowest commission rate possible. Some firms may even guarantee a percentage of revenue billed.

The City should also approach the State of Indiana about the feasibility of implementing an "offset program," which is an emerging practice to recover past due EMS liabilities. These programs offset payments to the delinquent bill payer from other governmental entities for payments for services, tax credits and refunds or lottery winnings. Offset agreements can be negotiated with states, neighboring municipalities, and other local governmental entities. Commonly, cities provide a social security number and amount owed to the State department of revenue, which then deducts the city liability from the payment to the taxpayer and remits it to the city. Offset programs have proven to be effective in some Mid-Atlantic jurisdictions. As of 2009, the State of Maryland has recovered over \$24.8 million through its federal offset program. Arlington County, Virginia's extensive use of offsets has helped to dramatically improve collection rates.

The projection below provides a conservative revenue target associated with these alternatives. While the City has historically split revenue between the General Fund and the Ambulance Non-Reverting Fund, it is assumed here that all increased revenues would flow to the General Fund.



Fiscal Impact

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Collection Agency for Outstanding Receivables	60,000	0	0	0	0	60,000
Other Measures to Improve Collection Rate	50,000	50,000	50,000	50,000	50,000	250,000
Total	110,000	50,000	50,000	50,000	50,000	310,000

FD18. Reduce EMS overtime to FLSA required levels

FY2010 Impact: N/A

Five Year Impact: N/A

As with fire suppression personnel, overtime for EMS personnel should be eliminated except where required by FLSA. In instances where there are not enough to keep a medic unit in service, the medic unit should be taken out of operation.²⁷ Because the level of overtime would depend on the staffing changes discussed in FD17, these savings are not included here.

²⁷ Exceptions can be made if the City reduces EMS operations to just unit per initiative FD14.



Fire Commission

Overview

The City's Fire Commission oversees hiring, promotional and disciplinary processes. The Commission has an administrative assistant and six part-time Commissioners who receive an annual stipend of \$1,275. Two Commissioners are appointed by the Mayor, two by City Council and two by the firefighters. Each Commissioner is paid an annual stipend of \$1,996.

Historic Employee Count – Budgeted Positions¹

	2006	2007	2008	2009	2010
Full-time positions	1	1	1	1	1
Commissioners	6	6	6	6	6
Total	7	7	7	7	7

The Commission retains the services of an outside legal counsel who represents the Commission in any litigation and serves as a Hearing Officer in disputes between Fire Department management and employees.² The Commission's expenditures for FY2006 through FY2008 and FY2009 budget are presented below. When looking at the actual spending levels for FY2006 through FY2008, the Commission's total spending has decreased by 17.2 percent.

Historical expenditures – Fire Commission

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	40,957	43,326	42,850	43,898	7.2%
Other Compensation	1,292	0	0	0	-100.0%
P E R F	2,547	2,806	1,987	1,903	-25.3%
F I C A	2,971	2,538	2,696	3,358	13.0%
Workmen's Compensation	676	668	781	1,756	159.9%
Unemployment Compensation	676	724	781	2,195	224.9%
Professional Services	54,795	18,817	34,702	70,000	27.7%
Other	1,551	1,235	3,564	4,200	170.8%
Total	105,465	70,115	87,361	127,310	20.7%

The Commission's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.

² Please see the Law Department Chapter for a recommendation related to the use of external legal counsel.



Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent.

Historical expenditures – Fire Commission

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	42,847	42,847	42,847	42,847	42,847	0.0%
PERF	2,175	2,284	2,398	2,518	2,644	21.6%
FICA	3,278	3,278	3,278	3,278	3,278	0.0%
Workmen's Compensation	1,714	1,714	1,714	1,714	1,714	0.0%
Unemployment Compensation	1,714	1,714	1,714	1,714	1,714	0.0%
Professional Services	60,000	61,500	63,038	64,613	66,229	10.4%
Other	4,200	4,305	4,413	4,523	4,636	10.4%
Department total	115,927	117,641	119,400	121,207	123,061	6.2%

Initiatives

FC01. Consolidate Fire and Police Commission administration

FY2010 Impact: See PC01

Five Year Impact: See PC01

As discussed in Police Commission initiative PC01, the Police and Fire Commissions have had light caseloads in FY2009 with neither handling more than a handful of disciplinary cases. The City may be able to combine the two administrative positions that support these Commissions into one while keeping the Commissions themselves separate. If the Commissions have coinciding peaks in activities related to promotions or hiring, the City could provide additional support for that period through Human Resources staff or temporary clerical workers. The savings associated with this position consolidation are projected in initiative PC01.

FC02. Increase weight of written exam in promotional process

FY2010 Impact: N/A

Five Year Impact: N/A

The Gary Fire Department scoring criteria for promotional exams has not been changed since the passage of Indiana's first Civil Service Law. Under the original Civil Service Law, firefighter promotions were based on the following formula – seniority (60 percent), written exam (30 percent), and oral exam (40 percent).

Recognizing that the original Civil Service System places an overdue emphasis on seniority and deters the advancement through the ranks of qualified leaders, most Indiana jurisdictions have adopted a scoring system for promotional exams that places a higher emphasis on merit. Most jurisdictions now use a scoring system that is based on the following formula – written exam (60 percent), seniority (30 percent), and oral exam (10 percent). The City of Gary should consider adopting the revised scoring system for Fire Department promotional exams, which may help the Department retain its most talented personnel.



Police Department

Overview

The mission of the Gary Police Department is to work in partnership with the citizens of Gary to improve the quality of life by enforcing the laws of the City, state and federal governments, while applying the highest standards of professionalism, integrity and accountability. The Department is divided into four distinct sections:

- The **Patrol Division** is headed by a commander and includes the traffic division and motorcycle unit. The City is currently divided into four districts. Officers work one of three shifts (8:00 a.m. – 4:00 p.m., 4:00 p.m. – 12:00 a.m., or 12:00 a.m. – 8:00 a.m.) in a rotation of five days on and two days off. Each patrol shift has one watch commander (except for 1st shift, which has a patrol captain), two lieutenants and four sergeants. First shift also has an additional sergeant assigned to administration. The distribution of patrol staffing is shown below:

Shift	Captain/Watch Commander	Lieutenants & Sergeants	Corporals	Patrolmen	Total
1st	2	7	12	18	39
2nd	1	6	9	34	50
3rd	1	6	8	19	34
Traffic	N/A	2	6	6	14
Total	4	21	35	77	137

- The **Investigative Division** includes all detectives who handle auto detail, burglary, violent crimes, rape and arson. This unit also includes specialized investigative divisions such as juvenile, crime scene investigations (CSI) and narcotics and vice. Officers assigned to federal task forces including Alcohol Tobacco and Firearms (ATF), Drug Enforcement Agency (DEA), Gary Response Investigative Team (GRIT) and U.S. Marshals also fall under the umbrella of the Investigative Division. With the exception of CSI employees who work the same three hour shifts as patrol, all officers assigned to the Investigative Division work two eight hour shifts (8:00 a.m. – 4:00 p.m. and 4:00 p.m. – 12:00 a.m.). Officers are on-call between the hours of 12:00 a.m. and 8:00 a.m.
- **Special Operations** includes Special Weapons and Tactics team (SWAT), Marine, Airport, Aviation, and Community Oriented Policing (COPS) units.
- **Supportive Services**¹ includes all internal units that support police operations including communications (911 dispatch), maintenance, training, bureau of information, property and information technology. The Animal Control Division is also included in this section. Staffing for many of the support positions are mixed with both sworn and civilian personnel.

¹ Some City documents imply that Supportive Services is a separate unit from the Police Department. This analysis treats Supportive Services as part of the Department.



Staffing

Since FY2006 the City has cut the number of sworn police positions budgeted in the General Fund from 278 to 235, a 15.5 percent reduction. The peak number of budgeted positions was 290 in FY2007. Then 23 positions were cut from the FY2008 budget, another 12 in the initial FY2009 budget and another 20 positions in the amended FY2009 budget. Most of these reductions have happened at the patrol officer level. As discussed below, the City added 11 officers supported by a federal grant in 2009 which do not appear in the chart below because they are not supported by the General Fund.

Sworn Police Positions in General Fund Budget²

	2006	2007	2008	2009	2010
Chief/Deputy Chief	2	2	2	2	2
Area Commander	6	6	6	5	5
Captain	4	4	4	4	4
Lieutenant	14	14	14	14	14
Sergeant	43	43	43	43	43
Corporal	64	64	64	62	62
Patrol Officer	145	157	134	105	105
Sworn subtotal	278	290	267	235	235

Civilian positions in Supportive Services have also declined from 73 in FY2006 to 57 in FY2010, a 21.9 percent drop. The elimination of Correctional Officer and Advocate positions account for most of the change. In January 2009, the City determined that it did not have sufficient funds to cover employee compensation and other operational expenses associated with operating the city jail. Jail services were consolidated with similar functions for Lake County, Indiana, which accounts for the elimination of 14 positions - 12 Correctional Officers, one clerk and one front door security. The consolidation saved the City approximately \$376,000 in annual staff salary and food costs along with additional savings in detainees' medical expenses.

Civilian (Supportive Services) Positions in General Fund Budget³

	2006	2007	2008	2009	2010
Animal Control Supervisor/Officer	5	5	5	4	4
Special Police	3	3	4	4	4
Communication Manager/Supervisors	4	5	4	3	3
Communication Operators	24	27	27	25	24
Front Door Security	3	3	3	2	2
Correctional Officers	12	12	12	0	0
Advocates	3	3	2	0	0
Other	19	19	22	19	20
Supportive services subtotal	73	77	79	57	57

In addition to the decline in budgeted positions, the number of filled positions also has decreased. The number of filled sworn positions declined from 262 in FY2006 to 231 in FY2008, an 11.8 percent decline.

² The budgeted positions shown for FY2009 are from the revised FY2009 budget.

³ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



The number of vacant police positions doubled from FY2006 to FY2007. The chart below compares the budgeted positions in the preceding charts to the filled positions. Please note that the filled positions are based on the numbers reported on two dates in each year.⁴ Actual staffing levels throughout the year will vary as officers enter or leave City service. Positions that have been filled using money outside the General Fund are also not shown below.

Budgeted vs. Filled General Fund Positions

	2006	2007	2008
Sworn budgeted	278	290	267
Sworn filled	262	251	231
Sworn vacant	16	39	36
Civilian budgeted	73	77	79
Civilian filled	66	71	71
Civilian vacant	7	6	8
Total vacant	23	45	44

In addition to sworn and civilian personnel, the Gary Police Department also has 57 reserve police officers. Reserve police officers are volunteers who assist with policing duties. In accordance with General Order 1-1, reserve officers must complete forty hours of pre-basic training, 240 hours of regular police training and be sworn in by the Board of Public Works and Safety before they can be certified as "reserve police officers." They are afforded the same privileges as regular sworn officers (including carrying a weapon and driving a patrol car). All reserve officers must volunteer for a minimum of 32 hours during each calendar month. They must also volunteer an additional eight hours for special events per month. They are not employees of the City and are not paid for their services. In exchange for their volunteer service, reserve officers are allowed to identify themselves as such when applying for other jobs in Gary and surrounding municipalities.

The following two charts present the Department's current sworn staffing by rank and unit and civilian staffing by assignment. There are no permanent assignments to the Special Operations unit; it is staffed by officers drawn from other assignments as needed. The 22 officers shown as patrol officers in the Investigative unit are detectives, a position classification that does not formally exist in the GPD.

Current Distribution of Sworn Staffing by Rank and Unit⁵

	Patrol	Investigative	Supportive Services	Total
Police Chief	0	0	1	1
Deputy Chief	0	0	1	1
Area Commander	1	1	1	3
Commander	0	0	2	2
Captain	3	1	0	4
Lieutenant	6	3	4	13
Sergeant	14	14	11	39
Corporal	36	17	7	60

⁴ The points used are in January and December. If the City had higher staffing levels in the middle of these year (i.e. after recruits are trained and before more veteran officers retire near the end of the year), that would not be reflected.

⁵ This does not include 11 officers hired through the Federal COPS grant.



	Patrol	Investigative	Supportive Services	Total
Patrolman	63	22	21	106
Vacant	5	0	1	6
Total Sworn	128	58	49	235

Current Distribution of Civilian Staffing by Assignment

Location	Total Employees
911 Communications	24
Animal Control	6
BOI	2
Chief's Office	1
Crime Analysis	1
Detective Bureau	1
Director's Office	4
Front Desk	3
Internal Affairs	1
Juvenile	1
Maintenance	2
Records	3
Special Police	4
Vacant	4
Total	57

Comparative context

While police staffing levels and demands vary significantly by community, it is useful to compare Gary to other Indiana cities. This comparison is not intended to suggest that there is a “right number” of police officers for Gary or the other municipalities, but to provide insight on the relative level of staffing in Gary compared to similar local governments in Indiana.

The following table shows Gary’s total police staffing (sworn and civilian) compared to other large Indiana cities⁶ and nearby municipalities East Chicago and Hammond. In this comparison, the Gary Police Department has higher staffing level than the average across other municipalities. The only city with a higher staffing level is East Chicago. In 2008 Gary had 7.8 more police staff per 10,000 residents than the average for comparable cities.

⁶ Indianapolis is not included since it is much larger than any of the other municipalities.



Total Police Staff (Sworn and Civilian) Per Capita⁷

City	2004	2005	2006	2007	2008
East Chicago	45.9	39.8	39.8	43.5	42.2
Evansville	27.0	26.8	27.3	27.2	26.8
Fort Wayne	20.2	21.4	20.3	19.8	19.3
Hammond	31.6	33.2	32.0	33.6	33.9
Muncie	18.8	18.4	18.3	18.0	16.7
South Bend	31.2	31.6	31.0	32.1	31.5
<i>Average</i>	<i>29.1</i>	<i>28.5</i>	<i>28.1</i>	<i>29.0</i>	<i>28.4</i>
Gary	34.1	32.8	35.3	37.8	36.2
Difference	5.0	4.3	7.2	8.8	7.8

The same is true of Gary's level of sworn police staffing per capita – it is higher than all other municipalities except East Chicago, though the gap between Gary and the average narrows here. In 2008, Gary had 3.4 more officers per 10,000 residents than the average for comparable cities.

Historical Officers Per Capita

City	2004	2005	2006	2007	2008
East Chicago	35.8	34.4	34.7	37.6	37.1
Evansville	23.8	23.7	24.6	24.3	24.0
Fort Wayne	18.6	19.6	18.8	18.4	17.8
Hammond	25.4	26.4	25.2	27.0	27.5
Muncie	17.6	17.0	17.0	16.9	15.7
South Bend	24.4	24.7	24.3	25.3	24.8
<i>Average</i>	<i>24.3</i>	<i>24.3</i>	<i>24.1</i>	<i>24.9</i>	<i>24.5</i>
Gary	25.6	26.8	28.0	29.9	27.9
Difference	1.4	2.5	3.9	5.0	3.4

Gary's officer-to-civilian ratio – a measure of whether the Department has more or fewer civilians than others – is lower than all other comparables. In 2008 Gary had three sworn positions for every one civilian position compared to the average of eight sworn positions for every civilian position elsewhere.

Ratio of Sworn to Civilian Police Staffing

City	2004	2005	2006	2007	2008
East Chicago	4:1	6:1	7:1	6:1	7:1
Evansville	7:1	8:1	9:1	8:1	8:1
Fort Wayne	12:1	11:1	12:1	13:1	12:1
Hammond	4:1	4:1	4:1	4:1	4:1
Muncie	15:1	13:1	13:1	16:1	15:1
South Bend	4:1	4:1	4:1	4:1	4:1
<i>Average</i>	<i>8:1</i>	<i>8:1</i>	<i>8:1</i>	<i>7:1</i>	<i>8:1</i>
Gary	3:1	4:1	4:1	4:1	3:1
Difference	(5:1)	(4:1)	(4:1)	(3:1)	(5:1)

⁷ All ratios are per 10,000 residents. Data drawn from the US Federal Bureau of Investigation's Uniform Crime Reports.



Facilities and Fleet

The Gary Police Department operates out of the following six facilities:

Facility	Location
Headquarters	555 Polk Street
Animal Control	900 Madison Avenue
Community Oriented Policing Office ⁸	601 South Lake Street
Community Oriented Policing Office	4411 West 5th Avenue
Fleet Facility	1128 Massachusetts
Police Range	2800 West 35th Avenue

In 2007 the Gary Police Department purchased 37 vehicles, bringing the total number of cars to 311. The Department has not purchased any vehicles since that time. The total number of vehicles available in the fall of 2009 is 202. The Department also has six all terrain vehicles (ATVs) and one helicopter which is currently grounded due to a lack of operating funds. The Gary Police Department was recently awarded the Congestion Mitigation and Air Quality Program (CMAQ) grant in the amount of \$3.2 million for the purchase of new vehicles. The grant will allow the City to replace older, less fuel-efficient vehicles with newer ones. With the funding, the Department plans to purchase 86 police cars, 14 light duty pick-up trucks, 20 hybrid sport utility vehicles and one E-85 fuel pumping system. Please see the Vehicle Maintenance Chapter for more information on issues related to the Police Department's fleet.

Budget

The City budgets expenditures related to the sworn police officers separately from those related to civilian employees (referred to in the City's budget as Supportive Services). The next chart shows the expenditures for sworn employees in the last three years plus the FY2009 budget. Employee health insurance costs are budgeted separately. The apparent reduction in overtime compensation is addressed later in the chapter.

Historical expenditures – Police Department (Sworn)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full Time Salaries & Wages	10,650,491	10,577,971	10,000,804	9,620,387	-9.7%
Other Compensation	763,190	600,207	462,315	182,000	-76.2%
Longevity Pay	190,158	187,749	197,840	291,200	53.1%
Overtime Pay	3,296,397	1,786,029	1,661,821	625,000	-81.0%
Clothing Allowance	395,822	378,842	381,664	357,000	-9.8%
P E R F	2,038,331	2,143,227	2,088,733	1,770,700	-13.1%
F I C A	159,942	154,489	148,268	172,000	7.5%
Workmen's Compensation	48,833	39,587	56,556	196,015	301.4%
Unemployment Compensation	0	773	254	0	N/A
Supplies & Materials	17,280	7,821	5,913	5,000	-71.1%
Professional Services	3,356	183	2,137	45	-98.7%
Travel & Education	11,910	4,869	3,433	250	-97.9%

⁸ The Community Oriented Policing Office located at 601 South Lake Street was scheduled to close on November 30, 2009.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Printing	22,034	9,748	8,743	10,000	-54.6%
Contractual Maintenance	250,860	83,172	205,706	150,000	-40.2%
Other	51,273	139,257	55,624	182,186	255.3%
Total	17,899,878	16,113,924	15,279,810	13,561,783	-24.2%

The Department's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) payments, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while most other expenses grow at 2.5 percent annually. The cost of the City's contribution to employee health insurance is not shown here. The majority of gasoline expenses are also budgeted outside the Department.

The City intends to pay police officers a uniform allowance from its Public Safety Welfare Fund in FY2010 and then eliminate the payment in subsequent years. Because the projections do not include spending in the Public Safety Welfare Fund, no uniform allowance expenditures are shown in the table below. In addition, it is possible that the overtime projection could be low because of the City's shift to awarding compensatory time rather than overtime. This issue is discussed in more detail in the Other Departmental Issues section of this chapter.

Projected baseline expenditures – Police Department (Sworn)

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	9,862,098	9,862,098	9,862,098	9,862,098	9,862,098	0.0%
Other Compensation	162,000	162,000	162,000	162,000	162,000	0.0%
Longevity Pay	282,000	282,000	282,000	282,000	282,000	0.0%
Overtime Pay	625,000	625,000	625,000	625,000	625,000	0.0%
P E R F	2,044,984	2,147,233	2,254,595	2,367,325	2,485,691	21.6%
F I C A	172,000	172,000	172,000	172,000	172,000	0.0%
Gasoline	500	535	573	614	658	31.5%
Supplies & Materials	8,500	8,713	8,930	9,154	9,382	10.4%
Printing	10,000	10,250	10,506	10,769	11,038	10.4%
Contractual Maintenance	125,000	128,125	131,328	134,611	137,977	10.4%
Repairs To Equipment	5,000	5,125	5,253	5,384	5,519	10.4%
Leases	2,000	2,050	2,101	2,154	2,208	10.4%
Current Charges	35,000	35,875	36,772	37,691	38,633	10.4%
Department total	13,334,082	13,441,004	13,553,157	13,670,800	13,794,204	3.5%

On the civilian side of the Department, the City spent \$2.4 million in FY2008, most of which is related to employee compensation (\$2.2 million or 89.2 percent).



Historical expenditures – Police Department (Civilian)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full Time Salaries & Wages	1,600,915	1,846,329	1,739,628	1,501,570	-6.2%
Other Compensation	22,367	22,389	44,918	28,000	25.2%
Longevity Pay	7,967	8,971	10,254	17,500	119.7%
Overtime Pay	97,897	49,072	71,397	31,000	-68.3%
Clothing Allowance	0	5,287	1,063	2,100	N/A
P E R F	124,785	148,252	101,323	90,094	-27.8%
F I C A	128,892	142,961	134,206	114,870	-10.9%
Workmen's Compensation	23,696	25,991	34,969	81,709	244.8%
Unemployment Compensation	24,171	28,404	35,611	60,063	148.5%
Gasoline	36,442	175,021	24,653	2,833	-92.2%
Supplies	58,982	16,976	16,592	7,755	-86.9%
Other Materials	66,850	13,421	5,443	4,000	-94.0%
Professional Services	37,764	35,549	4,566	0	-100.0%
Telephone & Postage	86,280	50,743	39,000	17,500	-79.7%
Contractual Maintenance	127,577	47,882	106,530	67,500	-47.1%
Other	142,077	120,497	65,972	9,700	-93.2%
Total	2,586,662	2,737,748	2,436,126	2,036,194	-21.3%

The projected expenditures for civilian employees and activities in the Police Department are based on the same growth rates used for sworn employees.

Projected baseline expenditures – Police Department (Civilian)

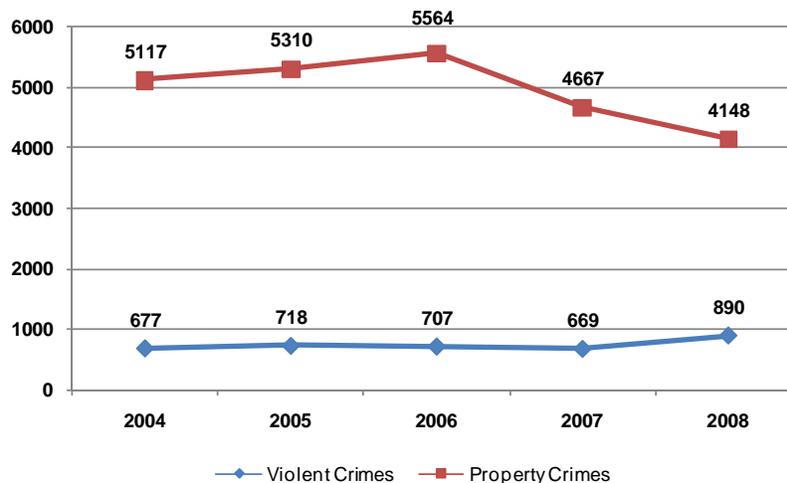
	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	1,487,755	1,487,755	1,487,755	1,487,755	1,487,755	0.0%
Other Compensation	4,000	4,000	4,000	4,000	4,000	0.0%
Longevity Pay	24,000	24,000	24,000	24,000	24,000	0.0%
Overtime Pay	6,500	6,500	6,500	6,500	6,500	0.0%
Clothing Allowance	7,500	2,100	2,100	2,100	2,100	-72.0%
P E R F	89,265	93,729	98,415	103,336	108,503	21.6%
F I C A	113,813	113,813	113,813	113,813	113,813	0.0%
Workmen's Compensation	59,510	59,510	59,510	59,510	59,510	0.0%
Unemployment Compensation	59,510	59,510	59,510	59,510	59,510	0.0%
Chemical Supplies	2,000	2,050	2,101	2,154	2,208	10.4%
Other Supplies	10,500	10,763	11,032	11,307	11,590	10.4%
Other Materials	5,000	5,125	5,253	5,384	5,519	10.4%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Professional Services	2,200	2,255	2,311	2,369	2,428	10.4%
Printing	3,000	3,075	3,152	3,231	3,311	10.4%
Contractual Maintenance	67,500	69,188	70,917	72,690	74,507	10.4%
Department total	1,942,054	1,943,372	1,950,370	1,957,660	1,965,255	1.2%

Assessment

As with most law enforcement agencies, Gary's service demand is driven by the number of crimes committed. The FBI's Uniform Crime Report data indicates that a drop in theft has led a decline in property crimes in recent years, while a rise in assaults has pushed violent crime statistics upward. These trends are described in more detail below.



Violent Crime

Overall, the number of violent crimes (which includes murder, forcible rape, robbery and aggravated assault) in Gary remained somewhat steady between 2004 and 2007, but rose in 2008 principally due to a spike in aggravated assaults.

Historical Violent Crimes

	2004	2005	2006	2007	2008	Growth
Murder	54	58	48	71	49	-9.3%
Forcible Rape	68	70	61	57	51	-25.0%
Robbery	346	306	336	324	254	-26.6%
Aggravated Assault	209	284	262	217	536	156.5%
Total	677	718	707	669	890	31.5%

So far this year, the number has retreated toward recent historical levels. As of October 14, 2009, Gary had 493 violent crimes. If this trend continues, the City will end the year with about 563 violent crimes, a 36.7 percent decrease over 2008 levels and 15.8 percent less than 2007 (the lowest of the previous five years).



As shown in the chart below, Gary's violent crime rate was higher than comparable cities' averages for each year from 2004 through 2008, and increased most years relative to the others. However, if Gary stays on track and has 563 violent crimes in 2009, its violent crime rate will be in line with other Indiana cities in recent years.

Gary's Violent Crime Rates as Compared to Comparable Jurisdictions in Indiana⁹

	2004	2005	2006	2007	2008
Evansville	387.6	405.8	462.8	454.0	399.5
Fort Wayne	297.3	331.9	314.9	306.7	324.8
Hammond	1070.8	885.3	727.3	830.5	877.1
Muncie	503.2	464.9	510.5	577.6	536.2
South Bend	717.1	748.5	759.7	770.8	790.8
<i>Average</i>	<i>595.2</i>	<i>567.3</i>	<i>555.0</i>	<i>587.9</i>	<i>585.7</i>
Gary	672.7	717.5	711.5	689.3	930.0
Difference	77.5	150.2	156.5	101.4	344.3

A similar picture appears when Gary is compared to other similarly sized municipalities nationally. The following table illustrates Gary's 2008 violent crime rates in comparison to other municipalities with a population between 50,000 and 99,000.

Gary's Violent Crime Rates as Compared to Similarly Sized Cities Nationally (2008)¹⁰

Crime Category	Comparable Cities	Gary, Indiana	Difference
Murder	4.5	51.2	44.5
Forcible Rape	31.2	53.3	19.8
Robbery	145.7	265.4	108.3
Aggravated Assault	269.9	560.1	266.1
Violent Crime Total	451.3	930.0	438.7

The overall difference between Gary's violent crime rates and those of comparably sized cities nationally is 438.7, a difference of 52.8 percent. The most significant difference is the murder rate, where Gary's is 91.2 percent higher than similarly sized cities nationally. The total difference would be less, though still substantial, if Gary's average for years prior to 2008 or projected total for 2009 were used instead.

Property Crime

Current data indicates that property crime (including burglary, larceny-theft and motor vehicle theft¹¹) is decreasing in Gary. When compared to 2004 levels, this category of crimes has decreased by 18.9 percent. The most significant decrease has been in larceny-theft related crimes (down 26.4 percent). There is also a significant decrease in motor vehicle theft.

⁹ All crime rates are per 100,000 residents. East Chicago not included due to extreme year-to-year fluctuations in crime rates.

¹⁰ Crime rates shown are per 100,000 residents. Gary's population was slightly above the 99,000 threshold prior to 2007.

¹¹ Property crimes also may include arson, but the FBI data does not consistently track the incidence of that crime.



Historical Property Crimes

	2004	2005	2006	2007	2008	Growth %
Burglary	1,500	1,593	1,818	1,746	1,406	-6.3%
Larceny - Theft	2,398	2,556	2,680	2,062	1,766	-26.4%
Motor Vehicle Theft	1,219	1,161	1,066	859	976	-19.9%
Total	5,117	5,310	5,564	4,667	4,148	-18.9%

When compared to other Indiana jurisdictions, Gary has usually had a lower property crime rate. With the exception of 2006, Gary's property crime rates were lower than the comparable cities between 2004 and 2008. In 2008 Gary's property crime rate was 4,334 per 100,000 residents, compared to 5,169 for comparable cities, a difference of 16.1 percent.

Gary's Property Crime Rates as Compared to Comparable Jurisdictions in Indiana

	2004	2005	2006	2007	2008
East Chicago	5,871.2	5,921.9	6,802.3	6,783.5	6,319.8
Evansville	4,944.4	5,100.1	4,548.1	4,616.3	4,698.2
Ft. Wayne	4,915.8	4,865.8	4,789.2	4,058.8	4,106.0
Hammond	5,673.9	5,662.3	5,299.6	4,944.5	5,125.6
Muncie	4,555.7	4,120.8	4,671.0	4,085.0	4,036.3
South Bend	6,182.4	6,233.3	6,994.2	6,580.0	6,725.5
<i>Average</i>	<i>5,357.2</i>	<i>5,317.4</i>	<i>5,517.4</i>	<i>5,178.0</i>	<i>5,168.6</i>
Gary	5,084.6	5,306.6	5,599.3	4,809.0	4,334.4
Difference	(272.6)	(10.8)	81.9	(369.0)	(834.2)

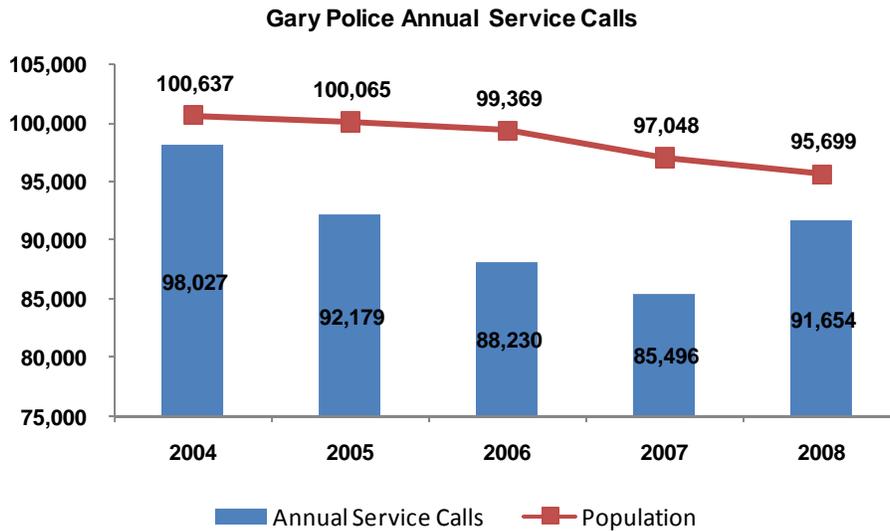
Gary's total property crime rates are higher than similarly sized municipalities nationally. The table below shows that Gary's total property crime rate was 4,335 in 2008 compared to 3,552 in similarly sized cities. However, Gary's theft rate was lower than that in comparable cities nationally.

Gary's Property Crime Rate as Compared to Similarly Sized Cities Nationally (2008)¹²

Crime Category	Comparable Cities	Gary, Indiana	Difference
Burglary	755.5	1,469.2	713.7
Larceny-Theft	2,460.7	1,845.4	(615.3)
Motor Vehicle Theft	3,35.5	1,019.9	684.4
Property Crime Total	3,551.6	4,334.5	782.9

Another measure of service demand is Police calls. Since 2004 service calls for the Gary Police Department have generally decreased at a faster rate the City's population. Last year's call level broke that pattern, but the number of calls is still lower than in 2004.

¹² Similarly sized cities are those with populations between 50,000 and 99,000; Gary's population was slightly above that threshold prior to 2007. Crime rates shown are per 100,000 residents.



As of October 20, 2009 the total calls for service for Gary Police Department was 68,108. If this trend continues, the total calls for service for 2009 will be approximately 77,838, Gary’s lowest number in the past six years.

In recent months, the Gary Police Department has seen a significant increase in calls related to burglaries in the Miller neighborhood. Year-to-date, police have received 156 complaints for burglary in Miller neighborhood, a 31.1 percent increase over the same period last year. In response, the Gary Police Department has used more reserve officers to patrol the area. The Department has also conducted community outreach to provide residents with instructions on how to prevent crime.

Other departmental issues

Leadership

Over the past seven years, the Gary Police has had a total of five Police Chiefs and one interim Chief. The longest tenure for any of the six chiefs was four years, between 2002 and 2006. Since then, the Department has had a new chief every year, including three in 2008. The newest chief, Gary O. Carter, was sworn into office on November 24, 2009.

Grievances

The City has at least three employee grievances related to the Police Department that together could have significant impact on City operating funds depending on their resolution. The largest alleges that the City failed to pay bargained wage increases of five percent in 2008 and 2009. A ruling in favor of the bargaining unit could result in a City payment of up to \$1.7 million. Two other grievances – alleging that the City improperly instituted employee contributions for dental insurance and that 30 officers were laid off for 30 days in November 2008 without sufficient notice – totaled about \$44,000 in November 2009. There are some other issues in dispute that could partially offset these exposures if found for the City.¹³

Grants

Currently the City has two grants to support its operations – one through the Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program and one through the Federal Community Oriented Policing Services (COPS) grant program. The COPS grant was provided under the federal

¹³ The City’s collective bargaining agreement with the Fraternal Order of Police is addressed in further detail in the Workforce chapter.



government's American Recovery and Reinvestment Act of 2009. That grant will provide \$2.1 million to hire eleven new police officers and fund those positions for a three-year period. Grant terms stipulate that:

- Grant funding cannot be used to supplement or supplant existing funding,
- All budgeted positions must be filled before using grant funding to hire new officers, and
- The Department must maintain its sworn strength for the three-year grant period. Once the grant has ended, the City must take over funding responsibilities for those positions.

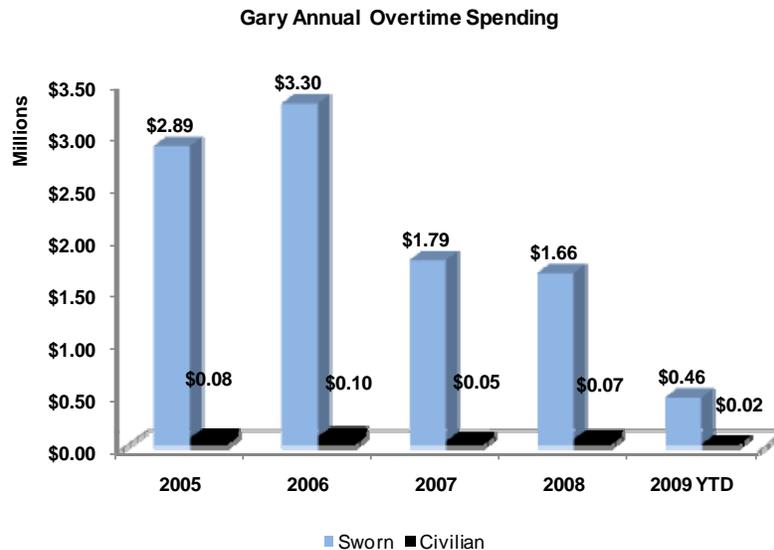
The eleven officers were hired on September 9, 2009 and will graduate from the police academy at the end of December 2009.

The Gary Police Department was also recently awarded a Bryne Law Enforcement grant for crime prevention in the amount of \$448,000. These funds enabled the Department to purchase ShotSpotter Gunshot Location Systems, which allow police to detect gunfire based on acoustic impulses. The ShotSpotter systems were placed in neighborhoods known to have a high frequency of gunshots.

The City is currently required to repay \$316,700 for overcharging expenses to a federal grant.

Overtime

During the past 14 months, overtime for the City of Gary Police Department has dramatically decreased. This year, the Gary Police Department spent a total of \$484,000 in overtime (sworn and civilian) as of November 10, 2009. The Department is on track to see at least a 65.4 percent decrease in overtime spending from just one year ago in 2008 and a 79.8 percent decrease from 2005 spending levels.



**2009 Data as of November 10, 2009*

Senior police staff attribute this decrease to more structured staffing, improved monitoring, a decrease in staffing at some Citywide events and a comprehensive focus on additional manpower in crime hotspots. However, there is concern that overtime is not being eliminated, but rather is being replaced with compensatory (comp) time. Gary police officers receive comp time if they work a holiday, have to go to court, attend training on an otherwise non-scheduled work day, are on-call for any reason, or are called in for duty on an off day. Officers may use this comp time in lieu of vacation days or be paid at one-and-



PD02. Pursue civilianization to bolster police force

FY2010 Impact: N/A

Five Year Impact: N/A

While the Gary Police Department does not have a high ratio of sworn officers to civilian staff, there are still opportunities to commit more of the sworn resources to traditional police duties through civilianization. Civilianization involves moving sworn staff from positions that can be handled by civilians to duties like patrol or detective work. The City's financial pressures make it difficult to increase the overall size of the police force, making it important that Gary aggressively pursue all options that put more of the current officers where they are needed

The following positions are candidates for civilianization (replacing an officer with a civilian) or consolidation with other positions:

- The Department has a sergeant assigned to administrative duties in the patrol division. Those duties could be transferred to the Director of Administrative Services. The Department also has a sergeant assigned to administrative duties in the Chief of Police's Office. Those duties could be transferred to the Deputy Chief. Consolidating these functions would give the City two more officers to commit to patrol or other high priority policing needs.
- The Department has a corporal assigned to Records who is responsible for making sure officers get subpoenas to attend court. These duties could be transferred to a reserve officer giving the City one more officer to commit to patrol or other high priority policing needs.
- There is a sergeant assigned to information technology. This position could be eliminated and the officer reassigned to patrol or other high priority policing needs. Alternatively, if the City decides to reduce the number of officers after the COPS grant expires, this position could be filled by a civilian.¹⁵
- There is a sergeant assigned to fleet maintenance. This position could be eliminated with the officer reassigned to patrol or other high priority policing needs and fleet needs provided by other City agencies. Alternatively, if the City decides to reduce its number of officers after the COPS grant expires, this position could be filled by a civilian.¹⁶ Fleet maintenance is discussed further in a separate Vehicle Maintenance chapter.
- A lieutenant and a sergeant are assigned to the communications division. If the City consolidates these functions with the County (see initiative PD03), these officers can be reassigned to patrol or other high priority policing needs.
- Thirteen officers of various ranks are assigned to provide security at the front desk of the public safety facility. One sergeant and one officer provide security at the City's facility located at 839 Broadway and one sergeant does the same at the Metro Center. The City could replace all but three of the officers at the public safety building with reserves and assign the full-time officers to patrol or other high priority policing needs. An alternative approach suggested in the 2006 Maximus study was the use of private security or retired officers to staff the front desk.

¹⁵ If the City moves the officer to patrol and hires a civilian before FY2013, this will create additional costs since there will be two positions instead of one. However, if the City replaces the officer with a civilian after the COPS grant expires, this would likely generate savings since sworn employees generally have higher compensation than civilians. The City cannot make the latter move until the COPS grant expires.

¹⁶ See footnote 15.



- There is one corporal working as the Public Information Officer (PIO). Other municipal police forces fill this position with a civilian.¹⁷ Alternatively the PIO position could be combined with the lieutenant position assigned to the Bureau of Identification (BOI).

Combined, these initiatives would net twenty-one additional officers who could be redeployed to patrol or other high priority policing needs, effectively increasing the City's patrol size without increasing costs.

PD03. Consolidate communications operations with the County
FY2010 Impact: \$0 **Five Year Impact: \$5,484,000**

The Communications Division for the Gary Police Department is currently staffed with two sworn officers (one sergeant and one lieutenant), one captain from the fire department, three civilian communications supervisors and 24 civilian communication operators. This unit handles dispatch for the City's police, fire and EMS operations. Personnel costs are approximately \$850,000 a year and other operational costs are approximately \$143,000 annually.

Lake County has a communications division managed by its Sheriff's Department that handles E-911 calls for many unincorporated portions of the County. In June 2009, Lake County upgraded its communications technology in an effort to create a centralized system for administration and enable faster and more efficient response to citizen calls. The new system is IP based and can easily meet the demands of a larger population. Nationally, many states are moving to a single 911 system for each county to better coordinate emergency response and meet homeland security demands. The 2006 Maximus study also recommended that the City and other Lake County municipalities pursue combined E-911, and identified significant potential savings. The City could save over \$1,250,000 a year by transferring its entire civilian staff to the County (pending the County's review of its staffing needs) and eliminating the associated fire captain position.¹⁸ The police officers could be redeployed to patrol or other high priority policing needs.

The Lake County Sheriff's office has indicated that all neighboring jurisdictions operate on the same E-911 systems. If this is the case, required upgrades to make the City's current radio system compatible would be minimal. However, others have indicated that the City's radio system is aging, in need of replacement, and incompatible with the County's E-911.¹⁹ This is a critical initiative with large associated savings and significant potential operational benefits. If a radio upgrade is the prime obstacle, the purchase of new radios should be added to the one-time borrowing discussed elsewhere in this Plan to allow the City to quickly gain the financial benefit of transferring its dispatch to the County Sheriff.

The savings calculation below is the sum of employee base salaries, City contributions to health insurance and pension benefits, workers' compensation insurance, unemployment insurance and social security taxes plus \$143,000 in other operating expenses. This estimate does not include savings associated with other cash compensation. Likely growth in employee health insurance and pension costs are factored into this savings estimate. Given the technical and coordination challenges inherent in this effort, the projections assume the consolidation would take effect in January 2011. Any service payment to the County would reduce these savings.

¹⁷ See footnote 15.

¹⁸ The City could redeploy the firefighter specifically assigned to this duty and eliminate another position that is vacated through regular attrition.

¹⁹ The Fiscal Monitor was unable to conclusively resolve these conflicting accounts.



Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	1,329,000	1,355,000	1,384,000	1,416,000	5,484,000

PD04. Eliminate three special police positions

FY2010 Impact: \$120,000

Five Year Impact: \$627,000

The Supportive Services unit has four special police positions in the FY2010 budget. One is assigned to code enforcement (see initiative PD06) and three are assigned to security for the Mayor. A sworn officer is also assigned to his security detail. If the City eliminated the three special police positions or replaced them with non-compensated reserve officers, the projected savings would be \$120,000 in FY2010 and \$627,000 over five years. This projection is the sum of employee base salaries,²⁰ City contributions to health insurance and pension benefits, workers' compensation insurance, unemployment insurance and social security taxes. Likely growth in employee health insurance and pension costs are factored into this savings estimate.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
120,000	122,000	125,000	128,000	132,000	627,000

PD05. Transfer animal control functions to the County

FY2010 Impact: \$0

Five Year Impact: \$746,000

The City of Gary's Animal Control operations fall under the purview of the Gary Police Department. The unit has five employees in the FY2010 budget – a supervisor, three officers and a clerk. The County provides animal control functions in other parts of Lake County. The City has been hesitant to rely on the County for this service because of concerns regarding slower response rates. However, with dramatically reduced financial resources, the City must provide fewer services and should consider transferring this function to the County to focus limited resources on core duties.

In doing so, the City would reduce its expenditures by a projected \$180,000 in FY2010 and \$926,000 over five years. This projection is the sum of employee base salaries, City contributions to health insurance and pension benefits, workers' compensation insurance, unemployment insurance and social security taxes. Likely growth in employee health insurance and pension costs are factored into this savings estimate. This also incorporates \$28,000 in operational savings for non-personnel expenses and a loss of \$11,000 in annual animal control revenue. There are no savings assumed for FY2010 since the City will need time to discuss this transition with the County, though the City should not delay implementation of the transition any longer than necessary.

²⁰ Since it is not known which three of the four special police officers are assigned to security, this calculation uses the three lowest salaries for conservatism.



Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	182,000	185,000	188,000	191,000	746,000

PD06. Transfer code enforcement position to Building Department
FY2010 Impact: N/A **Five Year Impact: N/A**

The Gary Police Department has one special police officer assigned to perform code enforcement functions. This individual is responsible for assisting the City’s code enforcement officer with residential and commercial inspections. The special police officer is a civilian position and does not perform police functions. As such, the position should be transferred to the Building unit within the Department of Public Works to better reflect assignment and responsibility.

PD07. Reinstate uniform allowance at a reduced level
FY2010 Impact: (\$118,000) **Five Year Impact: (\$590,000)**

Upon completion of required training and graduation from the police academy, Gary’s police officers are outfitted with all required equipment (gun, bullets, uniforms, handcuffs, etc.). Historically, after the first full year of employment, officers are given a \$1,500 uniform allowance for the purchase of additional uniforms and/or equipment. The \$1,500 is in the form of an addition to the employee’s regular payroll check. Once the officer receives the \$1,500 uniform allowance, they are free to buy whatever equipment or uniforms they need (including guns and bullets). There are no regulations or checks and balances to ensure that uniform funds are being used for their intended purpose.

The City has budgeted in the Public Safety Welfare Fund to provide the allowance in FY2010 and then eliminated it in future years. For that reason, there are no uniform allowance payments shown in the department’s baseline expenditure projection. Instead of eliminating the payment, the City should reduce it to a more reasonable level as other municipalities have done. The City of East Chicago recently cut uniform allowance in half from \$1,000 per year to \$500 per year. If the City kept the uniform allowance at a lower level, it would cost the City an additional \$117,500 per year (235 officers x \$500 each) beginning in FY2011. This spending would be over the baseline projection, so it is shown as a negative amount. Other options related to uniform and equipment procurement include:

- Entering into an agreement with an outside vendor to purchase supplies, equipment, and uniforms at a reduced price.
- Requiring officers to purchase uniforms through the City’s vendors using a comprehensive procurement process instead of providing an allowance check.

Fiscal Impact

FY2010 ²¹	FY2011	FY2012	FY2013	FY2014	Total
0	(118,000)	(118,000)	(118,000)	(118,000)	(590,000)

²¹ FY2010 uniform expenses for the Gary Police Department are being charged to the Public Safety Welfare Fund.



PD08. Reduce shift differential, longevity and other specialty pay

FY2010 Impact: \$213,000

Five Year Impact: \$1,065,000

As stipulated by the City's collective bargaining agreement with the Fraternal Order of Police, Gary police officers receive cash compensation beyond their base salary for various reasons. These payments are common for police officers, though it is not known how the levels of cash compensation compare to those paid to other officers in the regional labor market.

- **Shift Differential:** Officers who work the afternoon shift are entitled to an additional 75 cents per hour and officers working the midnight shift receive an additional \$1.00 per hour. The City currently has 50 officers on the afternoon shift and 34 officers on the evening shift. Assuming a 40 hour work week, shift differential costs the City approximately \$146,000 per year and \$730,000 over five years.
- **Longevity Pay:** Officers receive an additional \$100 per year for each year of service completed after the third year and up to the nineteenth year. Of the City's budgeted 235 officers, 211 receive longevity pay. The total amount paid to these officers in FY2009 was \$201,500. Assuming longevity pay is frozen, it would cost the City \$1,008,000 over five years.
- **Special Incentive Pay:** An additional premium is paid to officers who work in specialized units including Narcotics, Tactical/Swat, Field Training, Aviation and Crime Scene Investigators. The amount of pay is \$100 per month. The Department has a total of 64 officers assigned to specialized units. This special incentive pay costs the City \$76,800 per year and \$384,000 over five years.

Reducing these premium payments by 50 percent over the next five years would help the City achieve the critical objective of remaining financially solvent for the benefit of all City employees, including police officers.

Fiscal Impact

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Discount %	50%	50%	50%	50%	50%	50%
Shift Differential	73,000	73,000	73,000	73,000	73,000	365,000
Longevity Pay	101,000	101,000	101,000	101,000	101,000	505,000
Specialty Pay	39,000	39,000	39,000	39,000	39,000	195,000
TOTAL	213,000	213,000	213,000	213,000	213,000	1,065,000

PD09. Monitor comp time usage and modify comp time policy

FY2010 Impact: N/A

Five Year Impact: N/A

Gary police officers are awarded compensatory (comp) time if they work a holiday, have to go to court, attend training on an otherwise non-scheduled work day, are on-call for any reason, or are called in for duty on an off day. All comp time is calculated at one and a half times the normal rate. Comp time can be used in lieu of vacation days and the current police contract



stipulates that an officer can earn up to a maximum of 480 hours of comp time. As discussed earlier in this chapter, the Gary Police Department already has several officers exceeding the allowed 480 hours of compensatory time. The Department should create a better system for monitoring comp time as to prevent officers from accumulating a disproportionate amount. In addition, comp time can roll over from one year to the next and is fully paid out upon retirement or separation at the officer's final rate of pay. This allows an officer to accumulate time at a lower pay rate, but cash out the time at a higher rate. Allowing employees to carry an excessive amount of comp time can create a large liability for the City.

The 2008 Audit by the State Board of Accounts identified two cases in which police employees retired and were paid for comp hours well beyond the 480 hour limit. The combined liability for these two employees was \$2,949 based on a total overage of 81 compensatory hours. The consultant team was unable to identify the precise level of savings from this initiative, but the recommended changes in policy would create cost savings for the City.

PD10. Explore short-term disability coverage and modify sick leave policy
FY2010 Impact: N/A **Five Year Impact: N/A**

In addition to vacation leave, police officers are entitled to 90 days paid injury or sick leave in a twelve month period under the collective bargaining agreement. This leave cannot be carried over from year to year. If an employee does not use any sick time during the twelve month period, they are granted five additional comp days.²² Such a large amount of sick leave, if abused, leaves the City vulnerable to unscheduled absences throughout the year and makes it difficult for the City to provide the public safety coverage needed without incurring higher overtime costs. Union representatives point out that, while the amount of annual sick leave allocated is high, officers do not have a short-term disability policy to ensure wage continuance during a prolonged injury or illness. The City should explore the feasibility of establishing a short-term disability program and making corresponding reductions in the amount of sick leave granted to police officers.

PD11. Conduct a comprehensive fee analysis and collect on dormant revenue sources
FY2010 Impact: N/A **Five Year Impact: N/A**

Effective January 1, 2009, the City of Gary increased fees for various public services including those provided by the Gary Police Department. The current fee schedule for the Department is as follows:

Gary Police Department Current Fee Schedule

Revenue Source	Fee (\$)
Accident Reports	10.00
Background Checks	15.00
False Alarm Fee	100.00
Fingerprinting	15.00
Motor Checks	5.00

²² There is currently a dispute over whether the year threshold for gaining this benefit is calculated on the basis of the calendar year or one full year of service. For example, it is under dispute whether if an officer whose start date is May 1, 2010 qualifies for the additional comp time by not taking a sick day through December 31, 2010 (the calendar year) or through April 30, 2011 (a full year of service).



Revenue Source	Fee (\$)
New Gun Permit Application - 4 year	10.00
New Gun Permit Application - Lifetime	50.00
Offense Reports	10.00
Procession Fee	50.00
Renewal Gun Permit Application	40.00
Tow Reports	10.00

Although the Department lists false alarm fees and processional fees as two key revenue sources, they have yet to collect any funds for these fees. The processional Fees were introduced by a former Chief; however, there are no guidelines on what constitutes a procession and how the fee would be collected. Similarly, there are no guidelines for collecting false alarm fees. Although fees were recently raised, the City would benefit from a comprehensive fee analysis to determine whether Gary's fees are consistent with average fees for other neighboring jurisdictions. In addition, the City should also complete the processes necessary to enforce the existing fees such as those for the false alarm and processions.



Police Commission

Overview

The City's Police Commission oversees hiring, promotional and disciplinary processes. It is led by an Administrator and has five part-time Commissioners who are appointed by the Mayor, two by the Fraternal Order of Police (FOP) and one by City Council. One of the appointees chosen by the FOP must be a Democrat and the other a Republican. Each Commissioner is paid an annual stipend of \$1,996.

Historic Employee Count – Budgeted Positions¹

	2006	2007	2008	2009	2010
Full-time positions	1	2	1	1	1
Commissioners	5	5	5	5	5
Total	6	7	6	6	6

The Commission has part-time Hearing Officers who serve as mediators between the employee and the supervisor (which in most cases is the Police Chief). Hearing officers serve in a neutral capacity. Once a case is filed, they are responsible for hearing both sides of the case, from the employee and supervisor. Based on the evidence presented by both parties, they then make a recommendation to the Commission. The Commission can accept, reject or modify that decision. Hearing Officers are chosen in alphabetical order and receive \$500 for each case heard.

The Commission also retains the services of an outside legal counsel who represents the Commission in any litigation and is required to be present at every Commission meeting. The Commission pays a flat retainer of \$2,000 per month with other expenses, including court time, billed separately. Over the past five years, the outside counsel has billed the Commission once for work outside of the agreed upon retainer.²

The Commission's expenditures for FY2006 through FY2008 and FY2009 budget are presented below. The apparent change in total expenditures over this period suggests Commission spending has risen significantly since 2006. However, this is driven by the City budgeting professional services at a higher level (\$100,000) than actually used (\$38,041 in FY2008). From FY2006 to FY2008 the total amount of expenditures declined.

Historical expenditures – Police Commission

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	5,535	42,979	49,980	49,981	802.9%
P E R F	134	2,712	2,192	2,400	1693.6%
F I C A	422	3,224	3,706	3,824	806.0%
Workmen's Compensation	0	305	862	1,999	N/A

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.

² Please see the Law Department Chapter for a recommendation related to the use of external legal counsel.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Unemployment Compensation	0	305	862	2,499	N/A
Professional Services	104,708	57,668	38,041	100,000	-4.5%
Other	6,229	14,037	9,204	7,500	20.4%
Total	117,028	121,231	104,846	168,203	43.7%

The Commission's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent.

Historical expenditures – Police Commission

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	46,600	46,600	46,600	46,600	46,600	0.0%
P E R F	2,400	2,520	2,646	2,778	2,917	21.6%
F I C A	3,565	3,565	3,565	3,565	3,565	0.0%
Workmen's Compensation	1,864	1,864	1,864	1,864	1,864	0.0%
Unemployment Compensation	1,864	1,864	1,864	1,864	1,864	0.0%
Professional Services	70,000	71,750	73,544	75,382	77,267	10.4%
Other	7,500	7,688	7,880	8,077	8,279	10.4%
Department total	133,793	135,850	137,962	140,130	142,356	6.4%

Assessment

The number of cases handled by the Police Commission is driven by the number of complaints issued by the Police Chief. As per the current police contract, the Chief can suspend an employee up to five days without referring the case to the Commission. Employees have the right to appeal the suspension with the Commission. In these instances, the case goes through a full review and investigative process. If an employee is on the force for more than one year, they must be given a hearing before being terminated for any reason. Between 2005 and 2008, the Police Commission handled 22 cases. As of October 30, 2009, only three cases had been handled, including all disciplinary and termination hearings.

On average, the Police Commission conducts promotional exams bi-annually. In rare cases, exams may have to be conducted yearly. The promotional list for civil service positions is good for two years after the date that the exam was issued.



Initiatives

- PC01. Consolidate Fire and Police Commission administration**
FY2010 Impact: \$53,000 **Five Year Impact: \$275,000**

The following table reflects the five-year case load for the Police Civil Service Commission.

Police Commission Annual Case Load

2005	2006	2007	2008	2009 YTD ³
5	6	7	4	3

Over the past five years, the Commission has handled an average of five cases per year. The highest number of cases handled within this time frame was seven in 2007. The lowest number was four in 2008. These cases include all disciplinary and termination hearings. With such a low case load and so few promotional exams being administered, the Police Commission seems to be underutilized. Commissioners are required to meet monthly yet there are not enough cases to discuss every month.

Though the Fire Commission did not provide parallel data, information provided during departmental interviews indicate its caseload is similarly light. While the Commissions and their board members are separate, the City should consider combining the two administrative positions (one for each Commission) into one that supports both Commissions. If the Commissions have coinciding peaks in activities related to promotions or hiring, the City could provide additional support for that period through Human Resources staff or temporary clerical workers. The savings associated with this position consolidation are projected below and include costs related to salaries, the City's contribution to health insurance and other fringe benefits.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
53,000	54,000	55,000	56,000	57,000	275,000

³ 2009 year-to-date data is as of October 31, 2009.



6. Public Works & General Services



Section Overview

This section reviews the services that are referred to generally as “public works” and “general services.” While there is no formula for providing these services and structures vary greatly by locality, public works units generally handle street maintenance and paving; snow, leaf or debris removal; and coordinating or executing maintenance and construction at public facilities. Public works departments also frequently work with or oversee whatever units handle parks maintenance and refuse collection. Meanwhile general service departments usually handle functions that help other City departments do their job, such as maintaining vehicles, providing engineering support or overseeing custodial work at City facilities. In the City of Gary, this generic allocation of duties is reversed – the Department of General Services handles functions usually housed under public works and the Department of Public Works¹ handles functions usually designated general services.

This is not the only unusual attribute of how Gary handles these functions. In most large Indiana cities, there is one department that oversees street sweeping, paving and maintenance; engineering and infrastructure management; snow and debris removal; and traffic control. That department may allocate these responsibilities to different divisions or units under its oversight, but they are usually all grouped under one umbrella organization (see next page). In Gary, these functions are split between the Department of General Services and the Department of Public Works.² In some cases, it is not clear which unit has ultimate responsibility. For example, Public Works reportedly oversees street repair and paving. But the actual staff allocated to pothole repair and paving falls under General Services. Looking beyond these two departments, Gary’s structure has other peculiarities. There is a Parks Maintenance unit but it does not report to the Department of Public Parks – it reports to the Department of General Services.

In addition to the confusion this structure causes people outside City government, it has pitfalls for the City itself. Divided responsibility makes it harder for managers to manage, staff to execute and elected officials to hold departments accountable for performance. It splits resources – whether that resource is time, money, staff, equipment or materials – across multiple departments so that all of them struggle to provide the service. And it creates the risk of a lower quality of service when there is increasing pressure on the City to do more with less.

The recommendations in this section suggest restructuring public works, general service and parks operations so that the City can get more out of its limited resources. As those resources become even sparser under the property tax caps, it also suggests reductions that, while not ideal from a service perspective, are necessary to help the City live within its means. A closely related set of initiatives focus on changes that will help the City cover the cost of services that the City can no longer afford to subsidize through its property tax.

¹ According to the City’s organizational chart dated October 6, 2009, the Department of Public Works is part of the Division of Development. The other units in that Division - Community Development, Environmental Affairs and Redevelopment – are addressed in the Economic Development section of this Plan.

² Other municipalities that are close to Gary geographically, like Merrillville and East Chicago, split these duties similar to Gary.



Segregation of Public Works and General Service Duties in Indiana's Five Largest Cities³

	Gary	Indianapolis	South Bend	Fort Wayne	Evansville
Street Sweeping	General Services - Streets Division	Public Works-Operations	Public Works-Streets Bureau	Public Works-Street Dept	Transp. & Svcs - Street Maintenance
Street Maintenance	General Services & Public Works	Public Works-Operations	Public Works-Streets Bureau	Public Works-Street Dept	Transp. & Svcs - Street Maintenance
Street Paving and Grading	General Services & Public Works	Public Works-Engineering	Public Works-Streets Bureau	Public Works-Traffic	Transp. & Svcs-Traffic Engineering
Engineering/ Infrastructure Mgmt	Public Works	Public Works-Engineering	Public Works-Engineering	City Engineer	Transp. & Svcs - City Engineers
Snow Removal	General Services - Streets Division	Public Works-Operations	Public Works-Streets Bureau	Public Works-Street Dept.	Transp. & Svcs - Street Maintenance
Traffic Control	Public Works - Traffic Control	Public Works-Operations	Public Works-Traffic & Lighting	Public Works-Traffic Eng.	Transp. & Svcs - Traffic Engineering
Street Signs	Public Works - Traffic Control	Public Works-Operations	Public Works-Traffic & Lighting	Public Works-Traffic Eng.	Transp. & Svcs - Traffic Engineering
Debris Removal	General Services - Demolition Division	Public Works-Operations	Public Works-Streets Bureau	Public Works-Street Dept.	Transp. & Svcs - Street Maintenance

³ Information for cities other than Gary is based on a review of those cities' online resources.



Department of Public Works

Overview

The Department of Public Works is responsible for the overall infrastructure program within the City of Gary including repair and replacement of deteriorating sidewalks; curbs and street repair; construction including street paving, hot patching, alley grading and crack sealing. The Department is the central source of engineering services for the City and oversees the design and implementation of major capital improvements which, in recent history, have focused on street and sidewalk maintenance and repair. Public Works is also responsible for required engineering or technical review of private or public work occurring within the public right-of-way. These tasks include developing and managing the City's capital budget, which has recently focused almost exclusively on repairing and maintaining existing streets and City-owned buildings.

The Department also manages facilities maintenance activities including janitorial, and security services for City-owned buildings, though other Departments also have custodial staff. The Parks Maintenance staff within the Department of General Services cleans and maintains City Hall. The Department of Public Parks and Police Department also have separate custodial staff in their budgets.

The Director of Public Works oversees the Traffic Control Department, Building Department, Facilities Maintenance and all City inspectors. Further, a recent reorganization/consolidation has placed the Department of Planning under the supervision of the Director of Public Works. The reorganization resulted in the elimination of eight positions.

The Department of Public Works consists of four full-time equivalents (FTEs) including the Public Works Director, Civil Engineer, and two clerical staff.

The Department is overseen by the Gary Board of Public Works and Safety. This Board is a state-mandated body that has various powers and duties related to City property and rights-of-way.¹ It is made up of three members - the Deputy Mayor, Corporation Counsel and Controller. Board members are not compensated additionally for their service. Powers and duties related to City property include²:

- Charge of all property belonging to the City (except where legally placed elsewhere);
- Power over sidewalks, streets, sewers and other public rights-of-way; and
- Charge and control of building inspection and permits.

As part of its oversight duties, the Board of Public Works acts as the contractual obligator for the City and reviews and approves all contracts for procurement of services in excess of \$5,000. All capital improvements are also subject to Board approval. Board meetings are held weekly.

The Department of Public Works is located on the third floor of City Hall and has no additional facilities. The table below shows the Department's budgeted positions for FY2006 through FY2009. In FY2009 the City moved positions from the Building Department (six part-time Commissioners and 13 full-time employees) and Planning Department (14 part-time Commissioners and three full-time employees) under Public Works. Across these three units, the City cut 11 positions in FY2009 – six part-time Building Commissioners and five full-time positions (four in Public Works, one in the former Planning Department).

¹ Indiana Code IC 36-4-9-5

² Gary Municipal Code 34.017



Budgeted Positions – Public Works and Related Units³

	2006	2007	2008	2009	2010
Public Works	8	8	7	19	19
Building (full-time)	4	13	13	N/A	N/A
Building Commissioners	12	12	12	6	6
Planning (full-time)	4	4	4	N/A	N/A
Planning Commissioners	9	14	14	9	9
BZA Commissioners	0	0	0	5	5
Total	37	51	50	39	39

The table below shows the expenditures for the Public Works (in detail), Building and Planning Departments from FY2006 actual through FY2009 budgeted.⁴ Due to reductions in salary and professional services, Public Works' expenditures are budgeted to decrease by 46.6 percent over this time. Even accounting for the addition of Building and Planning, the total expenditures across all three units is budgeted to decrease by 35.5 percent.

Historical expenditures – Public Works Department (General Fund Only)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	600,457	313,338	275,576	431,089	-28.2%
P E R F	42,893	19,600	11,872	25,865	-39.7%
F I C A	45,242	23,831	20,415	32,524	-28.1%
Workmen's Compensation	8,888	3,835	4,083	17,006	91.3%
Unemployment Compensation	8,888	4,092	4,083	21,257	139.2%
Professional Services	216,821	114,768	67,500	67,500	-68.9%
Travel & Education	1,128	2,125	0	1,500	33.0%
Printing	1,764	4,628	716	3,500	98.4%
Advertising	8,417	2,887	6,084	8,000	-5.0%
Repairs & Maintenance	184,590	78,959	1,435	0	-100.0%
Leases	5,250	3,375	3,628	0	-100.0%
Subscription & Dues	150	0	0	1,000	566.7%
Other Expenses	17,099	15,705	3,337	0	-100.0%

³ The budgeted positions shown for FY2009 are from the revised FY2009 budget.

⁴ The Building and Planning Departments historic expenditures are shown in more detail in their individual chapters.



Public Works subtotal	1,141,587	587,142	398,728	609,241	-46.6%
Building subtotal	139,227	423,916	401,132	250,058	79.6%
Planning subtotal	206,966	186,593	165,656	99,962	-51.7%
Total	1,487,781	1,197,652	965,517	959,261	-35.5%

Public Works' baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to the Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent. Employee health insurance expenses are budgeted outside the department.

Projected baseline expenditures – Public Works Department (General Fund Only)

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	654,015	654,015	654,015	654,015	654,015	0.0%
P E R F	39,241	41,203	43,263	45,426	47,698	21.6%
F I C A	49,114	49,114	49,114	49,114	49,114	0.0%
Workmen's Compensation	25,681	25,681	25,681	25,681	25,681	0.0%
Unemployment Comp.	25,681	25,681	25,681	25,681	25,681	0.0%
Professional Services	40,000	41,000	42,025	43,076	44,153	10.4%
Travel & Education	1,500	1,538	1,576	1,615	1,656	10.4%
Printing	7,600	7,790	7,985	8,184	8,389	10.4%
Advertising	8,800	9,020	9,246	9,477	9,714	10.4%
Subscriptions & Dues	2,250	2,306	2,364	2,423	2,484	10.4%
Department total	853,881	857,347	860,949	864,692	868,582	1.7%

Assessment

The Department has already implemented a number of cost reduction strategies resulting in reduced staff costs . Three years ago the City Engineer was reduced from a full-time to a part-time position provided through a retainer contract at a cost of \$30,000, half of the cost of the full-time City Engineer. Since the end of FY2008 the Department has eliminated four positions. The Department has also recently proposed consolidating its Civil Engineer position with the Traffic Engineer position funded through the City's Motor Vehicle Highway Fund, which would reduce salary costs by \$39,000.

In addition to reductions in staff, the City has consistently reduced capital investment dollars. The City does not currently borrow for capital improvements but rather budgets for them annually as part of a pay-as-you-go plan. Declining annual revenues have limited the City's ability to meet annual capital needs.



The Department performs “condition assessments” annually. These assessments list the City infrastructure needs – broken down as individual projects – in neighborhoods throughout the City. But the Department – and the City as a whole – has less resources to maintain the aging infrastructure. As a result, the City is performing maintenance work less frequently than desired and repair projects are more likely to be based on emergency conditions.

Initiatives

PW01. Bid building service contracts in bulk

FY2010 Impact: N/A

Five Year Impact: N/A

The City currently maintains a number of service contracts for maintenance and janitorial services at City buildings. However, services for each building are currently bid separately, depleting the City’s ability to gain cost savings through economies of scale. The City should begin bidding these projects together to improve the attractiveness of the contract to the private sector and reduce overall costs. As part of this process, the City should also contract with a private vendor for custodial services at City buildings currently cleaned by City employees in other departments, like City Hall (cleaned by General Service staff), Hudson Campbell Sports and Fitness Center (cleaned by Parks staff) and Police Department facilities (cleaned by Police Supportive Service staff).

PW02. Invest savings generated by other Plan initiatives in capital projects

FY2010 Impact: \$0

Five Year Impact: -\$2,000,000

With an aging infrastructure, a growing number of potholes⁵ and several large structures to maintain (e.g. City Hall, Metro Center), there are many capital needs and unfortunately few financial resources to invest in them. The City’s Cumulative Capital Improvement (CCI) fund, which is supported by cigarette tax revenue, has a \$625,000 allocation in FY2009 for maintaining buildings. The Cumulative Capital Development (CCD) fund, which is supported by a property tax levy (0.322 mills per \$1,000 assessed value in FY2009), has a \$295,000 allocation for other repairs and maintenance. The City does not have a lot of bond debt, but any new issues would fall under the property tax restrictions. Still, by making other structural and compensation changes in this Plan, the City may be able to generate a small amount of money that can be invested in strategically selected capital project work.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	(500,000)	(500,000)	(500,000)	(500,000)	(2,000,000)

⁵ Please see the General Services chapter for more details.



Building Department

Overview

The City of Gary Building Department is responsible for ensuring the health and safety of Gary residents through implementing and enforcing the building and property maintenance codes with property inspections, permitting of building projects, licensing of all contractors who work in the City and responding to property maintenance complaints. Following the mid-2009 restructuring, the Building Department staff now reports to the Public Works Director.

The unit is led by a Building Commissioner and has an Inspection Coordinator, a Code Enforcement Inspector, two Building Inspectors, three Electrical Inspectors, two Plumbing/HVAC Inspectors and two clerical staff. The unit also has six Building Commissioners who are paid approximately \$600 per year. The table below shows the unit's budgeted positions across all funds for FY2006 through FY2009. The City hired nine inspectors in FY2007, accounting for that increase.

Historic Employee Count – Budgeted Positions¹

	2006	2007	2008	2009
Full-time positions	4	13	13	N/A
Part-time commissioners	12	12	12	N/A
Total	16	25	25	N/A

The number of filled full-time positions is shown below.

Historic Employee Count – Filled Positions²

2006	2007	2008	2009
4	11	15	N/A

The Department's expenditures rose in accordance with hiring nine inspectors in FY2007. Personnel costs accounted for nearly all of the Department's General Fund expenditures (98.3 percent in FY2008), even without the City's contribution to employee health insurance which is budgeted outside the Department.

Historical expenditures – Building Department

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	106,537	347,192	334,748	201,037	88.7%
Other Compensation	0	534	4,546	0	N/A
P E R F	7,662	26,667	18,235	11,508	50.2%

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.

² The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported by grants outside of the funds shown here.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
F I C A	7,904	26,177	24,949	14,667	85.6%
Workmen's Compensation	1,709	5,211	5,873	7,123	316.9%
Unemployment Compensation	1,709	5,687	5,873	7,123	316.9%
Professional Services	0	3,805	0	0	N/A
Travel & Education	2,152	602	1,026	2,400	11.5%
Printing	7,530	7,374	5,482	5,000	-33.6%
Contractual Maintenance	0	96	0	0	N/A
Subscription & Dues	3,538	170	400	0	-100.0%
Refunds, Awards & Indemnities	486	0	0	1,200	146.9%
Current Charges	0	400	0	0	N/A
Total	139,227	423,916	401,132	250,058	79.6%

Since the Building Department has been merged with Public Works, its expenditures are projected as part of that unit.³ The City no longer budgets separately for the Building activities.

Assessment

With limited inspection capacity, the Building Department faces the routine challenge of balancing the need to respond to complaints and the need to fulfill permit inspection requests. The high percentage of renter-occupied property in the City has driven increases in complaints arising out of landlord-tenant disputes. Further, limited proactive code enforcement capacity has also likely increased complaints. In addition, high tenant turn over frequently triggers electrical service changes that require inspection prior to service restoration, increasing demand for electrical inspection.

It will be critical that the unit manage fee-driven service demands with complaint response such that permit processing is not unduly affected. The unit should seek ways to manage and reduce complaint driven inspections through alternative enforcement strategies as well as preventative measures. Further, exploring ways to streamline the inspection process or increase the efficient use of limited resources will serve the unit well.

Initiatives

- BU01. Enhance code enforcement activity**
FY2010 Impact: N/A **Five Year Impact: N/A**

The City has experienced an increase in complaint driven requests for service, but does not have the capacity to adequately respond to those complaints and implement a proactive code enforcement strategy. As a result, the City is likely overlooking existing code violations and encouraging non-compliance with the law. Even when the City's existing code enforcement efforts result in violation notices, the City frequently does not often collect fees for the

³ Please see the Public Works chapter for more information.



inspections or fines for violations because the current collection mechanism is weak. This results in lost revenue and encourages further non-compliance with City code.

Comparable Indiana cities have far more enforcement officers available to perform this function. With the exception of Muncie, each City shown below has a dedicated code enforcement division with staff of at least seven people. In the case of Muncie, their building inspectors are cross-trained to perform code enforcement and include this responsibility as part of routine activities.

Dedicated Code Enforcement Staff

	Code Enforcement Officers	Supervisor	Total
Gary	1 inspector, 1 special police officer	0	2
East Chicago	4 inspectors, 3 police officers	1 Manager	8
Evansville	9	1	10
Ft. Wayne	12	2 Field Supervisors and 1 Director	15
Hammond	6	1 Commissioner	7
Muncie	1	0	*

*Muncie does not have a separate Code Enforcement division, but building inspectors also perform code enforcement activities as part of their daily responsibilities

The City’s severe financial distress prohibits a large investment in this service area, despite the increase in service demand. However, there are economical options that the City should pursue to increase its code enforcement presence and associated revenue. Those options include:

- Enlist existing inspectors to perform code enforcement activities during staggered shifts, including weekend coverage. The Building, Police and Fire Departments should share information since properties with frequent code violations can also be magnets for criminal activity and fire hazards.
- Invest federal Community Development Block Grant (CDBG) dollars in code enforcement. This idea is addressed in further detail in initiative CD02 in the Community Development chapter.
- Establish stronger collection mechanisms including property liens to improve enforcement.

BU02. Institute a fee for electrical service turn-on inspections
FY2010 Impact: \$76,000 **Five Year Impact: \$380,000**

If electrical service at a property in the City has been shut off and the owner decides to restore service, Northern Indiana Public Service Company (NIPSCO), the local electric utility, requires an electrical inspection prior to service restoration. The City currently provides this inspection at no cost. However, this electrical inspection is similar, if not identical to, an inspection that



would be performed for a fee with an electrical permit. The City conducted approximately 3,800 turn-on inspections in 2008 without collecting a fee.

The electric utility in Cleveland, Ohio has a similar requirement. The City's Building and Housing Department charges \$50, the same fee as a general electrical inspection, for inspections required for utility service turn-on. Similarly, Gary should collect a fee for inspection services commensurate with an electrical inspection. The fee should be charged to the property owner and collected upon inspection, ensuring that clearance for service restoration is not provided to NIPSCO without payment.

The City currently charges between \$20 and \$80 for an electrical permit. If the City were to charge \$20 for a turn-on inspection and assuming that the City will complete 3,800 turn-on inspections annually it will result in \$76,000 in new revenue.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
76,000	76,000	76,000	76,000	76,000	380,000

BU03. Cross-train trades inspectors

FY2010 Impact: N/A

Five Year Impact: N/A

Current inspection staff members are each certified in a single trade. Each trade may experience peaks in permit activity that cannot be covered by existing certified inspectors, affecting turn-around time on permits, but permit activity is not sufficiently consistent to warrant adding an additional inspector in a single trade. Therefore, City inspection staff should be cross-trained in more than one trade to allow assignment flexibility to deal with peak periods in certain types of inspections.

BU04. Implement a landlord registration program

FY2010 Impact: N/A

Five Year Impact: N/A

By nature, having large amounts of rented residential property often drives increases in complaint driven inspections in addition to increased police response and other burdens on City services. Many medium and larger cities nationally have implemented a Landlord Registration Program that acts similar to a business license and provides the City with information to track rental property owners and perform preventative safety inspections for the safety of residents, before problems occur.

The City has proposed a similar program in the past with a per unit annual license fee but the program was opposed for the cost. Some cities, including Fort Wayne, require registration but provide the license for free, only collecting a fee if a property owner violates the regulation. This may be a viable alternative to initiate this program while minimizing upfront costs to property owners. Any initial implementation costs could be funded using CDBG dollars.



Planning Department

Overview

The Planning Department is responsible for providing community planning and design support for Gary residents, business owners and developers with the goal of ensuring sustainability. Its primary responsibility is the creation and implementation of the City's Comprehensive Plan, which was most recently updated in 2005.

The Department also includes the Division of Zoning. Zoning determines what types of uses are allowable for that property, and is based on what is proposed by the City's master plan. Through zoning, the Department is able to serve the community by:

- Protecting against land use hazards in the interest of public safety.
- Providing for the needs of industry business and residences for future growth.
- Controlling the use of land to prevent adverse effects to neighboring properties.
- Prohibiting uses, buildings, or structures which are incompatible with the character of development or the uses allowed within specific zoning districts.
- Preventing the overcrowding of land and undue concentration of structures.
- Conserving the taxable value of land and buildings in the city.
- Providing for the gradual elimination of nonconforming uses of land, buildings and structures.

The Zoning Division provides zoning determination letters, verifies zoning for the purposes of business licensing, and enforces the zoning code through random inspection. In addition, the Zoning Officer is the final point of approval for all business licenses in the City and tracks applications through the process.

The Planning Department also administers and provides professional support to the City's Plan Commission and Zoning Board of Appeals (ZBA). The Plan Commission approves the City's Comprehensive Plan and approves variances from land use applications while the ZBA considers changes to the zoning map. The Plan Commission has 8 members and the ZBA has 5 members, each appointed by the Mayor. Commissioners to each board receive a stipend of \$50 per meeting attended. The Planning Director acts as the Executive Director/Secretary for both boards.

In addition to the land use boards, the Director also represents the City on the following regional planning organizations/subgroups:

- City of Gary, Site Plan Review & Development Committee, Chair
- Northern Indiana Regional Planning Commission, Transportation Policy Committee
- Northern Indiana Regional Planning Commission, Land Use Committee, Vice-Chair
- Northern Indiana Regional Planning Commission, Ped/Pedal/Paddle Committee
- Northern Indiana Regional Planning Commission, Economic Development Committee
- Northern Indiana Regional Planning Commission, 2040 Regional Plan Steering Committee
- Northwest Indiana Regional Development Authority (NWIN RDA), City Contact



Due to a recent reorganization, the Planning Department is now a part of the Public Works Division and reports to the Public Work director. In the reorganization, the zoning enforcement officer position was eliminated.

Budgeted Positions – Planning¹

	2006	2007	2008	2009	2010
Planning (full-time)	4	4	4	N/A	N/A
Planning Commissioners	9	14	14	N/A	N/A
BZA Commissioners	0	0	0	N/A	N/A
Total	13	18	18	N/A	N/A

Historically, most of the Department's General Fund allocation was for employee compensation, which remained at a level cost from FY2006 through FY2008. As with other departments, the cost of the City's contribution to employee health insurance was budgeted outside Planning's allocation.

Historical expenditures – Planning Department (General Fund Only)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Salaries & Wages	144,196	152,611	142,223	82,769	-42.6%
P E R F	10,074	11,296	7,463	4,521	-55.1%
F I C A	10,956	11,598	10,510	6,110	-44.2%
Workmen's Compensation	1,730	1,636	1,971	1,916	10.7%
Unemployment Compensation	1,730	1,776	1,971	1,916	10.7%
Professional Services	32,416	0	0	0	-100.0%
Travel & Education	1,260	4,016	22	0	-100.0%
Printing	1,376	2,270	647	1,000	-27.3%
Advertising	562	418	316	1,200	113.4%
Contractual Maintenance	952	0	0	0	-100.0%
Leases	1,035	0	0	0	-100.0%
Subscription & Dues	679	972	534	530	-21.9%
Total	206,966	186,593	165,656	99,962	-51.7%

Since the Building Department has been merged with Public Works, its expenditures are projected as part of that unit.²

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget. Planning positions were moved into Public Works in mid-year.

² Please see the Public Works chapter for more information.



Assessment

The Planning Department is tasked with planning and managing land use citywide with very few resources. The Department is essentially a single person, the Director, with clerical support along with the one-person Zoning Division tasked with enforcing land use policy. The Director has been successful in earning a number of grants benefitting not only the Planning Department but the City as a whole. The Department has earned the following grants in the last five years:

Project	Purpose	Year(s)	Source	Funding
Lakefront West: South Shore Redevelopment Plan				
	Joint Due Diligence Activities with East Chicago	2007	NWIN RDA	\$1,150,000
	Project Implementation (if approved)	2007	NWIN RDA	\$25,000,000
Lakefront East: Marquette Park Master Plan	Due Diligence & Master Planning and Capital Improvements	2009	NWIN RDA	\$28,190,000
Lakefront Marina Access Road	Phase 2A, Segment 2	2008	FHWA STP Group I	\$5,361,209
CMAQ Vehicles and Equipment Replacement	Purchase of 120 energy efficient vehicles	2008	FHWA CMAQ	\$3,151,769
ARRA Roadway Projects	35 th Avenue 49 th Avenue, and I-65&15 th Avenue	2009	ARRA	\$2,800,000
Buffington Harbor Marina Phase I	Design	2006-2009		\$1,200,000
Buffington Harbor Marquette Vision Improvements	Design and Physical Improvements for the Establishment of Public Access Area	2009		\$75,000
Gary Green Link Trail:				
	System of bike and pedestrian trails	2006 - Present	Congressman Visclosky	\$992,000
	System of bike and pedestrian trails	2006 - Present	TE Funding	\$1,002,500
Union State Trail Head and Welcome Center		1998 - Present	TE Funding	\$837,600
Grant Street Reconstruction Phase IV	Little Calumet River to Truck Stops	2004 - 2006	FHWA STP Group I	\$3,042,111
Grant Street Reconstruction Phase III	From 8th to 10 Avenues	2006 - Present	FHWA STP Group I	\$2,162,319
Ridge Road	Broadway to Mississippi	2004 - 2006	FHWA STP Group I	\$8,809,759
MLK / 15th Avenue / Central	New Traffic Lights and Interconnect System	2006	FHWA STP Group I	\$700,000

ARRA - American Recovery And Reinvestment Act

CMAQ - Congestion Mitigation and Air Quality

FHWA STP - Federal Highway Administration: Surface Transportation Program

NWIN RDA - Northwest Indiana Redevelopment Authority

TE - Transportation Enhancements

While the Department has maximized use of its limited resources, the current one-person staffing means that his absence halts all activities until that staff person returns. Further, given the single staff person responsible for both zoning administration and zoning enforcement, they cannot occur simultaneously. Further, his concurrent responsibilities of managing the business licensing process further taxes zoning administration for the City.



Beyond lack of staff breadth, the Department is also challenged with a lack of common technological tools to assist in daily activities. Application processes remain paper-based, as do business licensing processes.

Initiatives

- PL01. Convert initial business license fee to application fee**
FY2010 Impact: N/A **Five Year Impact: N/A**

Under the current business license process, a potential licensee submits paperwork for review and only remits a fee if the license is approved. However, not all applications for license are approved and valuable staff time is expended reviewing an application without compensation. To both compensate the City for time spent as well as to reduce the number of poor-quality applications, the City should charge a fee up front for initial business license applications. Should an application fail, a portion the fee could be credited towards reapplication.

- PL02. Shift responsibility for business licensing process to the Finance Department**
FY2010 Impact: N/A **Five Year Impact: N/A**

The current process for acquiring a business license is tracked and finalized by the Zoning Officer. However, fees are collected by Finance and other departments are often responsible for additional sign off. To relieve the burden on the Zoning Officer and allow him to concentrate on his core activities, as well as centralize a multi-department process, the Business Licensing process should begin and terminate with the Finance Department.

- PL03. Implement site plan review fee**
FY2010 Impact: N/A **Five Year Impact: N/A**

In 2006, the City instituted a streamlined review process for zoning clearances and building permits. A Site Plan Review (SPR) Committee was formed to review requests for all commercial/industrial projects involving new construction or exterior work (including facades, signage, and parking lots) and for all new residential construction. While this process has streamlined plan review for applicants, this service has been provided free of charge since inception. Should a building permit or other development activity result, the City receives permit fees but the costs of Site Plan Review are not recovered. The City should consider charging a fee for Site Plan Review to both better recover costs for this service and encourage only quality applicants make use of the process.



Traffic Control Division

Overview

The Gary Traffic Control Division is responsible for installing and maintaining all of the traffic controls devices in the City including traffic signals, street lights and signage. It also handles street striping. As part of the Department of Public Works, the Division now reports to the Public Works Director. From 2006 through 2009 the Division had a stable level of staffing with eight positions – a Director/Traffic Engineer, Foreman/Superintendent, five crew members and an administrative assistant.¹ In FY2010 the City plans to eliminate the foreman and two crew member positions but reinstate the traffic superintendent position for a net reduction of two positions compared to FY2009. All positions are funded through the City’s Motor Vehicle Highway Fund. The crew members are cross-trained to perform all of the functions of the Division including making and installing signage and operating striping equipment.

Historic Employee Count – Budgeted Positions²

2006	2007	2008	2009	2010
8	8	9	8	6

Historic Employee Count – Filled Positions³

2006	2007	2008	2009
8	8	8	8

The Division has two service contracts. The first is for maintenance of City-owned streetlights at a cost of \$200,000 per year and another for maintenance and repair of traffic lights at a cost of \$250,000 annually. In addition, the City makes payments to Northern Indiana Public Service Company (NIPSCO) for maintenance and repair of streetlights owned by the utility company.

Traffic Control is one of three units funded through State Motor Vehicle Highway Fund allocations originating from gasoline tax, drivers license fees and other motor-vehicle related revenue collected by the state and remitted to local governments for roadway use.⁴ This revenue also partially funds the Streets unit of the Department of General Services and the “Controller’s Utility,” utility costs for street and traffic lights. Should there be a shortfall in this revenue, the General Fund makes up the difference.

The City has proposed eliminating the Traffic Engineer position and consolidating those responsibilities with those of the civil engineer position in the Department of Public Works. This would save \$39,000 in annual salary costs.

Historical expenditures – Traffic Control Department

¹ There is a traffic superintendent position that appears in some documents for FY2008 but not others. The position is included in the chart below.

² The budgeted positions shown for FY2009 are from the revised FY2009 budget.

³ The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported by grants outside of the funds shown here.

⁴ Please see the General Services chapter for a more detailed discussion of this revenue source.



	2006 Actual	2007 Actual	2008 Actual	2009 Budget	% Change
Full Time Salaries & Wages	218,515	208,270	206,675	225,510	3.2%
Overtime Pay	4,955	1,610	1,089	9,300	87.7%
Clothing Allowance	0	0	455	0	N/A
Teamsters Insurance	37,194	85,868	39,941	74,880	101.3%
P E R F	16,202	16,266	11,329	11,840	-26.9%
F I C A	17,063	16,023	15,416	17,251	1.1%
Workmen's Compensation	4,200	3,939	4,736	6,765	61.1%
Unemployment Compensation	3,087	3,122	3,549	6,765	119.2%
Gasoline	0	89,401	77,500	0	N/A
Supplies & Materials	37,957	56,901	25,515	39,000	2.7%
Repairs	900	2,035	0	0	-100.0%
Printing	54	583	44	0	-100.0%
Contractual Maintenance	371,128	441,169	313,998	305,000	-17.8%
Leases	375	1,714	5,335	0	-100.0%
Current Charges	0	0	0	300	N/A
Total	711,627	926,900	705,581	696,611	-2.1%

Traffic Control's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to the Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent. Employee health insurance expenses are budgeted outside the department.

Projected baseline expenditures – Traffic Control Department

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	156,682	156,682	156,682	156,682	156,682	0.0%
Overtime Pay	6,300	6,300	6,300	6,300	6,300	0.0%
Teamsters Insurance	40,560	44,859	49,614	54,874	60,690	33.2%
P E R F	9,401	9,871	10,365	10,883	11,427	17.7%
F I C A	11,986	11,986	11,986	11,986	11,986	0.0%



	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Workmen's Compensation	6,267	6,267	6,267	6,267	6,267	0.0%
Unemployment Compensation	6,267	6,267	6,267	6,267	6,267	0.0%
Garage & Motor Supplies	2,500	2,563	2,627	2,692	2,760	9.4%
Other Materials	30,500	31,263	32,044	32,845	33,666	9.4%
Contractual Maintenance	320,000	328,000	336,200	344,605	353,220	9.4%
Subscriptions & Dues	300	308	315	323	331	9.4%
Department Total	590,764	604,366	618,668	633,725	649,597	10.0%

Assessment

As stated previously, the Division is one of three functions funded through State Motor Vehicle Highway funds. This funding source, however, has not fully funded these three functions in the last three years, and has declined each year since 2006.

The biggest driver in this fund is utilities costs which have grown from \$779,259 in 2005 to 1,133,561 in 2008. As a result, utility costs consumed an increasing portion of these funds every year, further straining financial support of the Traffic Control and Streets units. Further, any shortfalls in State Motor Vehicle Highway Fund allocations must be made up with City General Fund dollars, another strained revenue source.

State Motor Vehicle Highway Fund Allocations versus City Expenses

	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Actual	2009 YTD
Revenue	3,246,162	3,887,052	3,117,324	2,883,759	2,239,746
Expenses	3,736,528	4,289,686	4,225,780	\$3,532,473	2,761,961
Utilities	779,259	1,093,197	1,311,873	1,133,561	950,068
Traffic Control	761,244	711,627	926,900	705,581	638,797
Streets	2,196,025	2,484,862	1,987,007	1,693,331	1,173,096
Utilities as % of MVH	20.9%	25.5%	31.0%	32.1%	34.4%

The City conducted a traffic study in 2000 that determined that 43 of its 140 traffic lights should be removed and replaced by stop signs. The Division has replaced the lights at 17 intersections so far but has been limited in implementing this initiative because of limited funding. The City does not conduct road condition ratings or traffic counts for its streets. The City's Comprehensive Plan recommends "Implementation of a yearly roadway condition rating, collection of traffic counts, and review of accident reports would be an asset to the City in prioritizing needed roadway improvements."⁵

⁵ City of Gary Comprehensive Plan: 2008-2028, December 2008



Initiatives

TR01. Privatize traffic control operations

FY2010 Impact: N/A

Five Year Impact: N/A

The City should explore a service contract with a private company that can perform the functions currently handled by the Division. There are private firms that can provide and install signs, stripe highways and parking lots and perform other related functions. The City should issue a request for proposals (RFP) to determine if these firms can provide the same services at a lower price or better service at the same cost to the City.

TR02. Upgrade or eliminate traffic signals

FY2010 Impact: N/A

Five Year Impact: N/A

The 2006 Maximus report indicated that the City of Gary had 142 signalized intersections, a somewhat high number for a City the size and population of Gary. Traffic signals are expensive to maintain, especially when lit with traditional incandescent bulbs. Maximus reported only eight percent of Gary's traffic intersections had been converted to more cost-effective light-emitting diode (LED) technology, and recommended exploring further conversion.

The consultant team did not have detailed information on progress made in replacing incandescent bulbs with LEDs. If little progress has been made since 2006 due to budget constraints, and in light of the high number of intersections, the City should undertake the following comprehensive approach:

- **Eliminating some traffic signals:** The consultant team observed numerous signalized intersections with very limited traffic. In a recent study completed in Cleveland, the elimination of traffic signals from an intersection was estimated to save a recurring \$3,175 in utility and maintenance costs per year. When replacing traffic signals with stop signs, the City would be able to capture almost all of these savings. If the City replaced 25 signalized intersections with stop signs, it could save almost \$80,000 per year using the Cleveland figures. In other cases, the City might choose to replace some signals with roundabouts, which have a one-time installation cost of \$5,000 to \$10,000, but can last for a decade or more with limited maintenance.
- **Replace remaining incandescent traffic signals with LEDs:** If signals were removed from 25 intersections, and no additional LED installations have been made since 2006, there would be 105 intersections that could be upgraded to LED technology. Installation costs are estimated to range from \$1,000 to \$4,000, and annual savings from \$1,000 to \$1,400. Depending on actual local pricing in the area, different upgrade programs would yield different savings. However, the slowest potential payback of four years would still generate savings of \$1,000 per intersection upgraded by the fifth year. Any savings could be greater and occur more quickly if the City is able to secure state or federal grants for the LED upgrades.



TR03. Establish a street light utility
FY2010 Impact: N/A

Five Year Impact: N/A

Many governments nationally with strict revenue caps have established street utilities as a fee-based approach to pay for street lights and other transportation amenities. This approach allows users to pay for these services and frees General Fund resources to support general municipal services.

In Gary, it is estimated that street lighting alone is responsible for approximately \$1.0 million in annual energy bills. If these costs were shifted to residential and commercial property owners on a fee basis, it would provide an equal amount of General Fund capacity to support other desired programs.

Like the sanitation fee and the storm water management fee, this approach more closely ties the costs of public services to those who use and benefit from them. However, it is not intended to be a cost-saving strategy, but rather a way to shift certain costs to users to allow more extensive general services to be supported by broad-based taxes.

Given the infrequent use of this concept in the region, uncertainty about the exact cost for installing, operating and maintaining street lights, and other questions, this initiative is suggested as an alternative to be investigated for shifting costs to users and allowing more City general services, but is not costed or included in the report's financial projections.



Department of General Services

Overview

The Department of General Services¹ maintains most of Gary's City-owned buildings, parks, beaches, streets, alleys, and other rights of way. The Department reports directly to the Mayor through the Deputy Mayor and Chief of Staff, but requires Board of Works approval before procuring goods and services.

Specifically General Services consists of three units:

- **Streets** maintains approximately 434 miles of City streets and roads, responsible for services including street sweeping and snow removal, pothole repair, emergency road fill-ins following cave-ins, and barricade placement. The Streets unit mows and maintains vacant City-owned lots and removes trees. It also has two crews that collect trash at the City's properties and supplements the Recycling Department's collections in the City's Glen Park neighborhood. The Streets unit dispatches four crews daily with four or five persons in each crew.
- **Park Maintenance** cleans and maintains City Hall and eight City parks, including pavilions. Custodial services in most other City buildings are performed by a private contractor through the Department of Public Works. In addition, this unit prepares park facilities for rental, cuts grass at City parks, and cleans the City's public beaches, pavilions, and other recreational facilities. The Department of Public Parks also contracts with a private company for grounds maintenance at other recreation facilities.
- **Demolition** (also called In-House Demolition) is responsible for demolishing condemned property upon approval by the Redevelopment Department. When not engaged in demolition, crews clean dumpsites, clean debris from City alleys, and assist Streets in its functions. The unit also handles snow removal for large City lots and the Police and Health Department buildings.

The Department also has four administrative personnel on its payroll that handle office functions. One administrative employee is on the Department of General Services payroll, but reportedly works in City Hall. Department personnel may be redeployed across units to provide support as necessary. For example, Parks Maintenance crews may assist in pothole repair and Demolition crews may sometimes assist in street cleaning.

The table below shows the Department's budgeted positions across all funds for FY2006 through FY2009. The FY2009 numbers presented are from the amended salary budget in which the City eliminated 13 positions from the initial FY2009 budget.² The City's FY2010 budget eliminates the radio dispatcher position. The total number of Department positions was reduced by 56.0 percent over this five year period, with the reduction in General Fund positions even higher (64.5 percent). The City has made several structural changes over this time including outsourcing most trash collection to a private contractor (a 22-position reduction) and eliminating 17 other six-wheel driver positions in 2009.

¹ This analysis refers to the three units – Streets, Parks Maintenance and Demolition – and administrative personnel as the Department of General Services. The organizational chart provided by the City of Gary (dated October 6, 2009) refers to a *Division* of General Services, which includes Recycling and Vehicle Maintenance. Those functions are addressed in separate sections of this report.

² This is the net change and incorporates positions that were transferred between funds.



Historic Employee Count – Budgeted Positions³

City fund	2006	2007	2008	2009	2010
General	110	96	90	40	39
Motor Vehicle Highway – Gen. Services	39	40	31	26	26
Local Roads & Streets	0	0	0	0	0
Total	149	136	121	66	65

The number of filled positions has been lower than the budgeted positions, though the chart below does not include any positions supported by grants outside the City's General Fund, Motor Vehicle Highway Fund and Local Roads and Streets Fund.

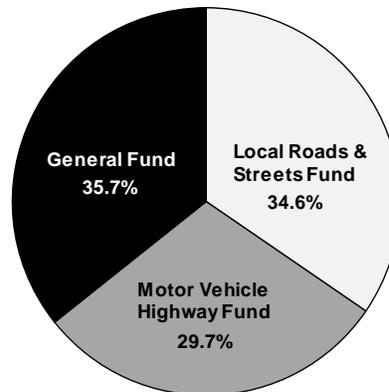
Historic Employee Count – Filled Positions⁴

City fund	2006	2007	2008	2009
General	94	95	75	46
Motor Vehicle Highway – Gen. Services	22	23	20	19
Local Roads & Streets	10	0	0	0
Total	130	118	95	65

Funding Sources

The Department receives funding through three sources – the City of Gary General Fund, State of Indiana Local Roads & Streets revenue, and State Motor Vehicle Highway revenue. As the figure below illustrates, approximately 64.0 percent of the Department's funding originates from State sources.

General Services Funding Sources – 2009



³ The budgeted positions shown for FY2009 are from the revised FY2009 budget.

⁴ The counts shown here are the averages for two dates in each calendar year. For FY2006 through FY2008, the dates were in January and December and for FY2009 the dates were in January and October. Therefore these figures may not account for seasonal employees in the middle of the year. These counts also do not include any employees whose positions are supported by grants outside of the funds shown here.



The City's General Fund currently covers salaries and benefits for 40 of 66 departmental employees. The remaining positions are funded through the Motor Vehicle Highway Fund. The Department also receives an allocation for non-personnel expenses through the Local Roads and Streets Fund. Like the headcount, overall expenditures and those related to salaries have dropped significantly since FY2006.

Historical expenditures – Department of General Services

	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Budget	% Change
Full-time salaries & wages	2,748,892	2,496,497	2,203,358	1,221,700	-55.6%
Overtime pay	548,937	368,057	204,776	70,000	-87.2%
Teamsters insurance	712,868	662,000	666,160	114,660	-83.9%
Other compensation	27,714	1,020	8,743	0	-100%
PERF	239,276	222,084	128,734	73,302	-69.4%
FICA	251,039	215,976	177,218	93,460	-62.8%
Workmen's compensation	52,053	42,189	44,185	48,868	-6.1%
Unemployment compensation	52,027	46,012	45,055	61,085	17.4%
Supplies	105,499	218,193	0	1,000	-99.1%
Materials	23,402	19,125	1,671	3,000	-87.2%
Repairs to equipment	696,392	86,561	0	2,500	-99.6%
Repair parts	417,845	15,060	0	0	-100%
Contractual maintenance	165,160	96,424	29,578	25,000	-84.9%
Other	76,483	26,642	3,154	1,000	-98.7%
General fund subtotal	6,117,586	4,515,839	3,512,633	1,715,575	-72.0%
Local Roads & Streets Fund	1,510,765	976,249	916,427	1,661,000	9.9%
Motor Vehicle Highway Fund	2,954,483	2,498,071	1,844,963	1,904,178	-35.5%
Department total	10,582,835	7,990,159	6,274,023	5,280,753	-50.1%

The Department's baseline expenditure projections are based on the same assumptions used throughout this report. Personnel-related expenditures, such as salaries, overtime and FICA, are frozen for the five-year period. The City's contribution to the Teamsters insurance fund is projected to increase by 10.6 percent per year based on national health care cost trends. Other items grow by 2.5 percent annually.



Projected baseline expenditures – Department of General Services

	FY2010 Budget	FY2011 Projection	FY2012 Projection	FY2013 Projection	FY2014 Projection	Change %
Full-time salaries and wages	1,088,880	1,088,880	1,088,880	1,088,880	1,088,880	0.0%
Overtime	80,000	80,000	80,000	80,000	80,000	0.0%
Teamsters insurance	162,240	179,437	198,458	219,494	242,761	49.6%
PERF	65,333	68,599	72,029	75,631	79,412	21.6%
FICA	83,299	83,299	83,299	83,299	83,299	0.0%
Worker's compensation	43,555	43,555	43,555	43,555	43,555	0.0%
Unemployment compensation	43,555	43,555	43,555	43,555	43,555	0.0%
Medical supplies	1,000	1,025	1,051	1,077	1,104	10.4%
Other materials	3,000	3,075	3,152	3,231	3,311	10.4%
Travel and education	1,500	1,538	1,576	1,615	1,656	10.4%
Contractual maintenance agreement	28,000	28,700	29,418	30,153	30,907	10.4%
Repairs to equipment	2,500	2,563	2,627	2,692	2,760	10.4%
General Fund subtotal	1,602,863	1,624,227	1,647,600	1,673,183	1,701,200	6.1%
Local Roads and Streets Fund	1,147,205	1,201,119	1,258,169	1,318,560	1,382,512	20.5%
Motor Vehicle Highway Fund	1,229,852	1,259,030	1,290,992	1,326,023	1,364,437	10.9%
Department total	3,979,920	4,084,375	4,196,760	4,317,766	4,448,150	11.8%

State funding

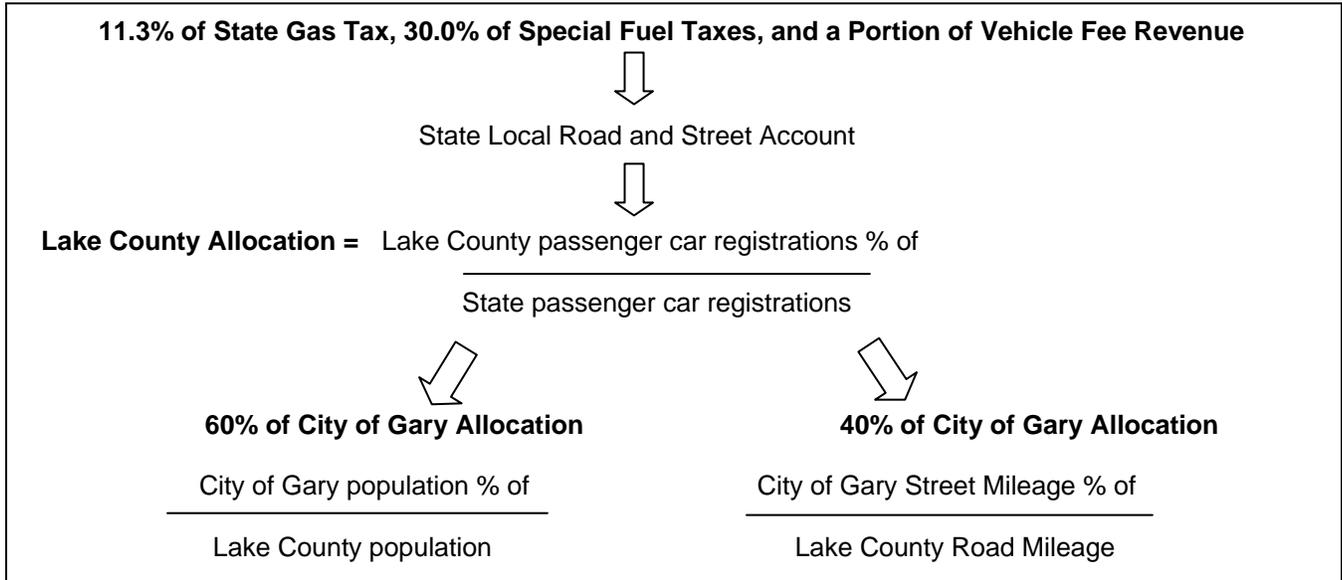
Most of the Department’s expenditures that are not related to personnel costs are funded through the State’s Motor Vehicle Highway and Local Roads & Streets allocations. These funds are distributed by the State to local jurisdictions throughout Indiana, and are based on revenue from the state gas tax, special fuels tax, and increases in other state vehicle fees.

Local Road & Streets funds can only be used for direct expenses incurred in the construction, reconstruction, or maintenance of arterial and local roads and streets in Indiana cities and towns.⁵ Gary’s allocation is determined by the following formula.

⁵ Indiana State Board of Accounts. “Cities and Towns Bulletin and Uniform Compliance Guidelines.” September 2001. <http://www.in.gov/sboa/files/ctb901.pdf>.



Local Road & Streets Revenue – Funding Formula



The City of Gary uses Motor Vehicle Highway funds to pay for Streets employee salaries and benefits and to cover some supply costs. This State allocation draws on the same revenue sources as the Local Roads & Streets funds. Use of these revenues is restricted to the following purposes:

- Construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of highways and curbs;
- Purchase or lease of highway construction and maintenance equipment
- Purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices; and
- Painting structures, objects or surfaces on highways for safety and traffic regulation.⁶

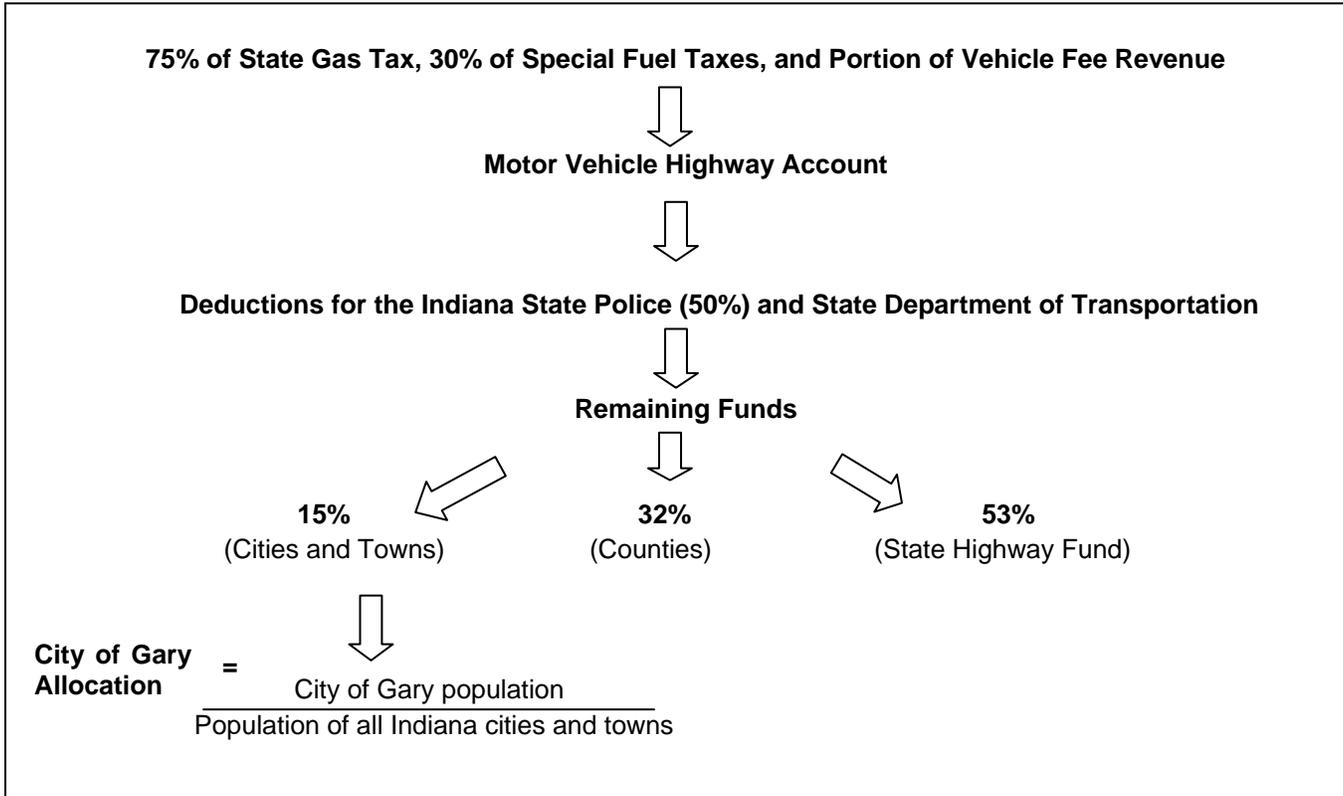
Gary's allocation is determined by the following formula.⁷

⁶ Indiana Code § 8-14-1-5.

⁷ Ibid.



Motor Vehicle Highway Fund – Funding Formula



Multiple factors influence how much money the City receives through these allocations. The revenue source for these allocations also supports the Indiana State Police and the Indiana Department of Transportation. Increasing service demands within these departments have the potential to limit the amount of funding available to Indiana’s local governments. State statute also allows the Indiana Department of Transportation to use the local portion of Motor Vehicle Highway funds to cover its costs of providing services to counties, cities, and towns, further reducing the amount of revenue available to Indiana municipalities. Volatility in state gas tax, special fuel tax, and vehicle fee revenues can also have a substantial impact on these funds.

Demographic changes within the City of Gary also affect State allocations, which are partially based on Gary’s population relative to that of Lake County and other cities and towns in Indiana and the number of new road miles added within Lake County. It is likely the City’s continued loss of population in relation to Lake County and the State overall will continue to reduce the amount the City receives from the State.

Assessment

Despite financial constraints, the Department has been able to make progress in a number of areas in recent years. Some of these accomplishments include:

- **New General Services building:** In 2009, the Department moved into a newly-constructed facility.



- **Culture of cooperation:** Despite the structural changes in recent years, including merger of Demolition with General Services, senior Department managers actively cooperate and share personnel across unit boundaries as the need arises. There may be opportunities to build on these efficiencies by sharing staff across departmental boundaries.
- **Strategic purchasing:** In 2009 the Department purchased a new hot patcher that reduces the need for costly re-patching and lowers patch mix supply costs. The City also uses durable plastic barricades in place of wooden ones, reducing the need for replacement. In 2009 the City joined a collective purchasing consortium that reduces the cost of road salt.
- **New Operational Techniques:** The Department plans to shift to a “plow then salt” method in place of the “salt as you go” snow-plowing method that will reduce the amount of salt used in snow removal operations.

Challenges

Despite this progress, the Department faces considerable short-term and long-term challenges in its operations. The City’s infrastructure is old and, in some cases, in need of significant repair. Some streets are in very poor condition and are frequently subject to potholes, cave-ins and other problems. The following tables provide an overview of the Department’s activities in a few service areas, which underscore the growing need for pothole repair, lot cleaning and structure demolition.

	2007	2008	2009 (Jan-Oct)
Tons of Hot Mix Used	N/A	292	350
Tons of Cold Mix Used	N/A	1,477	1,614
Number of Potholes Patched*	N/A	13,000	15,000
Number of Vacant Lots Cut*	N/A	400	200
Number of Structures Demolished	15	21	55
Tons of Debris Removed	N/A	20,039	25,279

* - Denotes department estimate; data not tracked

While the City’s financial challenges will make it difficult to meet these infrastructure investment needs in the short term, there are other opportunities to improve the Department’s service and efficiency:

- **Vehicle maintenance:** One major impediment to operational efficiency is the poor condition of the Department’s fleet. Most of the vehicles were acquired in 1989 and are being used beyond their recommended life cycle, resulting in frequent breakdowns and malfunctions that require lengthy, costly repairs. For example, approximately six of 14 City plow trucks are operational at any one time during snow plowing season. As of October 2009, none of Streets’ four street sweepers were operational. Long delays in the repair of heavy equipment have limited the ability of the Demolition unit to complete some jobs. The Department has occasionally paid citizens with snow plows to plow City streets when equipment or staff was not available.

In response to this problem, General Services has focused on performing more light repairs internally and plans to undertake more repairs to heavy equipment in the near future. The City’s vehicle maintenance functions are addressed further in the Fleet Chapter.

- **Fragmented and duplicated responsibilities:** Several services provided by General Services overlap with those provided by other City departments. For example, General Services and the Department of Public Parks have separate operations that perform similar functions at different park and recreation facilities. General Services oversees the custodial workers at City Hall, but



Public Works handles custodial arrangements at other City facilities. Most refuse collection work was outsourced, but General Services still has a separate crew for collecting trash at City properties. This fragmentation and overlap indicates an opportunity to gain efficiency through consolidation.

- **Underutilized demolition crews:** Weak coordination between General Services and the Redevelopment Departments leads to long delays in beginning demolition work as General Service waits to receive approval to proceed from Redevelopment.

Initiatives

GS01. Eliminate General Services department

FY2010 Impact: Sum of GS02 – GS06 **Five Year Impact:** Sum of GS02 – GS06

Since 2005, the City has significantly reduced the Department’s headcount and expenditures that are supported by the General Fund. Expenditures from the City’s Local Roads & Streets Fund and Motor Vehicle Highway Fund, which are supported substantially by State allocations, accounted for 42.2 percent of the Department’s total spending in FY2006. In the FY2009 budget those Funds accounted for 67.5 percent of the Department’s budget. Given the City’s severe financial distress and the need to reduce spending to comply with the property tax caps, the City should continue its strategy to minimize dollars spent from its General Fund on the functions currently provided by the Department of General Services and leverage State funding as much as possible.

In addition, through multiple rounds of layoffs and departmental reorganizations the Department of General Services has become home to multiple and disparate municipal functions. While the Department does an admirable job of sharing resources across its units, ultimately, the fragmentation of city services erodes accountability and contributes to less than optimal levels of service delivery. With a much smaller population and extremely limited resources, the City must reduce the number of departments and consolidate functions wherever possible.

Initiatives GS02 through GS06 provide a basic framework for eliminating the Department of General Services and re-distributing its functions to other departments. These recommendations focus on reductions to positions and expenditures paid through the City’s General Fund to maximize State funding.

GS02. Consolidate Parks Maintenance staff with the Department of Public Parks

FY2010 Impact: See PR01 **Five Year Impact:** See PR01

The Department of General Services maintains many City parks while the Department of Public Parks also hires a separate contractor to service City parks. In concert with the “jewel parks” initiative described in the Parks chapter of this report, General Service’s Park Maintenance unit should be transferred to the Department of Public Parks and reduced to account for the smaller amount of acreage that needs to be maintained. For a more detailed summary of the cost savings, please see initiative PR01 in the Public Parks chapter. Please see Initiative PW01 in the Public Works chapter for a recommendation affecting the custodial services currently provided by Parks Maintenance staff.



GS03. Reconfigure street maintenance staff

FY2010 Impact: \$227,000

Five Year Impact: \$1,169,000

To reduce the General Fund subsidy to the Department and improve operational efficiency, the City should do the following:

- **Move Streets staff positions off General Fund budget:** Two employees – a foreman and a six-wheel driver – are currently paid from the General Fund. Since these employees help maintain city streets, they may be funded through the state-supported Motor Vehicle Highway Fund. The City could either reduce other non-personnel expenditures in the Motor Vehicle Highway Fund to accommodate these additional positions or eliminate the positions if they are deemed unnecessary. This shift is projected to save \$87,000 in the General Fund in FY2010.
- **Transfer staff to the Department of Public Works:** This will centralize and consolidate limited resources and create a more streamlined management structure, and allow the City to eliminate the Department Director and Assistant Director positions. This initiative coincides with a previous recommendation to eliminate the Assistant Director position as made in the February 2006 Operations and Efficiency Study.⁸ This is projected to save \$137,000 in FY2010 including the salaries and benefit costs associated with the positions.

Fiscal Impact

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Funding shift	90,000	91,000	93,000	95,000	97,000	466,000
Position elimination	137,000	138,000	140,000	143,000	145,000	703,000
Total	227,000	229,000	233,000	238,000	242,000	1,169,000

GS04. Reduce demolition unit staffing

FY2010 Impact: \$48,000

Five Year Impact: \$247,000

The Demolition unit runs one four-person crew daily but has six employees (all heavy equipment operators) and one superintendent. One of these heavy equipment operator positions can be eliminated if the unit runs only one crew per day. While the lack of reserve staff may reduce the unit's productivity, the City's financial distress requires more limited staffing. Savings below include the salaries and benefit costs associated with the positions. In the Redevelopment Chapter of this Plan, initiative RD01 recommends transferring the management of demolition efforts to the Building unit in Public Works. To more closely align the staff that manages demolition with the crews that demolish structures, the Demolition staff within General Services could be also transferred to Public Works.

⁸ Maximus. "Operations and Efficiency Study of Taxing Jurisdictions in Lake County, Indiana – City of Gary." February 28, 2006.



Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
48,000	48,000	49,000	50,000	52,000	247,000

GS05. Other department personnel cost reductions

FY2010 Impact: \$390,000 Five Year Impact: \$2,040,000

After implementing initiatives GS02 – GS04, the Department would have approximately 13 positions remaining – four administrative staff, five maintenance employees, and four custodians. Given the City’s severe financial distress and the need to centralize resources, further reductions are recommended. Eliminating 75 percent of the personnel costs associated with the remaining positions to reduce spending by \$390,000 in FY2010.

The remaining 25 percent could be transferred to Public Works, which would allow that Department to add personnel to meet increased service demands. Staff that has been affected by the General Services staff reductions should be given priority consideration to fill any new vacancies, assuming that they possess the requisite qualifications and training.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
390,000	398,000	407,000	417,000	428,000	2,040,000

GS06. Complete trash collection privatization

FY2010 Impact: \$0 Five Year Impact: \$22,000

General Services has 11 sanitation trucks sitting idle at a lot at 1100 Madison Street. After the City privatized trash collection in 2009, it mothballed – but did not relinquish – its fleet of sanitation trucks. The Department has retained this fleet in case it needs to resume trash collection services. After the City resolves the remaining issues related to the 2009 privatization, it should sell these vehicles. The revenue projected here is based on a \$2,000 sale price per truck with the sale assumed to occur in 2011.

The Department should also eliminate the remaining unit that handles trash collection at City properties, seeking to add this to its current private contract. Since this could result in a modest price increase and several previous initiatives account for staffing related savings, no further savings are projected from this change.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
0	22,000	0	0	0	22,000



GS07. Charge street cut fees

FY2010 Impact: \$35,000

Five Year Impact: \$287,000

The City currently does not charge fees to private entities that perform construction and excavation work in City rights of way. This type of work is commonly undertaken by telecommunications, cable, and other utilities, and in many cases inflicts heavy damage. Although excavations are often repaired and patched by the utilities, the initial damage may degrade the overall condition of the street and increase the need for and frequency of more extensive, expensive repairs. To recover these maintenance and rehabilitation costs, the City should charge pavement degradation and boring fees.

The City of Indianapolis' fee structure is provided as a model below. Comparing the street mileages of Gary and Indianapolis, the City would receive a projected \$63,000 in revenue from this source. That figure is discounted by 50 percent in the first year to account for implementation, and 10 percent each subsequent year to account for possible differences between Gary and Indianapolis (such as the level of collection experience and differences in the number of excavations and pavement bores on a street mile basis).

Indianapolis Street Cut Fee Schedule

Pavement Excavation- Thoroughfare (Minimum)	\$120.00
<i>General rate per sq ft for 500 ft or 1 block of major street</i>	\$1.00
Pavement Excavation- Non-thoroughfare (Minimum)	\$120.00
<i>General rate per sq ft for 500ft or 1 block of secondary street</i>	\$1.00
Pavement Excavation - Non-thoroughfare- Utilities, per 500 feet or block	\$50.00
Non-Pavement Excavation - per 500 feet or block	\$50.00
Emergency Excavations Excavation- (Minimum)	\$235.00
<i>General rate per square foot per 500 feet or block</i>	\$2.00
Boring Permit Fee (per bore, per 500 feet or block)	\$35.00

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Discount %	50%	10%	10%	10%	10%	N/A
Fiscal Impact	35,000	63,000	63,000	63,000	63,000	287,000

GS08. Pursue federal grant opportunities

FY2010 Impact: N/A

Five Year Impact: N/A

General Services has outdated and worn-out equipment in its fleet. Recently, new federal grant opportunities have emerged that could be of great benefit to municipal streets and public works departments. General Service may be able to leverage these funding sources for vehicle replacement and other infrastructure needs. Two examples are described below.

EPA Clean Diesel Grants. The US Environmental Protection Agency has opened three new grant competitions to award about \$64 million in funding for clean diesel activities. The program solicits proposals that achieve significant reductions in diesel emissions in terms of pollution



produced and diesel emissions exposure in designated poor air quality areas. Eligible expenditures include the following:

- **Verified Retrofit Technologies:** Funding for up to 100 percent of the cost of eligible exhaust controls and engine upgrades.
- **Verified/Certified Cleaner Fuel Use:** Funding for the cost differential between eligible cleaner fuels and conventional diesel fuels.
- **Verified Idle Reduction Technologies:** Funding for up to 100 percent of the cost of eligible idle reduction technologies.
- **Verified Aerodynamic Technologies and Low Rolling Resistance Tires:** Funding for up to 100 percent of the cost of eligible aerodynamic and tire technologies.
- **Certified Engine Repower:** Funding for up to 75 percent of the cost (labor and equipment) of an eligible engine repower.
- **Certified Vehicle/Equipment Replacement:** Funding for the incremental cost of a newer, cleaner vehicle or piece of equipment, up to 25 percent of the cost of an eligible replacement vehicle or piece of equipment.⁹

Commerce Department Facility Grants. The US Economic Development Administration (EDA) offers a Public Works and Economic Development Program that provides project-based funding for construction or rehabilitation of infrastructure that supports long-term economic development in distressed communities. The program is targeted toward improvements that create favorable conditions for economic development in the community and expand long-term employment opportunities for low-income families.

EDA will provide up to 50 percent of the total project cost and up to an additional 30 percent based on the financial needs of the region. EDA has the discretion to provide funding equal to 100 percent of the total project cost for states or municipalities that have exhausted their taxing and borrowing capacity. In FY2008, approximately \$146.4 million in funding was provided for this program.¹⁰ Eligible expenditures include:

- Acquisition or development of land and improvements for use in a public works, public service or other type of development facility;
- Acquisition, design and engineering, construction, rehabilitation, alteration, expansion, or improvement of such a facility, including related machinery and equipment.

⁹ US Environmental Protection Agency. "National Clean Diesel Funding Assistance Program, FY 2009/2010 Request for Proposals." October 19, 2009.

¹⁰ Council of Development Finance Agencies. "Investments for Public Works and Economic Development Facilities." Catalog of Federal Domestic Assistance.



GS09. Prioritize City street maintenance

FY2010 Impact: N/A

Five Year Impact: N/A

Given its severe resource limitations, the City should establish a prioritized list of City streets in most need of repair. The majority of street repair funds would be dedicated to this list, with a portion retained in reserve for contingencies. The list would be established by analyzing street usage and condition, using widely-available pavement management procedures.

As routine maintenance is deferred, long-term repair and replacement obligations grow at rates generally exceeding short-term savings. For example, controlling for climate and traffic volume, streets tend to deteriorate only 40 percent in quality in the first 75 percent of their useful life, but experience another 40 percent drop in quality in the next 12 percent of their useful life.¹¹ Cities lacking such a program more routinely must perform more intensive streets maintenance that is very costly in the long-term.

A more strategically focused street maintenance program can not only improve the condition of the City's key arteries, but also increase their durability and resilience, reducing the need for more costly, extensive repairs over the long term. Once the City's fiscal condition improves, the City should develop and implement a more comprehensive preventive maintenance program.

¹¹ Metropolitan Transportation Commission, "The Pothole Report: An Update on Bay Area Pavement Conditions." March 2000, p. 11. <http://www.mtc.ca.gov/library/pothole/pothole.pdf>



Recycling Department

Overview

Under Indiana State law all municipalities are required to collect recyclable materials. Counties have established Solid Waste Management Districts which provide grant funding to municipalities to help cover the cost of this service and promote recycling. The Districts themselves are funded by a mix of service fees, property taxes, intergovernmental grants and miscellaneous revenues. Until December 2008, the State of Indiana offered additional grants to support and promote recycling, but those grant programs have been suspended indefinitely due to the recession. The Lake County Solid Waste Management District provides grant funding to the City of Gary's Recycling Department through a fund that is separate of the City's General Fund.

Weekly curbside pick-up is offered in all sections of the City and Department employees handle collection with special use trucks owned and maintained by the Department of General Services. Curbside pick-up occurs Monday through Friday and is conducted by a crew of 11 drivers on fixed routes, though collection may be delayed due to weather or employee absences. There are also three drop-off recycling locations in the City that are overseen by the Department. They are located at:

- Gary Landfill, 1900 Burr Street
- Miller Avenue Site, corner of Miller Avenue and Hancock Street
- The Commons, 4444 West 5th Avenue

Each of these locations has recyclables collected by Department trucks on a weekly basis. The City's weekly collection cycle is more frequent than several comparable Indiana municipalities.

Municipality	Frequency	Collection Method
Anderson	Every other week	Curbside
Evansville	Every other week	Curbside
Fort Wayne	Every other week	Curbside
Hammond	Every other week	Curbside, drop-off option
Muncie	Weekly	Curbside, drop-off option
Sound Bend	Every other week	Curbside, drop-off option
Gary	Weekly	Curbside, drop-off option

The City's recycling programs are comparable to those of other municipalities in terms of the kinds of material collected.

	Paper	Glass	Plastic	Metal Cans
Evansville	Newspaper, Mixed Paper, Cardboard	Clear, Brown, Green	#1, 2	Yes
Fort Wayne	Newspaper, Mixed Paper, Cardboard	Clear, Brown, Green	#1, 2	Yes



	Paper	Glass	Plastic	Metal Cans
Hammond	Newspaper, Mixed Paper, Cardboard	Clear, Brown	#1, 2	Yes
Muncie	Newspaper, Mixed Paper, Cardboard	Clear, Brown, Green	#1-7	Yes
Sound Bend	Newspaper, Mixed Paper, Cardboard	Clear, Brown, Green	#1-5, 7	Yes
Gary	Newspaper, Mixed Paper, Cardboard	Clear, Brown, Green	#1-7	Yes

Transfer of the recyclable materials and recycling is handled by Allied Waste as part of its larger contract with the Gary Sanitary District for solid waste disposal. Recyclable materials are collected separately from solid waste, and different trucks are used for the collection of each. Any money generated by collected recyclables is deposited into the City's General Fund.

The Department has 15 positions in its FY2009 budget – a Superintendent, Foreman, Education Coordinator, 11 drivers and a secretary. Most compensation related to these positions is covered in the Recycling Department's separate fund (No. 235), though the FY2009 budget shows only a small allocation to employee health insurance costs (\$7,200). If all fifteen employees receive health insurance through the City, the cost should be closer to \$108,000.¹

Looking at the expenditures included in the chart below, those related to personnel appear to increase from \$382,000 in FY2008 actual spending to \$568,000 in FY2009 budgeted spending. Some of this difference is explained by the difference between actual and budgeted spending. In FY2008 the City budgeted \$394,677 for Department salaries but only spent \$300,713. If the City spends less than budgeted in FY2009, the increase will be less than shown in the chart below. The other large cost driver is external transfers (from \$41,614 in FY2008 to \$316,754 in FY2009).

Historical expenditures – Recycling Department

	2006 Actual	2007 Actual	2008 Actual	2009 Budget	% Change
Full Time Salaries & Wages	324,444	325,437	300,713	416,337	28.3%
Other Compensation	299	611	3,666	0	-100.0%
Overtime Pay	31,991	32,358	15,932	50,000	56.3%
Health Insurance	0	14,200	7,200	7,200	N/A
P E R F	23,532	25,226	15,874	21,858	-7.1%
F I C A	27,007	26,982	23,731	31,850	17.9%
Workmen's Compensation	4,663	4,384	3,933	16,653	257.2%
Unemployment Compensation	4,663	4,754	3,933	16,653	257.2%
Supplies & Materials	7,122	9,474	2,633	7,000	-1.7%
Professional Services	0	2,000	0	10,000	N/A

¹ The City estimates that employee health insurance costs \$600 per month. 15 employees x 12 months x \$600 = \$108,000.



	2006 Actual	2007 Actual	2008 Actual	2009 Budget	% Change
Printing	0	138	0	5,000	N/A
Advertising	2,195	0	0	10,000	355.6%
Contractual Maintenance	0	961	41,910	6,000	N/A
Repairs	5,301	22,013	193	26,000	390.5%
Leases	14,444	9,692	4,170	0	-100.0%
Current Charges	0	1,611	0	0	N/A
Grants & Subsidies	0	0	0	35,000	N/A
Machinery & Equipment	58,332	101,555	145,868	100,000	71.4%
External Transfers	0	0	41,614	316,754	N/A
Total	503,992	581,396	611,369	1,076,305	113.6%

Assessment

At present recycling rates in the City are low. Through September 2009, the year-to-date diversion rate for recyclable materials represented 4.3 percent of the total tonnage of solid waste collected by Allied Waste. In recent months the Department has begun a large effort to educate the public about the recycling program with flyers, brochures, distribution of new red collection bins, and programs with children in schools.

Along with efforts to boost recycling rates, another important challenge pertains to the Department's funding. The Department's revenue primarily comes from a Lake County Solid Waste Management District grant. In 2009 this grant totaled \$630,000. In addition, there are other revenues associated with the recycling of materials, but they are deposited into the City's General Fund. The City reports that there is additional funding, but did not provide information to the consultant team.

The City does not currently have access to State funds which supported recycling operations in previous years. In 2008 the State of Indiana suspended all grant and loan programs related to recycling including School Recycling Learning Grants, Indiana Recycling Grants, Household Hazardous Waste Grants, Waste Tire Fund, Recycling Market Development Program and Public Education and Promotion (PEP) Grants.

On the expenditure side, the Department's expenditures were budgeted to increase from \$611,000 in FY2008 to \$1,076,000 in FY2009. Unless the external revenue rises by a similar amount, the Department will operate at a loss.

Initiatives

RC01. Ensure all operating costs are charged to the Recycling Fund

FY2010 Impact: N/A

Five Year Impact: N/A

As noted above, the cost of the City's contribution to employee health insurance does not appear to be charged to the Recycling Department fund. It is unknown whether these expenses are budgeted elsewhere but, if they are charged to a property tax supported fund (i.e.



the General Fund), then the City is using property tax to support an activity that is nominally self-sustaining.

The City should ensure that the full cost of its contribution to health insurance for Recycling Department employees is charged to the Department's budget. This will provide a more accurate reflection of what it costs to provide recycling services and make it easier to determine whether the operations are self-sustaining or operating at a loss.

RC02. Reduce expenditures to the level supported by external revenues

FY2010 Impact: N/A

Five Year Impact: N/A

The Department Superintendent and City Finance staff assert that the Department receives enough revenue to support its expenditures. However, the information provided to the consultant team shows \$630,000 in FY2009 revenues versus \$1,076,000 in FY2009 expenditures. Even if the Department does receive enough revenue to support its operations now, it is not guaranteed that this balance would remain in future years if expenses related to employee benefits increase and the external funding from the Lake County Solid Waste Management District remains flat.

The City should verify that Department's revenues do cover all operating expenses including those that currently may not appear in the Recycling Fund budget (see RC01). If that is not the case – or if it ceases to be the case in future years – the City should pursue one of the following alternatives to bring the cost of operations into line with available revenues:

- **Reduce collection frequency:** Other municipalities offer curbside recyclable collections every other week. The City could reduce the frequency of collections and make corresponding cuts in its workforce to reduce expenditures.
- **Privatization:** The City determined that solid waste collection was better handled by a private contractor than by City employees in the Department of General Services. It should consider whether recyclable collection could also be outsourced either under the same contract as refuse collection or separately.
- **Other operational efficiencies:** It may be possible to consolidate collection routes by changing schedules or the actual routes that vehicles travel. The City should also look for opportunities to reduce costs such as overtime, which is budgeted at \$50,000 for FY2009 but only spent at \$16,000 for FY2008.



Department of Motor Vehicle Maintenance

Overview

The Department of Motor Vehicle Maintenance repairs and maintains all City vehicles except for those in the Fire Department, which are maintained separately by sworn Fire personnel at a separate facility. As a director of a City department, the Superintendent of Motor Vehicle Maintenance reports directly to the Mayor, while all purchasing and procurement decisions must be approved by the Board of Public Works.

The Department of Motor Vehicle Maintenance operates two separate facilities – one that only maintains heavy equipment located on Chicago Avenue, and a main facility on Madison Street that services Police Department vehicles and light vehicles from all other departments. As is common practice among municipal fleet operations, many specialty repairs are outsourced to local vendors. Prior to 2006, all vehicle repairs were centralized in one facility, but a fire destroyed that facility and a good portion of the City's vehicle fleet.

In addition to vehicle repair and maintenance, the Department also tracks the amount gasoline and diesel deposited in each of the City's 10 fueling sites (11 pumps in total). According to the FY2009 revised salary budget, the Department has 14 employees – nine mechanics, two tire men, one parts buyer, one administrative assistant, and the Superintendent. The City has eliminated a foreman, a mechanic and a clerk position since FY2008.

Historic Employee Count – Budgeted Positions¹

	2007	2008	2009	2010
Mechanics	10	10	9	9
Other	7	7	5	5
Total	17	17	14	14

No one department tracks vehicle inventory across all City departments, or the number of vehicles that are currently in operation. The table below provides an estimate of the number of vehicles currently owned by the City, based on interviews with personnel from the Departments of Motor Vehicle Maintenance, Police, Fire and General Services.

Estimated Vehicle Inventory (General Fund Departments Only)

Department/Vehicle Class	Vehicles	Notes
Police Department (Marked Cars)	128	
Police Department (Other Vehicles)	74	Sedans, passenger vans, motorcycles, and other vehicles
Fire Department	53	Fire apparatus and passenger vehicles
Heavy Equipment	130	Heavy duty trucks, pay loaders, excavators, etc.
Other Passenger Vehicles	278	Sedans, pick-up trucks, vans, motorcycles, etc.
Total	663	

¹ Information on FY2006 budgeted positions is not available. The numbers shown for FY2009 come from the revised FY2009 budget.



The Department's total expenditures have fluctuated considerably since FY2007 partly due to the inconsistent inclusion of the cost of gasoline and the City's contribution to Teamster employee health insurance. Health insurance for non-teamster employees is budgeted outside of the Department, as it is for other City units. The amount spent on repairs and repairs has also varied greatly from year to year.

Historical expenditures – Department of Motor Vehicle Maintenance²

	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full-Time Salaries & Wages	532,721	495,470	496,241	-6.8%
Other Compensation	3,113	0	0	-100.0%
Overtime Pay	48,520	33,276	20,000	-58.8%
Teamsters Insurance	0	0	112,320	N/A
P E R F	44,741	28,781	29,774	-33.5%
F I C A	44,213	38,891	37,962	-14.1%
Workmen's Compensation	7,785	9,181	19,850	155.0%
Unemployment Compensation	8,528	9,181	19,850	132.8%
Gasoline	0	1,005,434	350,000	N/A
Garage & Motor Supplies	161,991	132,561	125,000	-22.8%
Medical Supplies	0	404	500	N/A
Repair Parts	290,698	403,183	120,000	-58.7%
Travel & Education	195	0	150	-23.1%
Printing	0	553	400	N/A
Contractual Maintenance	9,064	7,587	8,500	-6.2%
Repairs To Equipment	279,885	419,559	272,000	-2.8%
Leases	2,427	2,244	0	-100.0%
Total	1,433,882	2,586,304	1,612,547	12.5%

The baseline expenditure projections shown below are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows by 5.0 percent annually, gasoline costs grow by 7.2 percent annually and the City's contribution to Teamsters health insurance grows by 10.6 percent annually according to long term national trends. Other expenses grow by 2.5 percent. The volatility of the City's

² Information on FY2006 expenditures is not available.



reported expenditures for gasoline, repairs and repair parts make it difficult to more accurately project future levels so this analysis applies the general growth rates used elsewhere.

Projected baseline expenditures – Department of Motor Vehicle Maintenance

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Full-Time Salaries & Wages	470,249	470,249	470,249	470,249	470,249	0.0%
Overtime Pay	14,000	14,000	14,000	14,000	14,000	0.0%
Teamsters Insurance	121,680	134,578	148,843	164,621	182,071	49.6%
P E R F	28,215	29,626	31,107	32,662	34,295	21.6%
F I C A	35,974	35,974	35,974	35,974	35,974	0.0%
Workmen's Compensation	18,810	18,810	18,810	18,810	18,810	0.0%
Unemployment Compensation	18,810	18,810	18,810	18,810	18,810	0.0%
Gasoline	300,000	321,264	344,035	368,419	394,533	31.5%
Garage & Motor Supplies	115,000	117,875	120,822	123,842	126,939	10.4%
Medical Supplies	500	513	525	538	552	10.4%
Repair Parts	120,000	123,000	126,075	129,227	132,458	10.4%
Travel & Education	6,100	6,253	6,409	6,569	6,733	10.4%
Printing	400	410	420	431	442	10.4%
Contractual Maintenance	8,500	8,713	8,930	9,154	9,382	10.4%
Repairs To Equipment	242,000	248,050	254,251	260,608	267,123	10.4%
Department total	1,500,238	1,548,123	1,599,261	1,653,914	1,712,369	14.1%

Assessment

Since the fire in 2006 at the City's centralized fleet facility, the Department of Motor Vehicle Maintenance has struggled to provide quality service to user departments. Prospectively, however, two developments bode well for improving the delivery of fleet services in the City of Gary:

- **Construction of a new General Services Building.** The recently completed facility by the Department of General Services can house a centralized fleet facility, according to the Superintendent of Motor Vehicle Maintenance.
- **Federally-funded vehicles.** The Planning Department recently secured a federal grant permitting the purchasing of 115 new vehicles, including 85 police patrol cars.

Additionally, the Department has recent sought to reduce its inventory of unused heavy equipment through auction sales, thereby initiating the process of culling the City's oversized fleet inventory.



Despite these developments, the Department of Motor Vehicle Maintenance faces multiple and deeply-rooted challenges, including:

- **Poor service delivery:** All departments interviewed reported long turnaround times for vehicle repairs, need for repeat repairs, and poor communication about when vehicles will be returned to service. At the same time, the Department of Motor Vehicle Maintenance has experienced trouble adjusting to staffing reductions, budget reductions, and the lingering after-effects of the 2006 fire that consumed the centralized fleet facility.
- **An oversized fleet:** It is not uncommon for jurisdictions such as the City of Gary to purchase and maintain more vehicles than they need to deliver services. These excess vehicles increase service/maintenance and acquisition costs, and also affect turnaround time and vehicle availability. Available data suggests that the City of Gary has too many vehicles. For example, the City of Gary has a ratio of approximately 34.2 passenger vehicles for each full-time employee.³ The City of Washington, DC, by contrast, had a ratio of 6.2 passenger vehicles for each full-time employee prior to a recent vehicle reduction effort.
- **Abuse of take-home vehicle privileges:** Take-home vehicles are seen as an entitlement, and not issued according to the demands of an individual's job function. The number of take-home vehicles and their use is not tracked by any City department.
- **Insufficient data monitoring:** As mentioned previously, vehicle inventory is not tracked. Further, fundamental measures of vehicle condition and mechanic performance are not monitored, including whether a vehicle is operational, mileage, age of vehicles, whether a vehicle is overdue for scheduled preventative maintenance, fleet-wide downtime ratios, scheduled repair ratio, comeback rates, and average cost per mile.
- **Insufficient monitoring of fuel costs:** There is little communication between the Finance Department and Motor Vehicle Maintenance, resulting in large discrepancies between the amounts of money budgeted for fuel and the amount of fuel actually deposited in the City's fuel tanks.
- **Decentralized operations:** The City's fleet operations are spread across multiple facilities and two City departments (Motor Vehicle Maintenance and Fire) with insufficient managerial oversight.
- **Vehicle abuse by user departments:** Motor Vehicle Maintenance reports a high amount of vehicle abuse by employees across all departments, exacerbating repair backlogs and elongating vehicle turn-around times. Further, when the Department informed users that their vehicles were overdue for preventative maintenance, these notices were frequently ignored.
- **No vehicle replacement plan:** Vehicles are critical cost inputs that should be factored into the cost of service delivery for the City. The City does not budget for passenger vehicles, specialty vehicles, or fire apparatus. As a result, many vehicles within the City's fleet are old and in poor working condition. Additionally, in the absence of multi-year budgeting or financing, the purchase of vehicles or apparatus in one year can create a cash flow crunch or "crowd out" other necessary City spending.
- **Lack of fleet standardization:** Because there is no coordination of vehicle purchases, the City fleet is comprised of many different vehicle makes, models, and years. This leads to delays in parts procurement and increases turnaround times as well as maintenance costs.

³ Assuming the full-time employee compliment listed in the FY2010 proposed Salary Budget



- **Outdated equipment:** For many of the reasons listed above, much of the City's inventory is composed of old and outdated equipment that is poorly maintained.

Initiatives

Since 2005, the City has reduced the Department's headcount which has exacerbated its struggle to provide adequate service levels to City user departments. Given the City's severe financial distress and the need to reduce spending to comply with the property tax caps, the City should evaluate whether a private contractor can provide fleet services for the City at a lower cost and with better results. Further, the existence of grant funding to provide new fuel-efficient vehicles presents an opportunity for the City to dramatically reduce its fleet inventory, focus its fleet-related operations, and maximize the use of new equipment.

VM01. Outsource vehicle maintenance services

FY2010 Impact: \$152,000

Five Year Impact: \$1,696,000

The City should improve fleet service delivery and reduce costs by outsourcing all vehicle maintenance services. The City should draft and circulate a Request for Proposals (RFP) to fleet vendors in the region. This RFP would inform City decision makers of private sector alternatives available. Additionally, such responses would provide valuable benchmarking information to evaluate the City's cost of service delivery.

All fleet maintenance activities, including maintenance and repair of fire apparatus, should be performed at the newly constructed General Services Building located at 1100 Madison Street. According to the Motor Vehicle Maintenance Superintendent, the facility is large enough to service all vehicles, including heavy equipment and fire apparatus.

In the 1990s, the City outsourced fleet services. In 1998, fleet services were brought back in-house. Though the exact rationale for this decision is unknown, it is assumed by current City personnel that the previous vendor charged exorbitant rates for service. Prospectively, the City can protect itself against being charged uncompetitive rates by regularly bidding out the fleet services contract, and taking internal measures to reduce abuse of City-owned vehicles by City employees.

Multiple cities use private contractors to service their municipal fleets. In Pennsylvania, the City of Pittsburgh outsourced all fleet services to the firm First Vehicle Services in 2004 and the City of Allentown – a City of similar size to Gary – has outsourced vehicle maintenance since 1993 to Tecom All-star, Inc. In Washington, DC, a private vendor services and maintains more than 1,500 pieces of Police Department equipment including all patrol vehicles in a District-owned facility and is overseen by civilian staff in the Metropolitan Police Department. The contract with the private vendor (First Vehicle Services) contains performance measures that require minimum service levels, including downtime and comeback ratios.

A private contractor could:

- Lower the cost associated with servicing and maintaining the City's municipal fleet. A previous analysis performed by Public Financial Management for a similar-sized jurisdiction in the Northeast United States estimated the annual cost savings associated with outsourcing fleet services can range between 25 and 30 percent.
- Dramatically improve vehicle-turnaround times, lower vehicle downtime, and reduce repeat trips to the vehicle shop for the same type of repair (i.e., lower comeback rates).



With improved performance by fleet personnel, the City could reduce the number of vehicles within its fleet.

- Improve tracking of vehicle inventory, vehicle condition, and mechanic performance through the use of a Fleet MIS program such as FASTER. Any reputable fleet contractor uses a fleet MIS system to manage costs and performance. Usually the costs associated with using, managing, and maintaining such a system are included within the cost of the contract.
- Eliminate delays with parts procurement by leveraging a vast network of part suppliers and implementing a “just-in-time” inventory system.
- Accurately track and monitor fuel usage, eliminating any “slippage” and accounting discrepancies, as well as easily interface with the City’s Finance Department to improve the reporting and monitoring of fleet and fuel-related costs.
- Spec vehicles and assist with the creation and implementation of a vehicle replacement plan that will help standardize the City fleet.

As part of the RFP process, the City should ensure that the firm selected agrees to a contract where payment is linked to performance measures such as downtime. Additionally, the City should ask for an estimate associated with the costs of retrofitting the General Services Building to house a centralized fleet facility.

The table below summarizes the fiscal impact associated with outsourcing fleet services. The costs of a fleet operator are assumed to be \$1,000,000. The Fiscal Monitor believes this to be a conservative estimate given the size of the City’s fleet following a vehicle reduction effort (see VM03), and the age of the fleet following the influx of new vehicles through the federal Congestion Mitigation and Air Quality (CMAQ) grant. The gross impact is discounted by 50 percent in FY2010 to allow time for working through the RFP and vendor selection process. Additional efficiencies and improved service delivery from user departments that have a better maintained fleet are also possible, though not calculated here.

Fiscal Impact

Cost Savings	FY2010	FY2011	FY2012	FY2013	FY2014	Total
<i>Personnel Savings</i>						
Motor Vehicle Maintenance	678,121	693,956	711,391	730,591	751,739	3,565,797
Fire Department	133,343	135,768	138,400	141,258	144,363	693,133
<i>Non Personnel Cost Savings</i>						
Other Services and Charges	257,000	263,425	270,011	276,761	283,680	1,350,876
Supplies (excluding Gasoline)	235,500	241,388	247,422	253,608	259,948	1,237,865
Total Gross Costs	1,303,964	1,334,537	1,367,224	1,402,217	1,439,730	6,847,672
Estimated Cost of Contractor	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Discount	50%	0%	0%	0%	0%	N/A
Net Cost Savings	151,982	334,537	367,224	402,217	439,730	1,695,690



VM02. Complete a vehicle inventory audit

FY2010 Impact: N/A

Five Year Impact: N/A

Due to a lack of coordination among departments, vehicle ownership and use is loosely monitored in the current system. The City should strengthen its inventory controls through a comprehensive audit of all City-owned vehicles. A vehicle audit should entail the following steps:

- Reconciling internal service logs with an inventory of purchased vehicles by the Finance Department to ensure that all City-owned vehicles are accounted for.
- Sort City-owned vehicles by department and create department-specific vehicle lists.
- Circulate vehicle lists to departments and request verification of vehicle inventories. Ask departments to identify which vehicles are take-home vehicles.

Once department vehicle inventories are established and confirmed, the City will have better information to determine which departments will be candidates for vehicle reductions. This inventory should be maintained and updated throughout the year, and the audit process should be repeated annually, which will be easier after the initial inventory.

VM03. Implement a vehicle reduction plan

FY2010 Impact: \$1,474,000

Five Year Impact: \$5,303,000

Given the size of the City's fleet, poor inventory controls, and lax take-home vehicle policies, the City should implement a vehicle reduction plan. Benefits of vehicle reduction plans include:

- Lower costs associated with vehicle acquisition, maintenance, and fuel consumption.
- By focusing scarce resources on vehicles used for essential City services, user departments would experience lower turn-around and downtimes, and potentially help extend vehicle life-cycles, reducing costs over the long term.
- Older vehicles that require more time and resources to repair would be removed from the fleet, allowing mechanics to service more vehicles on a shift. Newer models will require less maintenance.

Eliminate Take-Home Vehicle Privileges

Effective immediately, the City should end the practice of assigning passenger vehicles to individuals. All take-home vehicles should be turned into the Department of Motor Vehicle Maintenance (see VM04 for more detail). Instead of assigning vehicles to individuals, the City should assign vehicles to an office or a geographic location. Where there is a high concentration of City employees (e.g. city hall, fire and police department headquarters), the City may establish a motor pool.

Exact numbers regarding the number of take-home vehicles are unavailable, but the Police Department reports 102 (presumably including patrol vehicles), the Fire Department reports "approximately" nine, and the Department of General Services reports four. Additionally, all department heads are issued a take-home vehicle.



Police Department Vehicle Reductions

Nearly 30 percent of City-owned vehicles are operated by the Police Department. The table below provides a more detailed overview of vehicles within the Police Department fleet:

Police Department Reported Vehicle Inventory

Vehicle Type	Count
Marked	128
Unmarked	74
Total	202

Once the City receives new patrol vehicles through federal CMAQ funding, the Police Department should auction 85 police cruisers (those that are oldest or in the worst condition). Additionally, the Department should auction all unmarked vehicles from its fleet that are non-operational, rarely used or used exclusively in ceremonial detail (i.e. motorcade) or used in functions that could be transferred to Lake County (i.e. animal control)⁴. Finally, the Department should strive to maintain a smaller fleet of non-marked vehicles for use in undercover assignments, surveillance and detective duty.

A summary of potential areas for vehicle reduction in the Police Department include:

- Eliminate all 19 vehicles within the motor pool. As reported to the Fiscal Monitor, these vehicles are old and usually only used for ceremonial detail.
- The Traffic detail has between three and four people on a shift and 22 vehicles at its disposal. At minimum, 17 vehicles from this detail should be removed from the City's fleet.
- It is unclear why 11 administrators each require a separate vehicle. The Department should review its operational procedures and target a minimum reduction or re-deployment of five of these vehicles
- The Police Department chapter calls for a reduction in special police officer positions⁵ and the transferring of Animal Control to Lake County. As a result of these reductions, four vehicles assigned to the Mayor's Detail and seven in Animal Control could eventually be removed from the City fleet.
- Because of shift schedules, a maximum of 18 vehicles can be used by the detectives during a shift, assuming that all 18 detectives are driving separate vehicles at the same time. At an absolute minimum, the Detective Bureau can reduce the number of vehicles by four.
- The Transport Division has seven vans but only two transport officers. Five vans should be relinquished

Additional underused and non-operational vehicles may be found from a more thorough review of vehicle use in the Department's Patrol, CSI, Internal Affairs, Narcotics, Code Enforcement, and Training Divisions.

⁴ Please see initiative PD05 in the Police Department chapter for more information.

⁵ Please see initiative PD04 in the Police Department chapter for more information.



Fire Department Vehicle Reductions

The Fire Department reports an inventory of 53 vehicles, including one boat. According to Department officials, most of these vehicles are non-operational. The table below summarizes Fire Department vehicles by type.

Fire Department Reported Vehicle Inventory

Vehicle Type	Count
Engine	14
Car	12
SUV	7
Ambulance	7
Ladder	5
Truck	3
Van	2
Pick-Up	1
Jeep	1
Boat	1
Heavy Duty Rescue	1
Total	53

The Department reports having “approximately” nine take-home vehicles. One passenger car – a 1998 Crown Victoria – is on loan from the Police Department. Potential areas for vehicle reduction in the Fire Department, inclusive of recommendations in the Fire Department Chapter, include the following:

- The Department needs a total of five SUVs (two chase vehicles for EMS and three vehicles for Battalion chiefs) and two vans (one for the training division, and one for hazardous material incident response). The Department also has one pick-up truck assigned to the Division of Building and Grounds and may consider retaining one additional SUV as a pooled vehicle at Station 1. This vehicle complement would allow the Department to relinquish all 12 cars, one SUV, and one Jeep.
- If the Department operates eight engines (inclusive of one Rescue Truck), three ladders, and keeps one pumper and one ladder in reserve, it can reduce its fire apparatus by one ladder and six engines.⁶
- If the Department reduced its EMS operations to two medic units, it would need three ambulances – two in operation and one in reserve. This would allow the Department to relinquish four ambulances.⁷
- If the Airport paid for the full cost of fire services at Station 14, the City would no longer maintain two crash trucks and could sell the third truck at auction.⁸

Accordingly, under the revised vehicle complement, the City Fire Department would operate the following vehicles.

⁶ Please see initiative FD02 in the Fire Department chapter for more information.

⁷ Please see initiative FD16 in the Fire Department chapter for more information.

⁸ Please see initiative FD04 in the Fire Department chapter for more information.



Fire Department – Recommended Vehicle Inventory

Vehicle Type	Count
Engine	8
SUV	6
Ladder	4
Ambulance	3
Truck*	2
Van	2
Pick-Up	1
Boat	1
Heavy Duty Rescue	1
Total	28

* - Costs associated with two crash trucks deployed at Station 14 assumed by Chicago/Gary Airport

General Services Vehicle Reductions

The Department of General Services did not provide a comprehensive list of vehicles within its fleet by time of publication. The Department did report four take home vehicles and eleven sanitation trucks (i.e., packers) sit idle at a lot at 1100 Madison Street. The vehicle inventory below lists the General Services vehicles on file with the Department of Motor Vehicle Maintenance.

General Service Department – Reported Vehicle Inventory

Vehicle Type	Count
Heavy Duty Truck	14
Sanitation Truck	11
Truck	7
Chassis Cab Truck	4
Excavator	4
Street Sweeper	4
Unknown	4
Crawler Loader	3
Tractor	3
Dump Truck	2
Super Duty Truck	2
Wheel Loader	2
Pickup Truck	1
Front End Loader	1
Grader	1
Low Boy	1
Rock Truck	1
Mower	1
Pay Loader	1
Riding Mower	1
Scrap Loader	1



Vehicle Type	Count
Semi Truck	1
Trailer	1
Total	71

As discussed in the General Services Chapter,⁹ the Department should sell its remaining sanitation trucks. Additionally, given the recommended reduction in scope of the Department, the age of its fleet, and the fact that many pieces of equipment are currently non-operational – and have been for an extended period of time – the City should reduce the remaining 60 heavy equipment vehicles by fifty percent.

Other Departmental Vehicle Reductions

The Fiscal Monitor did not request individual vehicle fleet information from any other City Departments and the Department of Motor Vehicle Maintenance was unable to provide a breakdown of the City’s vehicle inventory. Accordingly, the Fiscal Monitor was unable to perform a comprehensive review of vehicle usage across all departments. The following represents general guidelines for a citywide vehicle reduction effort for vehicles in departments other than those addressed above.

- All take-home vehicles should be relinquished, immediately. According to the Motor Vehicle Maintenance Superintendent, all Department heads and many managers have access to a take-home vehicle (see VM04).
- Once all take-home vehicles are accounted for, ninety percent of the remaining passenger vehicles should be relinquished and scheduled for auction.
- All heavy vehicles and pieces of equipment should be reduced by fifty percent and scheduled for auction. Certain specialty vehicles can be used by more than one department. Additionally, some departments may use specialty vehicles only sparingly, creating the possibility for these specialty vehicles to be shared between departments.
- Prior to auction, the City should conduct a non-financial vehicle audit of all vehicles and related pieces of equipment (See VM02). The following information about vehicle condition should be documented – vehicle manufacture, model, age, mileage (if applicable), and overall condition. Only those vehicles in the best condition that can be used for essential services should be retained; all others should be relinquished.

The following table presents an estimate of the one-time revenue generated by the sale of vehicles from vehicle asset sales, as well as recommended vehicle reductions based on the best available information provided to the Fiscal Monitor in time for publication. In total, approximately 386 vehicles and pieces of equipment inclusive of those that are currently non-operational should be removed from the City fleet. This represents a total vehicle reduction of approximately 60 percent.

⁹ Please see initiative GS06 in the Department of General Services chapter for more information.



City Recommended Vehicle Reductions

Department/Vehicle Type	Current Reported Inventory	Vehicle Reduction	Reconfigured Fleet Size	Estimated Salvage Value
Police				
Marked Vehicles*	128	85	128	\$127,500
Unmarked Vehicles**	74	64	10	\$32,000
Subtotal		149		\$159,500
Fire				
Cars	12	12	0	\$6,000
Engines	14	6	8	\$60,000
Ambulances	7	4	3	\$40,000
SUV	7	1	6	\$500
Jeep	1	1	0	\$500
Ladder	5	1	4	\$20,000
Truck†	1	1	0	\$10,000
Subtotal		26		\$137,000
General Services				
Sanitation Trucks‡	11	11	0	\$22,000
Other Heavy Vehicles	60	15	45	\$15,000
Subtotal		26		\$37,000
Take-Home Vehicles (All Departments)				
Take Vehicles (All Types)	50	50	0	\$150,000
Subtotal		50		\$150,000
Remaining Vehicles (Excluding Police, Fire, and General Services)				
Passenger Vehicles	228	205	23	\$102,500
Heavy Vehicles	59	15	44	\$15,000
Subtotal		220		\$117,500
Total		386		\$601,000

Notes: * - Assumes that the number of marked vehicles does not change. The 85 marked vehicles to be relinquished will be replaced by CMAQ funding. ** - Assumes reduction of 64 unmarked vehicles may be partially offset by vehicle purchases through CMAQ. † - Assumes that the Gary/Chicago Airport will pay for the acquisition and operational costs associated with two crash trucks, resulting in net reduction of one City-supported truck. ‡ - Revenue from sale of vehicles to be realized in FY2011

To account for the wear and tear on City Gary vehicles, as well as the poor condition of many vehicles, passenger vehicles that are not take-home vehicles are assumed to have a salvage value of \$500 each. Take-home vehicles, presumably in better condition and newer, are estimated to have a salvage value of \$3,000. The salvage values of all other vehicles listed are as follows:

- Marked Police Vehicles: \$1,500
- Fire Engines and Ambulances: \$10,000
- Fire Department Trucks (“Ladder” and “Truck”): \$10,000
- Sanitation Trucks: \$2,000
- Heavy Vehicles: \$1,000



Fiscal Impact of Vehicle Reduction Plan

The table below presents the fiscal impact generated from the sale of relinquished vehicles. The table presents one-time revenue generated by the sale relinquished vehicles as well as the savings associated with reduced operating costs (fuel, maintenance, repairs, and depreciation). The annual operating costs associated with take-home vehicles are \$4,500. Since users of take-home vehicles are supposed to pay for their own fuel, no cost savings for fuel are included in this figure. For passenger vehicles, all operating costs are discounted 80 percent to account for the large number of vehicles out of service. Fuel costs are estimated at \$1,250 per year per vehicle. For heavy vehicles, fuel and depreciation costs are discounted at 80 percent, though maintenance and repairs costs are not discounted. All operating costs are inflated at an annual rate of 2.5 percent in out years.

Fiscal Impact

Cost Savings	FY2010	FY2011	FY2012	FY2013	FY2014	Total
One-time Revenue	579,000	22,000	0	0	0	601,000
Operating Cost Savings						
Take-Home Vehicles (50)	225,000	230,625	236,391	242,300	248,358	1,182,674
Passenger Vehicles (283)	608,450	623,661	639,253	655,234	671,615	3,198,213
Heavy Vehicles* (26)	61,100	62,628	64,193	65,798	67,443	321,162
Total	1,473,550	938,914	939,837	963,333	987,416	5,303,049

* - Excludes all operating costs with relinquished fire department apparatus, ambulances, or sanitation trucks in use. Inclusion of these operating costs would increase out-year cost savings

VM04. Eliminate take-home vehicle privileges

FY2010 Impact: See VM03

Five Year Impact: See VM03

All take-home vehicle privileges should be rescinded effective immediately and all take-home vehicles should be returned to the Department of Motor Vehicle Maintenance for cataloging so that an accurate inventory of these vehicles can be developed. No exceptions should be made. The vehicle age, make and model, mileage, and general condition should be documented. Only after a comprehensive city-wide vehicle policy has been drafted, should the City consider reissuing take-home vehicles that meet the criteria expressly laid out in the vehicle use policy. See VM03 for the cost savings associated with this initiative and VM05 for a discussion of the vehicle use policy.

VM05. Draft and implement a vehicle use policy

FY2010 Impact: N/A

Five Year Impact: N/A

The City currently has no vehicle use policy. Many City employees drive city-owned vehicles for personal use, resulting in increased vehicle acquisition and maintenance costs to the City. A vehicle policy improves accountability through laying out uniform criteria for vehicle use, mileage reimbursement, alternative transportation options, vehicle stipends, and take-home vehicle privileges. It also clarifies instances when it is appropriate to use a City-owned vehicle, and when it is not. Implementing a uniform vehicle policy will likely decrease unsanctioned vehicle use by City employees.



Within the City’s vehicle policy, there must be language that addresses the issue of vehicle abuse. Employees should be warned, and then disciplined if they are found to intentionally or repeatedly damage City-owned vehicles. Repeat offenders should have vehicle privileges suspended. Establishing increased accountability for vehicle use will require increased monitoring by supervisors, especially in the Police and Fire Departments. At the end of each shift or run, the condition of the vehicle should be recorded in a log. This way, individuals who damage vehicles can be identified, notified, and promptly disciplined, if necessary.

As a condition of driving a City-owned vehicle, all City employees should be required to review and sign a form stating that they have been informed of the City’s vehicle use policy. Departmental managers should also sign a similar form that lays out their responsibility for monitoring and reporting vehicle abuse by employees.

The policy should include clear criteria for after-hours or emergency response duties. In the City of Philadelphia, for example, employees must be called into the field after hours at least 12 times per quarter to be eligible for a take-home vehicle. For first responders who are occasionally called out into the field after normal business hours, the City may consider the use of a vehicle stipend of \$25 to \$50 per month. If a vehicle is “called out” into the field after-hours fewer than 12 times a quarter or is fueled less than twice monthly, the City should consider using monthly vehicle stipends or mileage reimbursement in place of a City-issued take-home vehicle.

Any costs associated with implementing a vehicle stipend policy must be deducted from the savings listed in VM03.

VM06. Standardize vehicle fleet

FY2010 Impact: N/A

Five Year Impact: N/A

Vehicles purchases within the City of Gary are not coordinated. The results of this fractured, uncoordinated system of procurement are two-fold:

- The City loses the capacity to leverage cost savings through buying multiple units of the same or similar vehicles from the same manufacturer.
- The City fleet is comprised of many different vehicle models, which lengthens the amount of time necessary to service vehicles properly.

Since the City fleet is comprised of multiple brands of the same vehicle type, mechanics must learn how to service different models and procure different sets of parts, which leads to longer turn-around times and higher error rates. In standardized fleets, all vehicles types are a single model (e.g. all sedans are Chevrolet Impalas; all pick-ups are Ford series). Accordingly, standardization permits operators to service fleets more efficiently and at lower cost, as well as streamlining the parts procurement process

Fleet standardization under the current system, however, is not possible. Departments do not receive specification guidelines for passenger vehicle purchases and there is no or little inter-departmental cooperation on the procurement of vehicles. Additionally, there is no budgeting framework in place to assist with the planning of vehicle replacement. For these reasons, for the City to achieve fleet standardization it must first adopt a more strategic approach to vehicle procurement and replacement.



VM07. Vehicle replacement plan
FY2010 Impact: N/A

Five Year Impact: N/A

The use of a standard vehicle replacement schedule and annual purchasing plan across all departments is a fleet management best practice. Annual purchasing plans provide a schedule and budget for purchasing vehicles over a multi-year time horizon. When fully implemented, a well-designed annual purchasing plan coupled with a well functioning preventive/predictive maintenance system can generate up to 20 percent in annual recurring savings. Given that the City of Gary does not track vehicle purchases in any systematic fashion, the savings from this initiative are not quantified.

Once the annual purchasing plan is developed, the City can purchase a fixed set of vehicles annually in a given vehicle class (e.g., sedans, fire engines, forklifts, etc.). Coupled with tracking fleet-related data, an annual purchasing plan allows a fleet manager to strike an optimal balance between acquisition and maintenance/repair costs. The annual purchasing plan allows the City to forgo costly repairs for older vehicles approaching scheduled relinquishment. It is also a key budgeting tool that provides cost projections and establishes a mechanism to evaluate the cost of purchasing and operating vehicles.

Additional benefits of an annual purchasing plan include:

- **Better informed maintenance and relinquishment decisions:** With predictable vehicle delivery, managers know which vehicles are coming out of the fleet and when they are being replaced. Without a well-defined purchasing plan, resources may be inefficiently allocated to older vehicles with greater wear that are near the end of their useful life-cycle.
- **Reduced vehicle inventories:** As new vehicles enter the fleet on a regular basis, average age begins to decrease. Because new vehicles are generally more reliable than older equipment, availability increases (downtime decreases). Increased availability reduces the need for departments to hold “reserve vehicles,” facilitating a reduction in fleet size.
- **Decreased maintenance costs:** Older vehicles are generally costlier to maintain than newer equipment. Therefore, decreasing the average age of a vehicle class will produce a reduction in overall maintenance costs. A newer fleet that cycles vehicles out on a regular interval will not experience the periodic spike in maintenance costs that typically occurs with older vehicles.
- **Lower purchasing costs:** Acquisition costs can be lowered by modestly extending equipment life-cycles and securing lower unit cost pricing.
- **Streamlined administrative procedures:** Coordinating vehicle purchasing lessens the administrative burdens associated with creating specifications and plans for ordering vehicles on an ad hoc basis.

As a financing mechanism for vehicle replacement, the City should create vehicle replacement “sinking funds.” In a “sinking fund,” the City sets aside a portion of the costs associated with replacing a vehicle each year. For example, if a sedan is estimated to cost \$16,000 and has an eight-year lifecycle, the City would set aside \$2,000 annually for eight years. A piece of fire apparatus estimated to cost \$1 million with a lifecycle of 10 years would require an allocation of \$100,000 annually. The advantage of a sinking fund is that it smoothes out the cash flow requirements to replace vehicles. Additionally, when presented as separate line items in a jurisdiction’s budget, sinking funds provide a heightened level of transparency and



accountability. Once the City determines the number and types of vehicles required for specific service delivery, council members and the members of the public can monitor to ensure that the capital inputs required to deliver these services are properly funded over time.

VM08. Conduct regular vehicle utilization reviews

FY2010 Impact: N/A

Five Year Impact: N/A

To ensure that the City fleet remains at a manageable size in out-years, the City of Gary should perform annual utilization reviews of all passenger vehicles. Any passenger vehicle with fewer than 8,000 annual miles should be indentified and the Department head should provide a detailed written justification for its maintenance in the City fleet. If the justification is lacking, then the vehicle should be removed from the City's fleet.

Currently, the Department of Motor Vehicle Maintenance does not track the required data to conduct utilization reviews. A private vendor, however, will track this information through its Fleet MIS system as part of its contract agreement allowing the City to easily identify underused vehicles.

VM09. Fuel site reduction

FY2010 Impact: N/A

Five Year Impact: N/A

The City of Gary currently operates 11 fuel pumps at 10 locations. Given the decrease in employee headcount and the recommended vehicle reduction plan, the City should evaluate the cost savings associated with reducing the number of fuel sites and pumps in operation. Reducing the number of fuel sites will require upfront decommissioning costs, but these costs may be offset by annual recurring savings in maintenance costs and permit fees. Additionally, a smaller number of fuel sites would reduce the City's exposure to potential costs associated with a possible tank rupture or fuel seepage.



7. Recreation



Department of Public Parks

Overview

The mission of Gary's Department of Public Parks is to plan, procure, develop, and maintain the City's park and recreational resources for the purpose of ensuring satisfying leisure time and improved quality of life for the City's visitors and residents. The Department is responsible for 57 parks, 17 pavilions, the South Gleason Park Golf Course, the Hudson Campbell Sports and Fitness Center, and a variety of recreational programs. Some pavilions have pools but reportedly only the one at Tolleston Park Pavilion is operational.

Mowing and maintenance at the City's parks and pavilions is performed by the Department of General Services, with the Parks budget is primarily committed to recreational programming. The Parks Department is governed by a Parks Board with members are appointed by the Mayor. The Parks Board is responsible for monitoring the Department's operating budget and approving all major expenditures.

The major operations of the Department fall into six general program areas:

- **General Parks Administration** includes the Department's financial and administrative functions such as payroll, fiscal oversight, and general departmental administration.
- The City's parks system includes 57 **neighborhood parks**. With limited resources, the City struggles to maintain all of its parks. Many of the parks are in need of renovations and maintenance. Primarily responsibility for parks maintenance rests with the Department of General Services, but the Department of Public Parks has a crew of contracted grounds maintenance workers that supplement the work performed by General Services employees.
- The **South Gleason Golf Course** generates revenue from green fees and driving range fees, which are non-reverting, meaning that they can only be used at the Golf Course, not for other purposes. The Golf Course was damaged during recent floods and has not been used at its full capacity since.
- The **Marquette Park Pavilion** is a lakefront pavilion used for special events and ceremonies. The pavilion generates revenue through catering fees, leasing, and parking. This revenue is also non-reverting.
- The **Hudson Campbell Sports and Fitness Center** is an 85,000-square foot, multi-purpose recreational facility with basketball courts, a fitness room, an indoor track, and various other recreational amenities. Revenue generated at Hudson Campbell is non-reverting. The Youth Services Bureau, which is a separate department within the Division of Recreation, also runs programs at the Center.¹
- **Other recreational programs** managed by the department include aquatic programs, youth sports and recreational programs, and organized senior citizen activities.

Since 2005 the Department has reduced its headcount by 109 positions, most of which were part-time workers at the golf course, pools or beaches. It has also turned some Recreation Aide positions from full-time to part-time. All positions shown below are in the City's Parks Fund, separate from the General Fund and supported by a portion of the property tax levy and fees.

¹ Please see the Youth Services Bureau chapter for more information.



Historic Employee Count – Budgeted Positions²

Position group	2006	2007	2008	2009	2010
Superintendent/Asst. Superintendent (full-time)	2	2	2	2	2
Recreation Director/Coordinator/Aide (full-time)	7	7	1	1	1
Golf course (full-time)	2	2	2	2	2
Marquette Park (full-time)	1	1	1	1	1
Hudson Campbell Athletic Center (full-time)	1	1	1	1	1
Other (full-time)	6	6	8	8	8
Full-time subtotal	19	19	15	15	15
Recreation Aides (part-time)	3	3	5	4	2
Golf course (part-time)	14	14	14	8	7
Marquette Park (part-time)	2	2	0	0	0
Pools (part-time)	100	100	60	17	17
Beach Guards/Security (part-time)	29	29	32	18	18
Hudson Campbell (part-time)	0	0	2	3	3
Other (part-time)	9	9	6	5	5
Part-time subtotal	157	157	119	55	52
Commissioners (other)	4	4	4	4	4
Department total	180	180	138	74	71

The Parks property tax levy is subject to the property tax caps, so the Department faces the same pressures as the rest of the City to cut costs and live within a reduced budget. The Department's property tax millage and historical collections are shown below.

Historical Parks Department Tax Levy and Collections³

	Pay 2006	Pay 2007	Pay 2008	Pay 2009
Rate (mills per \$1,000 Assessed Value)	0.923	0.856	0.817	0.748
Parks Fund Levy	\$1,780,168	\$1,966,311	\$1,951,359	\$1,360,709
Amount Received	\$1,794,664	\$1,666,569	\$1,736,770	N/A

² The budgeted positions shown for FY2009 are from the revised FY2009 budget.

³ it is important to note that the "amounts received" are based on Lake County's calculation of how much revenue was collected against a particular year's levy, and do not reflect the year in which the revenue was actually collected. For example, the City received \$1.7 million in revenue associated with the property tax rates in effect for 2006 pay 2007. But, due to delays in the County's tax collection process and other delinquent payments from property owners, the City likely received this revenue over several years.



The chart below presents the Department's expenditures for actual FY2006 through budgeted FY2009. If the large loan and transfer payments are removed, expenditures have still decreased by 37.4 percent. Like the budgeted headcount, salary expenses dropped, though by a lesser percentage since many of the positions cut were part-time. Light and power expenses drop from \$193,000 to zero indicating the City is now budgeting utility expenditures outside the Department.

Historical expenditures – Department of Public Parks

	2006 Actual	2007 Actual	2008 Actual	2009 Budget	% Change
Salaries & Wages	1,130,656	1,261,334	1,158,389	807,059	-28.6%
Other Compensation	13,151	3,049	4,819	0	-100.0%
Overtime Pay	0	385	-1,300	0	N/A
P E R F	41,629	44,950	33,634	33,144	-20.4%
F I C A	85,848	95,579	86,988	69,481	-19.1%
Workmen's Compensation	11,242	9,792	11,292	21,330	89.7%
Unemployment Compensation	11,242	10,644	11,292	25,413	126.0%
Supplies & Materials	72,569	38,463	38,878	31,000	-57.3%
Professional Services	186,155	66,659	15,029	60,000	-67.8%
Travel & Education	20,003	7,177	5,153	1,500	-92.5%
Property Insurance	51,034	67,836	45,681	75,000	47.0%
Light & Power	192,927	478,966	305,307	0	-100.0%
Contractual Maintenance	98,772	135,610	158,626	20,000	-79.8%
Repairs	36,972	39,977	11,308	6,000	-83.8%
Other	70,182	27,162	79,307	115,771	65.0%
Loans	1,200,000	0	100,000	0	-100.0%
Transfers	1,650,982	221,363	2,040,731	962,342	-41.7%
Total	4,873,363	2,508,946	4,105,132	2,228,040	-54.3%

The Department's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to the Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent. Employee health insurance expenses are budgeted outside the department.



Projected baseline expenditures – Department of Public Parks

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	833,250	833,250	833,250	833,250	833,250	0.0%
P E R F	32,384	34,003	35,703	37,488	39,363	21.6%
F I C A	63,744	63,744	63,744	63,744	63,744	0.0%
Workmen's Compensation	33,330	33,330	33,330	33,330	33,330	0.0%
Unemployment Compensation	33,330	33,330	33,330	33,330	33,330	0.0%
Supplies & Materials	34,900	35,773	36,666	37,584	38,523	10.4%
Professional Services	60,000	61,500	63,038	64,613	66,229	10.4%
Travel & Education	1,500	1,538	1,576	1,615	1,656	10.4%
Printing	2,500	2,563	2,627	2,692	2,760	10.4%
Property Insurance	75,000	76,875	78,797	80,767	82,786	10.4%
Contractual Maintenance	20,000	20,500	21,013	21,538	22,076	10.4%
Repairs	9,800	10,045	10,296	10,553	10,817	10.4%
Leases	15,000	15,375	15,759	16,153	16,557	10.4%
Debt Service - Interest	32,300	32,300	32,300	32,300	32,300	0.0%
Subscriptions & Dues	1,500	1,538	1,576	1,615	1,656	10.4%
Current Charges	1,500	1,538	1,576	1,615	1,656	10.4%
Department Total	1,250,037	1,257,202	1,264,581	1,272,187	1,280,033	2.4%

Assessment

Park System

The Gary Parks and Recreation Master Plan, prepared in April 2009 by Indiana University's Eppley Institute for Parks and Public Land, compared various features of the City's parks system to those in five other cities - Flint, Michigan; Erie, Pennsylvania; Waukegan, Illinois; East St. Louis, Illinois; and Livonia, Michigan. According to this study, Gary has a total of 554 park acres and 5.4 acres of park per 1,000 residents, falling below the group averages of 849.2 park acres and 8.9 acres per 1,000 residents. The percentage of the total City budget allocated to Parks is smaller in Gary than in any of the other cities, except East St. Louis⁴.

⁴ Eppley Institute for Parks and Public Lands. *Gary Parks and Recreation Master Plan 2009-2013*. April 2009.



The Trust for Public Land performed a similar analysis with a larger group of cities, and found that among the 77 most populous U.S. cities in 2008, there was a median of 12.9 acres of park per 1,000 residents. A subgroup of 13 cities with the highest population density had a median of 6.8 acres per 1,000 residents, larger still than Gary's per capita acreage⁵.

The City's ability to adequately maintain even its existing parks resources has been seriously constrained by the decline in property tax revenue. The Eppley Institute's Master Plan points out that a number of parks are in very poor condition. Even with less park acreage per capita than regional and national comparison cities, Gary currently does not have the resources necessary to maintain all of its parks. Especially in light of the recent property tax caps, the City will need to find ways to establish its parks system at a sustainable level of service with a reduced budget.

Departmental Revenue Generation

The Department's primary source of revenue is its property tax levy. However, supplemental revenue is generated through a number of activities. The Department has 10 active pavilions that residents and groups can rent for special events and activities. In 2008, pavilion and shelter rentals generated approximately \$30,000 in revenue.

Revenues are also received at the Department's special facilities, such as the South Gleason Golf Course, Marquette Park Pavilion, and the Hudson Campbell Fitness Center. These revenues are non-reverting, so they can only be used to support the facilities at which they are generated. Generally, non-property tax revenues received by the Department have declined for the past four years.

Historical Trends in Department Revenue

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual
Pavilion and Shelter Rentals	31,613	40,595	31,133	29,646
South Gleason Golf Course	202,887	191,082	163,308	183,440
Marquette Park Pavilion	388,626	248,375	117,069	101,969
Hudson Campbell Fitness Center	168,167	147,982	134,017	131,386
Total	791,293	628,034	311,644	446,441

Cost Recovery

Over the last few years, the Golf Course, Marquette Park Pavilion, and the Fitness Center have cost the City more to operate than they generate in revenue. Though the facilities are operated from their respective special revenue funds, the personnel costs associated with each are funded through the property tax supported Parks Fund. Also, if revenues generated by any of these facilities are insufficient to meet the remaining non-personnel operating costs, the difference must be paid from the Parks General Fund. This creates an additional burden on the already constrained Parks tax levy. The following table, compiled by the Eppley Institute, compares the operating costs and operating revenues for each of these programs. While this analysis is useful, it does not include the personnel costs associated with operating each of these facilities, so it significantly understates the extent to which other revenue sources (primarily property taxes) subsidize these facilities.

⁵ The Trust for Public Land. *2009 City Park Facts*. 2009.



Cost Recovery of Revenue-Generating Facilities⁶

Category	2008 Revenues	2008 Expenses	Net	% Cost Recovery
South Gleason Golf Course	183,440	273,176	-89,736	67%
Marquette Park Pavilion	101,969	149,745	-47,776	68%
Hudson Campbell Fitness Center	131,386	167,025	-35,639	78%

While some parks and recreation functions are typically subsidized by cities, golf courses and fitness centers in particular should be able to recover their own costs and sometimes even generate additional revenue for a municipality.

Program Utilization

In addition to their financial viability, the value of Parks activities should be evaluated by the extent to which they benefit the City's residents and visitors. Utilization of Parks facilities and recreational programs is an important metric for determining this value. Currently, departmental performance is monitored through annual accomplishment reports. These reports review new activities and developments in the Department, and summarize the participation and utilization levels of various parks programs and facilities in a particular year. While these reports provide useful information on Department activities each year, the report format and metrics used are not consistent from year to year. This makes it difficult to monitor trends in utilization over time, which in turn makes it difficult to assess which programs are most effective as service demands change.

Grounds Maintenance

Responsibility for maintaining the City's parks was transferred from the Parks Department to the Department of General Services in 2004 as a cost saving measure. The Department of General Services has a Parks Maintenance unit assigned to cleaning and maintaining certain parks and their pavilions and cleaning City Hall.

The Department of Public Parks has also hired a grounds maintenance contractor to supplement the General Services employees; the contractor performs work, such as mowing grass at some facilities. There does not seem to be unified direction of the work of the two crews. Strategic coordination of these resources could result in greater efficiency in grounds maintenance. Furthermore, Parks Department personnel indicate that this contract was not put out to bid, and the cost of the services provided is not based on an established rate structure.

⁶ Eppley Institute for Parks and Public Lands. *Gary Parks and Recreation Master Plan 2009-2013*. April 2009.



Initiatives

PR01. Focus limited resources on “Jewel Parks”

FY2010 Impact: \$304,000 Five Year Impact: \$1,620,000

The Parks and Recreation Master Plan produced by the Eppley Institute proposed a tiered structure for park maintenance. Under this approach, the City would rank its parks according to value to the community and level of use. Parks ranking highest would be identified as the City’s “jewel” parks and would receive the highest level of maintenance. The level of maintenance received by the remaining parks would depend on the extent to which those parks benefit the City’s residents. Any parks that are not adopted by partners or neighborhood groups should be maintained using the tiered approach to the extent that resources would allow.

Given the reduction in available resources as property tax revenues decline, the City must reduce its grounds maintenance spending and focus its limited resources on maintaining a select number of “jewel” parks. The City should develop a strategy to have local partners and neighborhood groups take responsibility for as many of the remaining parks as possible.

A 50 percent decrease in parks maintenance costs to focus on the jewel parks would save \$300,000 to \$350,000 in annual personnel costs

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
304,000	313,000	323,000	334,000	346,000	1,620,000

PR02. Eliminate property tax subsidy for the Hudson Campbell Sports and Fitness Center

FY2010 Impact: \$152,000 Five Year Impact: \$1,449,000

As discussed earlier, the Hudson Campbell Sports and Fitness Center does not generate sufficient revenue to support its operating costs. The facility operates at a net loss for the City each year, so it must be subsidized by the City’s tax-backed funds. The following amounts are budgeted in the City’s tax supported funds to support the operation of the Hudson Campbell Sports and Fitness Center in 2010.

Salaries and Wages	\$135,611
Insurance	\$43,200
PERF	\$8,137
FICA	\$10,374
Worker's Compensation	\$5,424
Unemployment Insurance	\$5,424
Utilities	\$96,000 (estimated)
Total	\$304,171

Given the City’s financial distress, it will have to recover all of the costs associated with running the Center or reduce operations to the level that the revenues will support. Potential strategies for achieving this balance include:

- Increase fitness fees to improve revenue generation. Higher fees may reduce the Center’s customer base depending on the demand for the service and the availability of alternatives.



- Reduce services to the level supported by existing revenues.
- Pursue private management and operation of the Center.
- Close the Center and mothball or sell to a private owner.

Achieving full cost recovery or ceasing operations would generate approximately \$438,000 in annual savings, using FY2010 cost estimates. The City will need time to review its alternatives and implement one. Therefore, the projected impact of this initiative is discounted by 50 percent in FY2010.

Fiscal Impact

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Discount	50%	0%	0%	0%	0%	N/A
Impact	152,000	312,000	320,000	328,000	337,000	1,601,000

PR03. Eliminate property tax subsidy to the South Gleason Golf Course

FY2010 Impact: \$117,000 Five Year Impact: \$1,137,000

Like the Fitness Center, the South Gleason Golf Course should generate enough revenue to cover its cost of operations. In fact, some municipal golf courses generate a net “profit” that can be reinvested in other City priorities. In comparison, South Gleason has operated at a loss in recent years, with the City’s property tax levy picking up the difference. Given the City’s financial distress, it will have to recover all of the costs associated with running the Golf Course or reduce operations to the level that the revenues will support. Some strategies for achieving this balance include:

- Increase fees and any membership charges to improve revenue generation. Higher fees may reduce the customer base depending on the demand for the service and the availability of other alternatives.
- Reduce services to the level supported by existing revenues.
- Pursue private management and operation of the Center.
- Close the course and sell it to a private owner.

Achieving full cost recovery or ceasing operations would generate approximately \$237,000 in annual savings using FY2010 cost estimates. The following amounts are budgeted in the City’s tax supported funds to support the operation of South Gleason Golf Course in 2010.

Salaries and Wages	\$136,484	
Insurance	\$64,800	
PERF	\$8,189	
FICA	\$10,441	
Worker’s Compensation	\$5,459	
Unemployment Insurance	\$5,459	
Utilities	\$3,600	(estimated)
Total	\$234,433	



non-profit organization that mobilizes volunteers to assist St. Louis' Department of Parks, Recreation and Forestry in restoring the gardens in Forest Park. The City Park Conservancy, formed by a group of citizens in Little Rock, has assisted the Little Rock Parks & Recreation Department in raising special grant and state funding for the development of the City's parks and recreation system. The mission of the Grant Park Conservancy is to partner with the Chicago Park District and the Grant Park Advisory Council to ensure that the needs of park users are being met. The organization assists the Chicago Park District with landscape design and maintenance, volunteer coordination, and advocacy. A partnership with a Parks Conservancy could yield substantial benefits for Gary's Department of Public Parks, especially in the current environment of restricted resources,

PR06. Maintain consistent and comprehensive program utilization records
FY2010 Impact: N/A Five Year Impact: N/A

While annual departmental accomplishment reports provide a useful summary of the year's activities, the Department should also keep consistent and comprehensive records of program utilization on an ongoing basis. Information should be readily available on the extent to which all programs and facilities are being used by citizens and visitors. This information will be an important tool in strategic decision-making and performance management, allowing for limited departmental resources to be put their best use. This information will also help identify areas that warrant and can support fees, especially for non-residents.

PR07. Establish a formal grounds maintenance agreement with the private contractor
FY2010 Impact: N/A Five Year Impact: N/A

The Department's grounds maintenance contractor currently operates without a formal agreement on the work that will be performed or the rates that will be charged. The contractor accepts job requests from the Department and determines the cost of each job based on its difficulty. While this arrangement gives the Department flexibility, there it provides limited control and transparency. From a budgeting perspective, this arrangement makes it difficult to accurately estimate the annual cost of this service. There is not a documented plan of the work to be done over the course of a year, and the Department has no guarantee that rates will not change. With regard to accountability, the lack of transparency makes it difficult to show that engaging this contractor is the most efficient use of departmental resources. While emergencies may arise, the Department should work to strategically plan the annual work required of the contractor and establish an agreement outlining this scope of work and the rates to be charged. The transparency and strategic management of the grounds maintenance contract will be especially important with the reduction of the City's in-house Parks Maintenance crews as recommended in PR01.



Genesis Convention Center

Overview

The Genesis Convention Center is a civic center located at One Genesis Center Plaza directly across the street from Gary City Hall in downtown Gary. The facility is available for rent to host events including banquets, concerts, weddings, trade shows, job fairs, school and church meetings, and dances. The facility has 16 rental spaces (including the Arena) and the Red Ribbon Lounge. Many of these spaces can be combined and rented together for larger events.

Genesis Center Rental Spaces

Room	Dimensions	Square Feet	Capacity		
			Theatre	Classroom	Banquet
Arena	152 x 161	24,472	7,000	1,200	2000
Indiana Hall	118 x 82	9,676	1,000	700	700
Gary	58 x 28	1,512	150	100	100
Lake	58 x 42	2,436	150	100	100
Lake I	29 x 42	1,218	75	75	40
Lake II	29 x 42	1,218	75	75	40
Gary / Lake Room	58 x 90	5,220	500	350	300
Steel	20 x 29	580	40	30	30
Dunes	20 x 29	580	40	30	30
Hoosier	20 x 20	400	40	50	50
LaPorte	20 x 29	580	40	24	30
Porter	20 x 29	580	40	24	30
West	24 x 17	422	20	20	20
East	24 x 17	422	20	20	20
Balcony / E	152 x 38	5,776	400	200	300
Balcony / W	152 x 38	5,776	400	200	300

According to the City's organizational chart, the Center is part of the Division of Recreation. The Center is run on a daily basis by its Director of Operations; the five-member Genesis Center Board of Managers is responsible for Center oversight. Board members receive a \$1,236 stipend according to the FY2010 budget.

After the mid-year budget reductions in FY2009, the Center had 11 full-time positions and five part-time positions (the Board members) supported property tax revenue. The City eliminated seven full-time maintenance positions and two full-time catering positions and shifted all part-time positions except the Board members off the property tax supported fund. The part-time positions – which include parking attendants, kitchen support, bar staff, maintenance workers and ushers – have been eliminated or, in some cases, transferred to the Genesis Center Enterprise Fund. The positions shown in the staffing chart below only reflect those supported by the property tax.

¹ Some Rooms are portions of larger rooms also listed so the table cannot be totaled.



Historic Employee Count – Budgeted Positions²

	2006	2007	2008	2009	2010
Full-time	20	20	20	11	11
Part-time	71	73	73	5	5
Total	91	93	93	16	16

The Genesis Center has two sources of financial support. It has an enterprise fund with revenue generated by facility and equipment rentals, catering, and ancillary services but it is also supported by property tax revenue that supports the Center's full-time staff. Expenditures from the property tax supported fund are shown below. Setting aside the line for transfers out of the fund, the Center's expenses are still budgeted to drop by \$996,000 from FY2006 actual levels to FY2009 budgeted levels due to reductions in budgeted salary and building improvements.

Historical expenditures – Genesis Center³

	2006 Actual	2007 Actual	2008 Actual	2009 Budget	% Change
Salaries & Wages	837,399	696,796	697,947	453,403	-45.9%
Overtime Pay	48,369	26,850	6,287	0	-100.0%
Clothing Allowance	3,631	6,239	4,081	3,000	-17.4%
P E R F	39,251	39,809	24,924	25,006	-36.3%
F I C A	66,800	52,455	55,008	34,685	-48.1%
Workmen's Compensation	8,828	8,167	9,147	18,136	105.4%
Unemployment Compensation	8,828	8,748	9,147	16,670	88.8%
Supplies & Materials	17,587	36,629	26,775	13,785	-21.6%
Professional Services	88,588	137,342	84,699	35,000	-60.5%
Travel & Education	15,782	33,765	2,655	325	-97.9%
Property Insurance	121,263	127,120	122,945	120,000	-1.0%
Light & Power	217,308	265,345	181,062	239,285	10.1%
Contractual Maintenance	72,911	63,138	73,959	38,000	-47.9%
Repairs	45,543	100,629	78,666	4,000	-91.2%
Other Building Improvement	122,750	0	0	0	-100.0%
Other	297,150	49,200	27,971	15,300	-94.9%

² The budgeted positions shown for FY2009 are from the revised FY2009 budget.

³ This only includes expenditures from the property tax supported fund, not the related enterprise fund.



	2006 Actual	2007 Actual	2008 Actual	2009 Budget	% Change
Debt Service-Interest	53,636	0	57,734	53,000	-1.2%
Loans	100,000	300,000	0	0	-100.0%
Transfers	1,727,946	210,690	1,745,812	464,432	-73.1%
Total	3,893,571	1,652,231	1,463,006	1,069,595	-72.5%

The Center's baseline expenditure projections are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others grow by 2.5 percent. Employee health insurance expenses are budgeted outside the department.

Projected baseline expenditures – Genesis Center⁴

	2010 Budget	2011 Projection	2012 Projection	2013 Projection	2014 Projection	% Change
Salaries & Wages	321,727	321,727	321,727	321,727	321,727	0.0%
Overtime Pay	4,000	4,000	4,000	4,000	4,000	0.0%
Clothing Allowance	1,700	3,000	3,000	3,000	3,000	76.5%
P E R F	18,908	19,853	20,846	21,888	22,982	21.6%
F I C A	24,612	24,612	24,612	24,612	24,612	0.0%
Workmen's Compensation	12,869	12,869	12,869	12,869	12,869	0.0%
Unemployment Compensation	12,869	12,869	12,869	12,869	12,869	0.0%
Office Supplies	8,000	8,200	8,405	8,615	8,831	10.4%
Advertising	2,100	2,153	2,206	2,261	2,318	10.4%
Debt Service, Principal	21,000	21,000	21,000	21,000	21,000	0.0%
Department total	427,785	430,283	431,534	432,842	434,208	1.5%

Assessment

The Genesis Center is expected to host 434 events in 2009. It is a popular venue for weddings, which are held almost every weekend from March through October, and has hosted several concerts and large events including the Miss USA pageant in 2001 and 2002. The Center's Red Ribbon Lounge hosts weekly events open to the public as well as private parties.

However, the costs to operate the Center will exceed the revenue generated. Historically, the budget for the Genesis Center enterprise fund (No. 279) has been set based on anticipated rental income and other

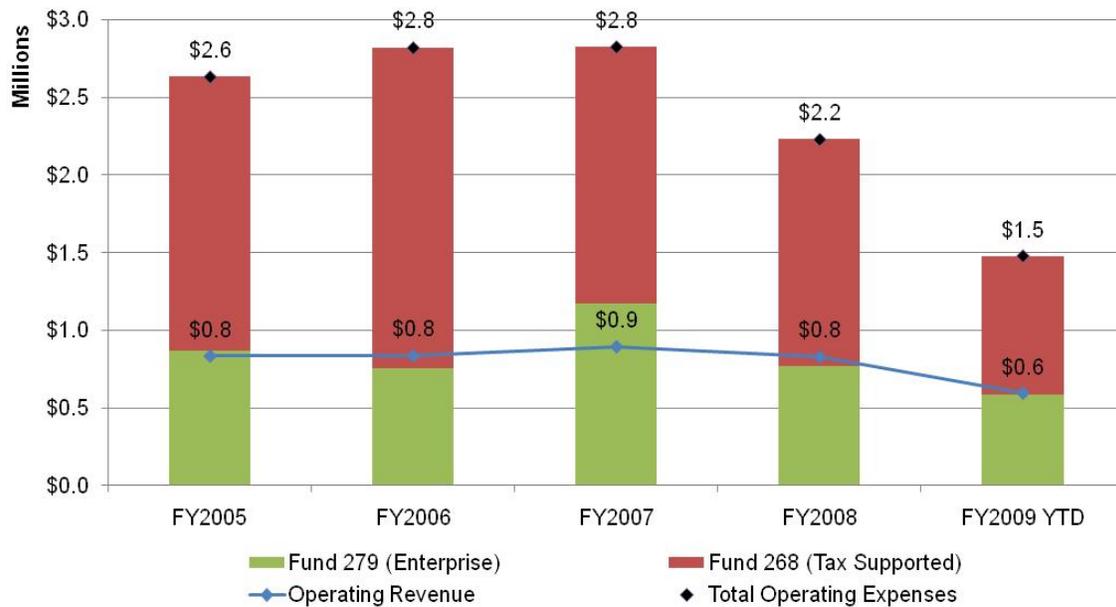
⁴ This only includes expenditures from the property tax supported fund, not the related enterprise fund.



service fees related to events. This amount of approximately \$800,000 annually covered certain event costs in recent years, including food, beverages, materials and supplies. However, before 2009 most of the part-time staff engaged for each booked event, including waiters, bartenders and parking attendants, were supported with property tax revenue.

In addition, the costs of all of the Center's full-time staff are paid through the property tax supported fund (No. 268). The property tax fund also supports facility repairs, utilities, property insurance, professional services and advertising. Therefore, the revenue generated by the Center does not fully cover the costs of operation. In the last five years the Center has not earned in revenue equal to even half the total costs of operation when these expenses are considered.

Genesis Center Revenue and Expenses



The Center has been further challenged by recent budget reductions in response to reduced property tax revenue. To contain costs in 2009 the Center cut nine full-time positions and reduced non-personnel costs by almost half, reducing service levels. Some of the non-personnel reductions were transfers to other City departments, so they did not generate savings overall.

Another challenge has been the loss of the Gary Steelheads, a professional basketball team in the Continental Basketball Association (CBA) and International Basketball League (IBL), which formerly played its home games at the Center. The Steelheads are not fielding a team in 2009. Team ownership has reportedly discussed moving operations to The Fieldhouse complex in Merrillville.⁵

The Genesis Center often competes with hotels and private banquet facilities regionally that are, in some cases, more modern (the facility was last renovated was 10 years ago) and more conveniently located. Not having a hotel in close proximity also puts the facility at a competitive disadvantage for events it might otherwise attract.

⁵ Al Hamnik. *Northwest Indiana Times*. "Gary Steelheads to sit out 2009 IBL season." November 21, 2008.



Initiatives

GC01. Eliminate property tax subsidy for the Genesis Convention Center

FY2010 Impact: \$361,000 Five Year Impact: \$3,448,000

The Genesis Convention Center has two primary sources of revenue, each maintained in separate a fund. The Genesis Center’s Enterprise Fund is supported by rental revenue generated through operations. The Center’s Operating Fund, however, is supported by a property tax levy.

The costs associated with the Center’s full-time staff as well as the Center’s utilities and other overhead costs are covered by the tax-levying Operating Fund and the City’s General Fund. In the current environment of restricted property tax revenue, the City can no longer afford to subsidize the operation of the Genesis Center with property tax revenue. The Center will need to become self-sustaining if it is to continue operating.

There are several scenarios for Genesis Center operations after elimination of the property tax subsidy:

Increased rates and reduced services. After establishing the full cost of running events and maintaining the Center, rates could be increased and operating costs and services aligned to cover the costs of the types of events the Center is most likely to host, without property tax subsidy.

Privatize operations. Transferring operations of the Genesis Center to an outside firm or non-profit would allow continued events at the facility while eliminating the need for a property tax subsidy. One model would use a local non-profit operator such as the South Shore Convention & Visitors Authority. Another would bring in an experienced international facility operator such as SMG, an option suggested at the Fiscal Monitor’s public meeting. In either case, the new operator would be required to run the Genesis Center without support from the property tax or other City sources.

Close the Center. If the City cannot reduce operations costs to the level supported by user fees and charges, or cannot find an outside operator, the Center would have to be closed to eliminate the impact on tax revenues.

Achieving full cost recovery or ceasing operations would generate approximately \$722,000 in annual savings, using FY2010 cost estimates. The City will need time to review its alternatives and implement one. Therefore, the projected impact of this initiative is discounted by 50 percent in FY2010. The amount of savings grows in subsequent years to reflect the projected growth in employee benefit costs and inflationary growth for supplies and materials.

Fiscal Impact

	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Discount %	50%	0%	0%	0%	0%	N/A
Fiscal Impact	361,000	740,000	760,000	782,000	805,000	3,448,000



With few employees and limited programs, and in light of overall financial constraints, the Youth Service Bureau cannot continue as a stand alone department. By transferring the operations of the Youth Service Bureau back to the Department of Public Parks, the Bureau can take advantage of the youth-based clientele that the Department of Public Parks has already established and vice versa. In 2007 alone, the Department of Public Parks provided nearly eight times the number of programs provided by the Youth Service Bureau. In addition, this change will allow for shared resources and staff, thereby reducing any duplication of administrative functions, and align with the larger goal in this plan of reducing the number of operating units and the amount of overhead in the City.



8. Development



Economic Development

Overview and Assessment

Community and economic development, redevelopment, and planning are critical functions in older urban areas that have experienced shifts in the local economic climate. This is especially true in Gary, where the largest employer has reduced employment significantly from peak levels and the City has seen a multi-decade decline of the secondary economy, reductions in property values, and overall population decline. However, Gary continues to possess regional competitive advantages including multiple access points to the interstate transportation network, proximity to Chicago, the region's third airport, and extensive waterfront on Lake Michigan. Moreover, while US Steel's Gary Works is smaller than in the past and has a lower tax assessment, it still employs nearly 5,000 (including hundreds of Gary residents) and is a significant taxpayer. These elements of location, resources and core business can be the foundation of a robust local renaissance if planned and executed thoughtfully.

Gary has demonstrated interest in and financial commitment to economic development through substantial investment in redevelopment, participation in the Regional Development Authority, and allocation of resources to other agencies related to the revitalization of the City. The City also has an Economic Development Commission (EDC) tasked with business and employment development.

However, this function remains substantially fragmented and under supported. In fact, the City eliminated the Economic Development division (though it retained the Economic Development Commission) in recent years as a cost cutting measure, and does not fund economic development staff from its General Fund (the Special Assistant to the Mayor for Economic Development is supported by federal Empowerment Zone funds). Further, the City's current financial strain has limited the City's required contributions towards supporting the RDA.

There are at least nine agencies that impact and influence economic development policy and funding in Gary today:

- Redevelopment Commission and Department
- Economic Development Commission
- Community Development Department
- Planning Commission and Department
- Special Assistant to the Mayor for Economic Development
- Gary, East Chicago, Hammond Empowerment Zone (GECH EZ)
- Lake County Community Economic Development Department
- Northern Indiana Regional Planning Commission (RPC)
- Northwest Indiana Regional Development Authority (RDA)

While there is some connectivity, especially between the City's Planning Department with the RPC and RDA (on which the Director is the City representative), and Community Development (which funds redevelopment projects), there does not exist a cohesive strategy towards economic development for the City that incorporates and leverages the resources that these agencies bring. Further, without professional leadership and analytic support, development often becomes a product of developers' plans and not necessarily what is desired by the City's residents, business owners, or elected officials.

This issue has been raised before. In its 2006 operations and efficiency study, Maximus noted that the City lacked a written development plan, and stated that "the City does not have any specific policies or strategy statements concerning how to do work with business, what incentives can be provided, and how



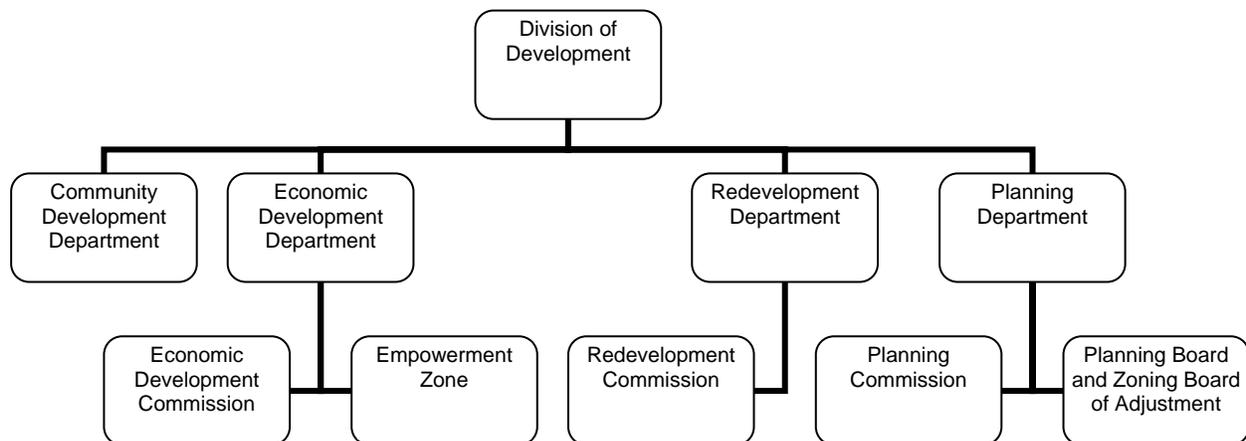
to outreach to business and community groups.”¹ Addressing these planning, strategy and outreach issues should be a priority of the City’s development efforts.

Initiatives

ED01. Reorganize development functions in one division and unify strategy
FY2010 Impact: N/A **Five Year Impact: N/A**

To develop and implement a comprehensive development strategy for Gary, the City must tear down the silos that exist and bring these functions under a single umbrella with unified leadership that can provide the direction and vision the City deserves. This is particularly important now that Gary is a smaller City with very large needs. While there are some necessary legal distinctions between some agencies, to the maximum extent practicable the City’s development-related functions should be brought together and streamlined. The City should reorganize these functions under a Division of Development that has the following divisions and related commissions:

RECOMMENDED FUNCTIONAL REORGANIZATION FOR DEVELOPMENT ACTIVITIES



The Division should be headed by a senior planning and development professional with experience in leading a similar agency and who is familiar with both local development law and national best practices. Additionally, the leadership will be expected to have appropriate professional credentials similar to or exceeding those of the Department directors expected to report to them. Development will be responsible for coordinating the use of the many funding sources received by its Departments including Community Development Block Grants (CDBG), tax increment financing, (TIF), general operating funds, program revenue, and other current or new grant resources in line with the broader strategic goals identified as part of its planning and implementation process.

It is expected that existing funding sources used to support the individual Departments now will continue to fund their activities. The Development Division director and support staff may be funded with reprogrammed CDBG dollars, TIF dollars, or other resources such that new general fund dollars are not required. It is also assumed that in many cases single individuals can fill multiple roles. Given the City’s size and resources, funding emphasis should be on

¹ City of Gary, Indiana Operations & Efficiency Study: Final Report, Maximus, February 28, 2006, page 109.



leveraging program dollars, not staffing multiple agencies. Where more program resources can be generated by combining jobs and functions, that approach should be taken.

As a combined Division, the various agencies should be directed by its new leadership to focus the City's finite economic development resources to execute a limited number of strategic priorities, not spread those resources across multiple program areas.

ED02. Reconstitute Economic Development Department

FY2010 Impact: N/A

Five Year Impact: N/A

The City should reconstitute the Economic Development Department with professional economic development staff who will work directly with the Empowerment Zone to best leverage the remaining EZ resources and ongoing funds, and seek additional funding for business development. This department will be tasked with providing policy analysis and recommendations to the administration and the EDC, developing strategic plans for economic development activity in Gary, seeking additional funding sources for economic development activities, and performance reporting to communicate results. They will also be responsible for coordinating economic development activity with the work of the other departments under Development.

The leadership of this department would possess similar skills and experience recommended for the Redevelopment Department (see subsequent chapter), including an advanced degree in urban planning, economics, public or business administration with substantial related professional experience in the public sector and participation in national economic and community development associations including the International Economic Development Council (IEDC) and Urban Land Institute (ULI). Additional credentials in this field include IEDC's Certified Economic Developers (CEcDs) and professional planning certification by the American Institute of Certified Planners (AICP).

Existing CDBG funds that are currently earmarked for Redevelopment (which now has TIF dollars to use for support) and recommended for reprogramming can be used to fund the initial reconstitution of the Economic Development department. Therefore, no new General Fund dollars are needed to strengthen this operation. Further, as the department becomes successful and more robust, it will begin to generate program income and a diverse set of grant funding that will bring additional resources for development activities and lead to self-sufficiency.

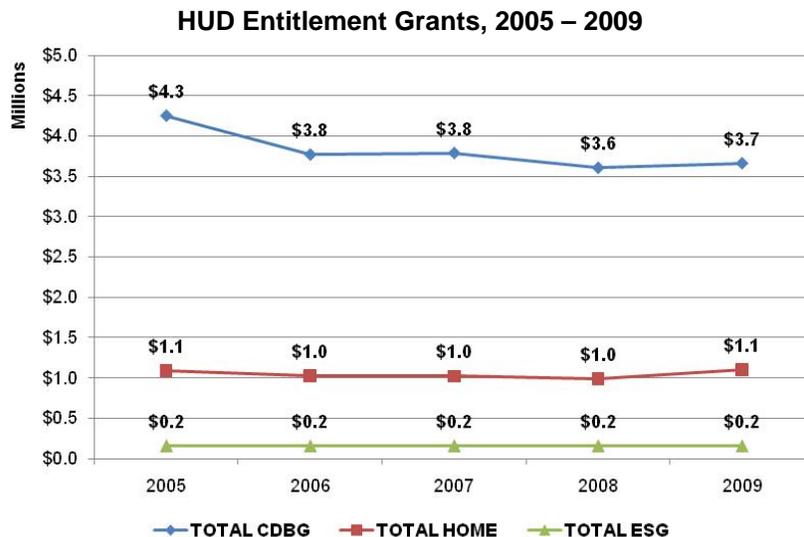


Community Development

Overview

The Community Development Department is responsible for receiving and administering programs for the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) and Emergency Shelter Grant (ESG) funds received by the City as an entitlement community. The department develops and administers programs as defined by the City every five years in the Consolidated Plan. Programs planned for the current program year include:

- Public Facilities Improvements including curbs and sidewalk improvements and fire station rehabilitation.
- Public Services funding that provides grants to local social service agencies to serve targeted populations or services including literacy, homebound health services, and a women’s shelter. In addition, public services dollars fund a number of City departments including Human Relations, the Youth Services Bureau, and the Gary Community Health Center.
- Housing Programs including façade improvements and housing repair programs funded with CDBG and CHDO and first-time homebuyers programs funded with HOME dollars.
- Business development assistance.
- Development activities including property acquisition, disposition and demolition in designated redevelopment areas. This funding is allocated to the Redevelopment Department who is a sub-grantee.
- Homeless prevention services funded with Emergency Shelter Grant (ESG) dollars.



The operating costs for the department are funded using the administrative dollars permitted as part of the HUD grant programs. Therefore, no General Fund dollars are used to support these programs. However, other City operations are funded using CDBG dollars including public improvements, Youth Services, Health and the Redevelopment Department. Redevelopment is the largest sub-grantee for



federal community development dollars. Over the last five years, redevelopment funds have accounted for 26.2 percent to 30.3 percent of the total CBDG allocation.

Redevelopment Funds in CBDG Allocation

	2005	2006	2007	2008	2009
Funds to Redevelopment	1,175,330	1,142,036	1,142,036	989,884	960,000
Total CBDG	4,251,323	3,771,983	3,791,173	3,609,021	3,664,634
% of CBDG to Redevelopment	27.6%	30.3%	30.1%	27.4%	26.2%

Assessment

The Department has provided valuable resources to Gary's residents through homeownership and rehabilitation programs in addition to funding community development and social service programs through third party sub-grantees. The City has also used these dollars to support blight elimination through demolition and site acquisition that supports redevelopment activities. However, the City's entitlement grant is limited and programming decisions should be made to ensure that the biggest return on investment is achieved.

A recent challenge faced by Community Development was a series of findings from a HUD audit of program dollar usage. The Indianapolis Office of Community Planning and Development of HUD conducted an on-site monitoring of the program from March 30 to April 2, 2009 and found several deficiencies. Common throughout their analysis were reports of missing or inconsistent information and reporting about Redevelopment programs. Further, there are questions as to whether the use of these funds fit the program objectives for CBDG and the federal guidelines of the program. There remain four findings outstanding that if not resolved represent a total potential liability to the City of \$1.1 million dollars.

Outstanding HUD Findings Summary

	FY2007	FY2008	Total
Finding 2 (Neighborhood Acquisition)	\$85,688	\$211,657	\$297,344
Finding 3 (Midtown Urban Renewal)	\$206,363	\$149,082	\$355,445
Finding 4 (Small Farms Urban Renewal)	\$143,044	\$163,173	\$306,217
Finding 5 (Neighborhood Disposition)	\$80,930	\$91,437	\$172,366
TOTAL	\$516,024	\$615,348	\$1,131,372

Unresolved HUD findings are the most serious grant monitoring result a city can experience. If HUD cannot be satisfied that the use of the grant dollars was justified and documented, corrective action will be required through the City reimbursing the federal government from its operating budget all costs disbursed for the program(s) in question. It can potentially put future federal funds in jeopardy as well. Given that the Redevelopment Department has been the single largest sub-grantee, these findings must be resolved in a timely manner.

Community Development Block Grant dollars are the most flexible grant funds available to the City and should be used judiciously to ensure these valuable dollars are invested towards the City's stability. Community Development has planned to fund 41 unique projects in the 2009 program year, including four in Redevelopment. While each of these projects plays an important role, the City may be better served by reducing the number of projects funded to increase the funding per project and focus staff and resources towards improving outcomes in the activities that are selected.



Initiatives

CD01. Cease funding of redevelopment activities until HUD findings are remedied

FY2010 Impact: N/A

Five Year Impact: N/A

There are unresolved HUD findings largely related to the activities of the Redevelopment Department, leaving the City potentially liable for returning prior grant dollars. The City must identify a strategy to remedy these findings and avoid penalty. Until then it is recommended that the City cease funding these activities and not provide additional funding until it is clear that the findings have been satisfactorily remedied such that similar findings in the future can be avoided.

For the FY2009 program year the City has identified \$960,000 for Acquisition and Disposition, Urban Renewal and Board Up and Demolition. It is recommended that distribution of funds be limited to emergency demolitions and board ups. \$250,000 is earmarked for demolition and clearance. The balance of this allocation, or \$710,000 should be reserved.¹

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
N/A	N/A	N/A	N/A	N/A	N/A

CD02. Fund code enforcement with reprogrammed CDBG funding

FY2010 Impact: \$87,000

Five Year Impact: \$435,000

The City's CDBG grant has ranged from \$4.2 million in 2005 to \$3.7 million this year. These dollars have been used to fund several programs that achieve the goals of the program. However, there are so many programs funded that within each program only a limited number of recipients are assisted. These dollars may be better served by focusing funding on programs that have broader impact. One program that would fit this bill would be to fund the City's Code Enforcement activities and provide dollars to expand this critical service. The City's Consolidated Plan, the document that demonstrates the City's priorities for CDBG funding, states as its first objective:

"The elimination of slums and blights and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income."

Its second objective is:

"The elimination of conditions which are detrimental to health safety and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities.

Therefore this purpose fits well within the City's existing plan. The City currently has two code enforcement personnel: one in the Building Department and one in the Police Department. The cost of these two positions is \$87,000 annually. By funding this function out of CDBG the cost

¹ These savings are not counted in the projected results related to initiative implementation since it is unclear whether the funds would remain in the General Fund or in another fund outside the City's annual operating budget.



will be eliminated from the General Fund. Community Development should also consider funding additional positions as grant support allows, given the public benefit of improving code enforcement services in the City.

Fiscal Impact

FY2010	FY2011	FY2012	FY2013	FY2014	Total
87,000	87,000	87,000	87,000	87,000	348,000

CD03. Fund new Development Division and reconstituted Economic Development Department with reprogrammed CDBG funding

FY2010 Impact: N/A

Five Year Impact: N/A

Economic Development is an important community development tool, and an allowable use under CDBG objectives. The City previously eliminated the Economic Development division due to budget constraints, and no longer has an agency focused on this important endeavor. However, it is recommended in the Economic Development chapter that this department be reconstituted to perform this vital function. It is also recommended that the City organize all its development functions under a Development Division that will be responsible for developing the City’s overall development strategy and policy, and coordination of the various funding sources used for this purpose.

Development fits with existing goals stated in the City’s Consolidated Plan. And funds are available for funding this program through the reprogramming of dollars now earmarked for Redevelopment. CDBG dollars should be allocated to fund these programs.

It is further recommended that the Economic Development Department be responsible for economic development programs now housed under Community Development.



Redevelopment Department

Overview

The Redevelopment Department is charged with the responsibility for clearing, re-planning, rehabilitating and redeveloping blighted areas, and with providing opportunities for redevelopment by private enterprise. The Department is the redevelopment entity for Gary and as such is responsible for the acquisition and disposition of properties in order to return them to the City's tax rolls. The Department is also charged with the responsibility for demolishing unsafe buildings throughout the City. Finally, Redevelopment administers the City's tax abatement program.

To further its mission, the Redevelopment Department maintains an inventory of property that has been acquired and marketed for redevelopment in target areas, often working with local CDCs to complete development projects. Those special development projects include the Small Farms project and the Midtown, 25th/Grant area.

The Department also performs board up and demolition of blighted property across the City, focusing on major corridors and imminently hazardous structures. It works with the Demolition division in General Services to complete some projects and also goes to bid for private contractors to complete demolition projects.

The Redevelopment Commission and Department were created by ordinance in 1983 in accordance with Indiana Code 36-7-14, the enabling legislation that governs the purpose, role, activities and powers of local redevelopment commissions. The Redevelopment Commission made up of five members appointed by the Mayor and Common Council.

Assessment

The Redevelopment Department currently has three revenue sources from which to fund its activities: property tax revenue from the redevelopment taxing district, tax increment financing (TIF) revenue from designated redevelopment areas, and Community Development Block Grant (CDBG) funds from the City's entitlement grant as a sub-grantee. Redevelopment has relied heavily on CDBG funds to finance its activities. Until the adoption of TIF areas in 2008, a majority of the resources available came from this one source of funds.

Redevelopment Resources by Source¹

	2005	2006	2007	2008	2009 YTD ²
CDBG	831,749	1,092,180	819,183	1,462,206	930,653
Tax Levy and Other Sources	591,605	328,750	347,741	225,590	251,035
TIF	0	0	0	7,003,748	10,566,725
Total	1,423,354	1,420,930	1,166,924	8,691,544	11,748,413

However, TIF funds are now available for the Department to use towards fulfilling its mission. TIF is "an economic development resource and tool that allows local government through its redevelopment commission to finance redevelopment and economic development projects through anticipated increases in ad valorem property taxes in an allocation area (the "Tax Increment") as a direct result of increases in assessed valuation due to redevelopment and economic development³". As described by Cender &

¹ CDBG and Tax Levy data is actual expenditure data by year. TIF data is budgeted revenue.

² As of October 9, 2009

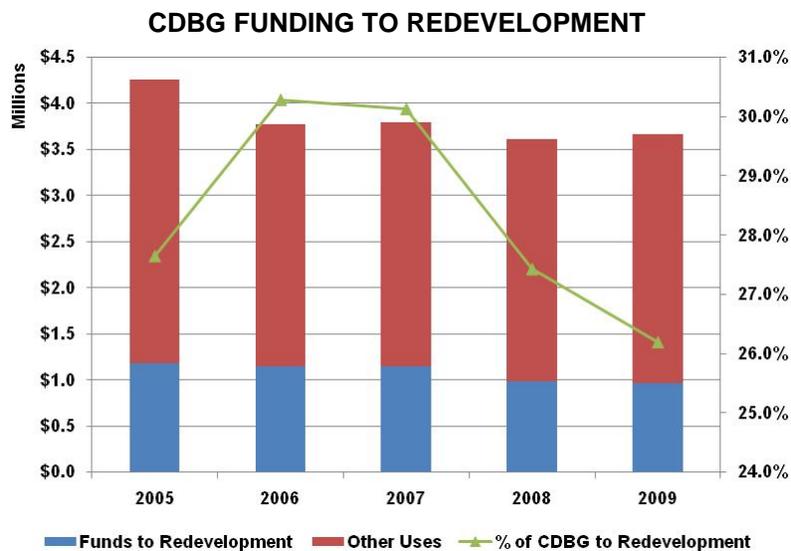
³ Cender & Company; "Tax Increment Financing ("TIF"): General Overview of TIF as an Economic Development Tool;" June 1, 2009



Company, the Commission’s financial advisor: “As found in Indiana Code 36-7-14, TIF provides for the temporary allocation of a redevelopment district’s increase in tax proceeds from increases of assessed value, assessed value growth or the capture of real property (real land and real improvements) assessed value above the base assessment as a result of new commercial or industrial development”⁴.

While the Department now has TIF funds as a resource, it has continued to utilize CDBG grant funds to pay for staff costs and other expenses. TIF funds are intended to assist Redevelopment Commissions in becoming self-sufficient. Given that the revenue budgeted for 2008 and 2009 far exceeds annual expenses in each of the last five years, it can be assumed that these funds are more than sufficient to support the Department’s activities.

A majority of Redevelopment’s budget prior to 2008 came from the CDBG funds. The City’s allocation has declined from \$4.3 million in 2005 to \$3.7 million in 2009 but the Redevelopment Department and its activities have continued to receive between 26.2 and 30.3 percent of the total grant.



The City has invested a significant portion of its CDBG grant in Redevelopment totaling \$5.4 million since 2005. However, the Redevelopment Department has not maximized the use of these funds and their other sources through leveraging existing intellectual resources because there is little coordination with local planning and development agencies including the City’s Planning Department and regional entities including the Northwest Indiana Redevelopment Authority. More striking, however, is the lack of professional redevelopment expertise in the Department to drive economic and community development projects from within. Rather, the Department has relied on the Community Development and the City’s Community Development Corporations (CDCs) to direct development investment. There is also a lack of adequate record keeping and performance reporting expected of a federally funded agency. Basic outcome metrics standard in a municipal development operation spending millions of dollars are not maintained or monitored here.

As a result, the local field office of the US Department of Housing and Urban Development (HUD) has issued a number of findings to the City targeted around the lack of or inconsistent information and reporting about Redevelopment programs such that it is unclear whether federal regulations were followed and national objectives met. There remain 4 findings outstanding that if not resolved is a total potential liability to the City of \$1.1 million dollars. Redevelopment must work with the Community Development Department to resolve these findings in a timely manner. Further, Redevelopment must

⁴ Ibid



also work quickly to build internal systems that improve record keeping and reporting to prevent any future findings.

More broadly, however, redevelopment is an important tool that can be used to rejuvenate the City's neighborhoods and offer improved housing options, increase taxable values, and business development. However, it is a field in which planning, economic and community development professionals educated and experienced at revitalizing distressed communities are vital to the success of development endeavors and ensuring valuable but limited resources are applied in the most cost effective way to meet a community's goals. Unfortunately, while the current redevelopment staff is dedicated and hard working, they do not possess the requisite experience, knowledge or expertise to perform these tasks at the highest levels.

Redevelopment must prioritize building capacity in-house with experienced redevelopment experts who are knowledgeable in HUD regulations, other federal programs and state resources to best leverage both the new TIF funds and other local investment and ensure that the City's development goals are exceeded and its potential uncovered. Ideal leadership would possess an advanced degree in urban planning, economics, public or business administration with substantial related professional experience in the public sector and participation in national economic and community development associations including the International Economic Development Council (IEDC) and Urban Land Institute (ULI). Additional credentials in this field include IEDC's Certified Economic Developers (CEcDs) and professional planning certification by the American Institute of Certified Planners (AICP). Lastly, knowledge and experience with federal grant programs including HUD, Commerce, Labor, and other grant programs is sought. Staff must then be directed to develop a broad, long-term redevelopment plan and implementation action plan in conjunction with all local agencies that drive development activities.

In addition, Redevelopment has spent a considerable amount of time and money purchasing properties in designated areas for redevelopment. Those acquisitions, while in targeted areas, have not been identified as part of a broader development strategy but rather stand as spot development projects that often fail to come to fruition. As a result, the disposition of those properties has not been executed in a timely manner and the Department has developed a de facto land bank that now holds a large number of properties. With that two challenges are highlighted: a majority of the properties that are now "banked" were acquired with CDBG funds, which stipulate that acquisition can only be done with a previously determined plan of disposition to ensure funds are quickly used to meet program objectives. Second, by becoming a land owner Redevelopment takes on unnecessary liability while removing the properties from the tax rolls. As part of the overall economic development strategy discussed here and in related chapters, the Department should focus its efforts on developing a disposition plan in conjunction development of a strategic plan to reduce the number of properties it owns before it takes on additional new acquisition projects. Further, in the future, procedures should be developed such that property acquired in the future is disposed of in a timely manner.

Initiatives

RD01. Transfer demolition function to the Building Department

FY2010 Impact: N/A

Five Year Impact: N/A

Under the current structure, the Redevelopment Department performs the administrative functions of the demolition process and funds demolition activities through its CDBG grant. These functions are currently performed both in-house by the demolition crew housed in General Services and by outside contractors who are procured through the bid process.

In the last five years the Department has spent \$2.5 million to demolish 256 structures. While all payments were processed, there is not a staff person with professional experience in the demolition arena who has the knowledge necessary to make strategic decisions about how the program operates and how best to control costs. Demolition programs are best managed by a



building professional knowledgeable in structural assessments and construction and demolition methods. A building professional is better equipped to perform this function which is typically found under the oversight of a building commissioner or demolition professional in other cities.

This function should be moved from Redevelopment to a division under the Building Department.

RD02. Improve professional redevelopment capacity

FY2010 Impact: N/A

Five Year Impact: N/A

The Redevelopment Department has dedicated staff that work hard to process invoices and perform the administrative tasks necessary to manage property acquisitions, dispositions, and demolition projects. However, there is not currently a professional in the Department who has experience developing and implementing a redevelopment program. This is a critical need. The Department should consider identifying experienced professional planning and redevelopment staff to supplement existing administrative staff to build internal capacity toward better fulfilling its mission.

RD03. Use Tax Increment Financing (TIF) funds more effectively

FY2010 Impact: N/A

Five Year Impact: N/A

The Redevelopment Department has \$10.6 million in TIF funds available for development purposes budgeted in FY2009, and had \$7.0 million budgeted in 2008. However, the Department has not made best use of this funding source, rather continuing to rely on the CDBG grant dollars.

TIF funds are intended to support redevelopment activity and assist the Redevelopment Department to become self-sufficient. With increased capacity in the Department and professional staff experienced in using this resource with knowledge of legal parameters, the TIF funds budgeted are sufficient to achieve this goal.

It should be noted, however, that a comprehensive development plan should be developed and professional staff in place prior to tapping into this resource so that it is used most effectively and efficiently.

Utility management

As for most municipal governments, utilities constitute a significant expense for the City. Expenditures related to utilities are budgeted in several places in Gary – within individual departments, in a large General Fund allocation to the Department of Finance, in a new “Consolidated Operations” category and in the “Controller’s Utility” for street lights. When the consultant team sought insight on how the City manages utilities, they were directed to staff in the Redevelopment Department. As a result, the recommendations pertaining to this area are located in this chapter, though the responsibility for these activities is more properly located elsewhere (e.g. Finance or Public Works).

RD04. Monitor and manage utility services

FY2010 Impact: N/A

Five Year Impact: N/A

The City has hundreds of utility meters, a number of utility services and providers, and annual utility bills that exceed \$3.0 million. Gary has not had a coordinated approach to managing its utility costs and usage. The City has a spread sheet that shows bill balances, but contains no usage information, which the City needs to track as one component of utility management.



The City needs to assign responsibility for monitoring and managing utility service and billings for City accounts. The City has designated staff in Redevelopment to process bills, but that responsibility is limited to payment processing and ensuring the City is only billed for active accounts. The overall responsibility for utility coordination and oversight should be shifted to the Finance or Public Works Departments. Responsibilities of a City utility manager should include:

- Monitoring usage of utility services, usage, and billings for all facilities, including collecting information to track trends and exceptions.
- Monitoring billings to ensure that the City pays only for those charges that are properly allocable to the City.
- Managing turn-on and turn-offs of facility meters, and ensuring that changes are enacted as requested; final meter readings are made, where appropriate; and, generally, that the City has no more services than it needs.
- Monitoring key issues that impact utility usage and pricing, such as weather-related impacts, natural gas pricing, and expected rate changes from providers.
- Working with other City departments to ensure that the City minimizes its usage of utilities through utility management protocols, energy improvements, and feedback to consumers of utilities.
- Providing budget estimates for future years, and monitoring the current year's budget performance.
- Making sure that any utility services that are to be billed to other parties are billed promptly.

In the interim, the City should establish some goals for overall utility costs and start a coordinated conservation program. If the City were to set a goal to save 10 percent of an estimated \$2 million in bills (a figure which excludes utility costs for street lights, traffic signals⁵ and the Genesis Center), it could achieve \$100,000 in savings annually.

RD05. Communicate with on-site facility staff about utility usage, costs and priorities

FY2010 Impact: N/A

Five Year Impact: N/A

Utility usage appears to be managed at the facility level by on site staff. However, since utility costs are handled at the aggregate City level, and not the facility level, there have been no real incentives, feedback or data for on-site staff to reduce usage. In some cases, on-site staff will have valuable insight for the utility manager described in initiative RD04. For example, the City will need to strike an appropriate balance on issues such as how much lighting is required for security purposes. This means that a successful program will include involvement of City departments other than the utility manager.

RD06. Invest in energy efficient improvements

FY2010 Impact: N/A

Five Year Impact: N/A

One strategy to reduce consumption and costs is to improve inefficient systems, such as lighting, make other investments to conserve energy. Other improvements likely to save

⁵ Please see the Traffic Control chapter for more information on street light and traffic signal energy usage.



energy include window replacements and insulation. Resources are limited and the demands on those resources are many. However, the City can identify a reasonable estimate of those items that are likely to have the quickest return on investment. Furthermore, as energy conservation emerges as a national priority, the City should be alert for federal grant opportunities or mechanisms through which improvements can be funded directly by the savings they generate.

RD07. Consider establishing an energy cost contingency account
FY2010 Impact: N/A **Five Year Impact: N/A**

Over time, cost pressure on most utility services is likely to have an upward trend, and also to contain a substantial risk of volatility. For natural gas, usage may be impacted by extreme weather conditions, such as when hurricanes impact gas production. Power costs also have a substantial commodity influence, plus the higher cost of new generation resources; the looming impact of carbon legislation; and the cost of maintain an aging infrastructure. Water and wastewater systems across the country face cost pressures due to environmental compliance requirements; aging infrastructure and new, more costly treatment facilities.

Within a limited band, the City may control its usage by aggressively managing its utility usage, but unit costs are more likely to rise over time, and those increases have the potential to be substantial. Further, midyear impacts are often a reality. It is important that, each year, the City budget with consideration to those factors that it cannot necessarily control, and to consider other variations, such as mild weather, that it cannot count on. To that end, the City should consider developing a utility reserve, perhaps funded initially by any positive variations from budget. While this does not eliminate such impacts, it will assist the City in managing them during any given year.



Environmental Affairs

Overview

The Environmental Affairs Department's mission is to achieve and maintain a cleaner, healthier environment for the citizens of Gary. To this end, the department inspects and monitors businesses and sites that impact the environment, issues local air operating permits for businesses within the City, and monitors and maintains the closed Gary Sanitary Landfill.

To this end, the Department monitors 51 businesses that contribute to air pollution – inspecting their emissions twice annually and charging an annual operations fee. The Department previously handled monitoring and reporting for the State of Indiana under a contract with the Indiana Department of Environmental Management (IDEM), but the State ended the arrangement in 2009 when it decided to bring those functions in house. The Department handles landfill maintenance and monitoring as mandated by IDEM and funded through a \$1.7 million fund the City was required to establish. The Department conducts weekly, monthly, quarterly, and yearly inspections. The Department also works with other City departments and agencies to develop environmental practices for city projects and provides information and responses to concerns regarding environmental issues.

Before FY2009 Environmental Affairs had seven positions – a Director, Air Quality Control Manager, Brownsfield Specialist, Environmental Project Manager, two technicians and a secretary. The FY2009 budget transferred the Director and two other positions to the Storm Water Management District's budget. In addition to her Environmental Affairs duties, the Director is in charge of coordinating the City's storm water management process. Two other positions were eliminated, leaving Environmental Affairs with two General Fund supported positions in FY2010 – the Air Quality Control Manager (which was vacant as of September 2009) and the Brownsfield Specialist.

Historic Employee Count – Budgeted Positions (General Fund Only) ¹

2006	2007	2008	2009	2010
7	7	7	2	2

As the number of positions supported by the General Fund has declined, so has the General Fund allocation to Environmental Affairs. Nearly all of the General Fund expenditures are related to employee compensation and related personnel costs.

Historical expenditures – Environmental Affairs (General Fund Only)

	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Full-Time Salaries & Wages	231,340	222,121	207,248	97,578	-57.8%
P E R F	16,773	17,214	11,272	5,855	-65.1%
F I C A	17,300	16,595	15,001	7,465	-56.8%
Workmen's Compensation	3,109	2,791	3,733	3,903	25.5%

¹ The budgeted positions shown for FY2009 are from the revised FY2009 budget.



	2006 Actual	2007 Actual	2008 Actual	2009 Budgeted	% Change
Unemployment Compensation	3,109	3,002	3,733	3,903	25.5%
Professional Services	178,640	79,548	32,969	27,500	-84.6%
Travel & Education	1,010	1,327	395	250	-75.3%
Printing	743	0	1,400	1,500	102.0%
Leases	0	11,500	7,100	0	N/A
Contractual Maintenance	700	0	0	0	-100.0%
Repairs To Building	9,025	0	0	0	-100.0%
Repairs To Equipment	0	0	8,170	0	N/A
Subscription & Dues	0	2,500	2,500	0	N/A
Total	461,748	356,597	293,520	147,954	-68.0%

The baseline expenditure projections shown below are based on the same assumptions used throughout this analysis. Personnel related expenditures, such as salaries, overtime and Federal Insurance Contributions Act (FICA) taxes, are frozen for the five-year period. The City's contribution to the Public Employee Retirement Fund (PERF) grows by 5.0 percent annually while others by 2.5 percent.

Projected baseline expenditures – Environmental Affairs Department (General Fund Only)

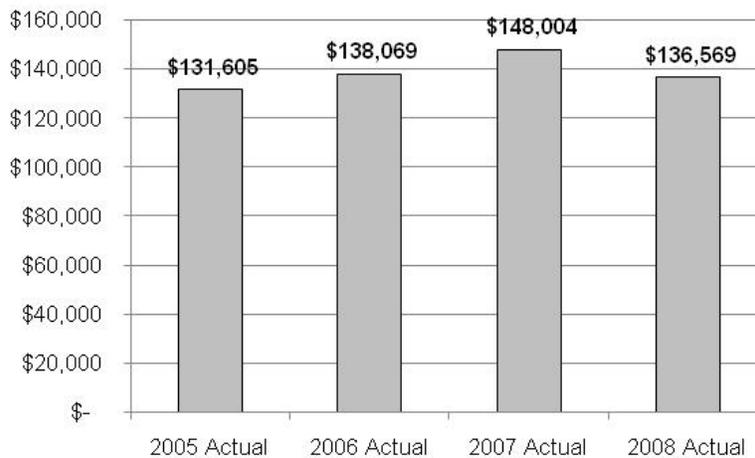
	2010 Budget	2011 Projectio n	2012 Projectio n	2013 Projection	2014 Projectio n	% Chang e
Full-Time Salaries & Wages	77,427	77,427	77,427	77,427	77,427	0.0%
P E R F	4,646	4,878	5,122	5,378	5,647	21.6%
F I C A	5,923	5,923	5,923	5,923	5,923	0.0%
Workmen's Compensation	3,097	3,097	3,097	3,097	3,097	0.0%
Unemployment Compensation	3,097	3,097	3,097	3,097	3,097	0.0%
Professional Services	8,000	8,200	8,405	8,615	8,831	10.4%
Travel & Education	500	513	525	538	552	10.4%
Printing	2,200	2,255	2,311	2,369	2,428	10.4%
Department total	104,890	105,390	105,908	106,445	107,002	2.0%



Assessment

The Department monitors air quality and levels of air pollution created by fuel burning, emissions from stack structures or dust on roadways. The Department inspects 51 companies twice a year and charges an annual permit cost that varies based on fuel usage and other factors. These fees were reportedly increased by 30 percent in 2008. The revenues associated with this activity, which flow into the General Fund, are shown below. Through November, the City collected \$160,330 from this revenue source. The permitting is generally handled by the Air Quality Control Manager which has a base salary of \$37,080 in the FY2010 budget.

Air Pollution Permitting Revenue



Initiatives

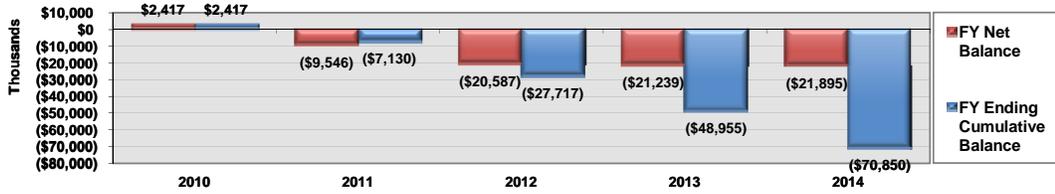
- EA01. Coordinate brownfield development with other economic activities**
FY2010 Impact: N/A **Five Year Impact: N/A**

While Environmental Affairs handles brownfield technical assessment, other departments have related functions. The Redevelopment Department is involved in asbestos, lead and septic tank removal, occasionally tapping funds secured through Environmental Affairs. Other units related to economic development also have interest in which brownfields are cleaned and prepared for future development. With a large demand for site remediation and only limited resources available to commit to it, coordination and prioritization of sites for review and remediation is critical. Environmental Affairs should continue to work with other units of City government and economic development stakeholders to ensure that its work aligns and supports a broader economic development strategy as much as possible.



9. Appendices

**FY10-FY14 BUDGET PROJECTIONS
BASELINE SCENARIO**



Fiscal Year Ending:	2010	2011	2012	2013	2014
Fiscal Year Ending:	2010	2011	2012	2013	2014
	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>

Revenues

PROPERTY TAX	48,574,691	39,132,142	29,716,594	30,459,509	31,220,997
OTHER TAXES	3,959,266	2,762,400	2,765,613	2,834,754	2,905,623
LICENSES AND PERMITS	951,180	963,465	976,057	1,000,459	1,025,470
INTERGOVERNMENTAL REVENUE	15,276,414	15,766,015	16,062,377	16,463,937	16,875,535
CHARGES FOR SERVICES	1,056,999	1,083,424	1,110,510	1,138,273	1,166,730
FINES AND FORFEITURES	526,851	540,022	553,522	567,360	581,544
MISCELLANEOUS REVENUE	917,690	940,632	964,148	988,251	1,012,958
OTHER FINANCING SOURCES	7,702,500	7,602,563	7,502,627	7,587,692	7,777,385
TOTAL	78,965,590	68,790,663	59,651,448	61,040,235	62,566,241

Obligations

GENERAL FUND

10-MAYOR'S OFFICE	540,694	543,249	545,898	548,644	551,492
20-COMMON COUNCIL	893,335	902,519	911,969	921,695	931,705
30-CITY COURT	1,531,655	1,539,456	1,547,549	1,555,947	1,564,662
40-CITYCLERK	1,267,315	1,275,405	1,283,762	1,292,395	1,301,315
50-LAW	981,800	1,002,194	1,023,110	1,044,560	1,066,559
90-PUBLIC WORKS	853,881	857,347	860,949	864,692	868,582
100-FACILITY MAINTENANCE	644,600	660,715	677,233	694,164	711,518
160-HUMAN RELATIONS	81,122	81,398	81,685	81,985	82,298
190-STATUS OF WOMEN	8,397	8,397	8,397	8,397	8,397
200-HEALTH DEPARTMENT	613,581	619,189	624,964	630,911	637,036
210-ENVIRONMENTAL AFFAIRS	104,890	105,390	105,908	106,445	107,002
220 GENERAL SERVICES	1,602,863	1,624,227	1,647,600	1,673,183	1,701,200
240 POLICE CIVIL SERVICE COMMISSION	133,793	135,850	137,962	140,130	142,356
250-POLICE DEPARTMENT	13,334,082	13,441,004	13,553,157	13,670,800	13,794,204
258-POLICE DEPT SUPPORTIVE SERVICES	1,942,054	1,948,772	1,955,770	1,963,060	1,970,655
280-GARY FIRE DEPT COMMISSION	115,927	117,641	119,400	121,207	123,061
290-GARY FIRE DEPARTMENT	13,676,722	13,784,090	13,896,817	14,015,168	14,139,425
300-AMBULANCE SERVICES	2,366,071	2,372,209	2,378,637	2,385,371	2,392,424
310-CIVIL DEFENSE	27,495	27,563	27,634	27,709	27,788
420- YOUTH SERVICES BUREAU	3,500	3,588	3,677	3,769	3,863
430-VEHICLE MAINTENANCE	1,500,238	1,548,123	1,599,261	1,653,914	1,712,369
600-FINANCE DEPARTMENT	1,916,292	1,939,677	1,963,714	1,988,422	2,013,822
601-MEDICAL INSURANCE	7,890,000	8,719,050	9,635,797	10,649,532	11,770,532
602-CONSOLIDATED OPERATIONS	5,425,000	5,526,125	5,629,778	5,736,023	5,844,923

MOTOR VEHICLE HWHY

222-GENERAL SERVICES	1,229,852	1,259,030	1,290,992	1,326,023	1,364,437
223-TRAFFIC CONTROL	590,764	604,366	618,668	633,725	649,597
606-CONTROLLER'S UTILITY	1,200,000	1,230,000	1,260,750	1,292,269	1,324,575

OTHER FUNDS

253-PARKS DEPARTMENT	1,250,037	1,257,199	1,264,580	1,272,189	1,280,032
381-GENESIS CENTER	427,785	428,983	430,234	431,542	432,908
CITY OF GARY DEBT-2007	879,713	895,938	900,363	907,358	907,604
111-ENGINEERING	632,000	647,800	663,995	680,595	697,610
609-PUBLIC WORKS	710,000	727,750	745,944	764,592	783,707
618-FIRE PENSION	5,232,079	5,362,881	5,496,953	5,634,377	5,775,236
619 POLICE PENSION	5,794,000	5,938,850	6,087,321	6,239,504	6,395,492
221-GENERAL SERVICES (LOCAL ROADS)	1,147,205	1,201,119	1,258,169	1,318,560	1,382,512

TOTAL	76,548,741	78,337,091	80,238,595	82,278,855	84,460,900
FY NET BALANCE	2,416,849	(9,546,429)	(20,587,147)	(21,238,620)	(21,894,659)
FY ENDING CUMULATIVE BALANCE	2,416,849	(7,129,580)	(27,716,727)	(48,955,347)	(70,850,006)

Action Plan Initiatives

Chapter	No.	Description	FY2010 Impact	FY2011 Impact	FY2012 Impact	FY2013 Impact	FY2014 Impact	Five-year impact
Revenue	RE01	Shift sanitary fund millage to City general fund	0	5,622,924	5,718,902	5,861,875	6,008,421	23,212,122
Workforce	WF01	Avoid new contract enhancements	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF02	Avoid restrictions on management rights	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF03	Multi-year wage freeze	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF04	Implement furlough days	136,000	136,000	136,000	136,000	136,000	680,000
Workforce	WF05	Overtime reduction for public safety employees	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF06	Implement a new HMO plan	641,000	709,000	784,000	867,000	959,000	3,960,000
Workforce	WF07	Restructure employee contributions to health premiums	1,854,000	2,050,000	2,268,000	2,508,000	2,774,000	11,454,000
Workforce	WF08	Prescription drug program redesign	54,000	60,000	67,000	74,000	82,000	337,000
Workforce	WF09	Leverage Medicare reimbursements for kidney dialysis	126,000	139,000	154,000	170,000	189,000	778,000
Workforce	WF10	Increase major medical deductible	86,000	95,000	105,000	116,000	128,000	530,000
Workforce	WF11	Increase emergency room co-pays from \$50 to \$100	45,000	50,000	55,000	61,000	67,000	278,000
Workforce	WF12	Restructure and raise physician office visit co-pays to the national average	10,000	11,000	12,000	13,000	15,000	61,000
Workforce	WF13	Contain post-retirement health care costs	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF14	Change spousal benefit	73,000	81,000	89,000	99,000	109,000	450,000
Workforce	WF15	Dependent eligibility audit	24,000	30,000	0	0	0	54,000
Workforce	WF16	Purchase excess insurance for worker's compensation	-40,000	-40,000	-40,000	-40,000	-40,000	-200,000
Elected	EO01	Non-represented employee base salary reduction	64,000	64,000	64,000	64,000	64,000	320,000
Elected	EO02	Reduce travel expenses	83,000	85,000	87,000	89,000	92,000	436,000
Elected	EO03	Eliminate board compensation	59,000	59,000	59,000	59,000	59,000	295,000
Mayor's Office	EX01	Establish a Chief Operating Officer or Managing Director position	-40,000	-80,000	-80,000	-80,000	-80,000	-360,000
City Clerk	CL01	Delinquent fine and fee collection	360,000	0	0	0	0	360,000
City Clerk	CL02	Eliminate Civil Division	210,000	215,000	220,000	226,000	232,000	1,103,000
City Clerk	CL03	Create a model fee and fine collection program	250,000	500,000	750,000	1,000,000	1,000,000	3,500,000
City Court	CT01	Increase prosecution of traffic cases as ordinance violations	N/A	N/A	N/A	N/A	N/A	N/A
City Court	CT02	Seek State and County support for alternative programs	200,000	200,000	200,000	200,000	200,000	1,000,000
City Court	CT03	Eliminate City Court	1,320,000	2,463,000	2,709,000	2,748,000	2,792,000	12,032,000
Finance	FI01	Revise financial reporting to provide GAAP results	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI02	Revise financial reporting to include management discussion and analysis	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI03	Adopt a schedule of interim reporting	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI04	Adopt policies related to internal service fund cost recovery	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI05	Revise annual budget documents so budgets can be used as communication tools	N/A	N/A	N/A	N/A	N/A	N/A

Action Plan Initiatives

Chapter	No.	Description	FY2010 Impact	FY2011 Impact	FY2012 Impact	FY2013 Impact	FY2014 Impact	Five-year impact
Finance	FI06	Adopt a strategy for bank accounts and banking services	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI07	Develop an investment policy	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI08	Revise financial management systems	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI09	Communicate financial information in a timely manner via the internet	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI10	Develop budgeting and forecasting capabilities	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI11	Develop policies related to TAWs and interfund loans and structural balance	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI12	Develop and expand markets for disposal of obsolete property	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI13	Develop a revenue manual and adopt a policy of reviewing fees and charges on a regular cycle	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI14	Reduced TAW interest costs	0	750,000	750,000	750,000	750,000	3,000,000
Finance	FI15	Add professional staff to the Finance Department	-135,000	-180,000	-180,000	-180,000	-180,000	-855,000
Human Resources	HR01	Create a Human Resources prioritization plan	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR02	Monitor and report leave accruals	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR03	Coordinate and support regular employee evaluations	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW01	Consolidate legal services in the Law Department	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW02	Increase internal capacity by reducing reliance on outside counsel	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW03	Create a pro bono and municipal law intern program	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW04	Pay outstanding judgments and legal bills and adjust future budget appropriations	-500,000	-485,000	-370,000	-354,000	-338,000	-2,047,000
Law	LW05	Increase department accountability for claims, judgments and settlements	0	33,000	66,000	99,000	132,000	330,000
Law	LW06	Increase cost recovery for public record requests	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW07	Meet new CMS reporting requirements for liability claims	-12,000	-12,000	-12,000	-12,000	-12,000	-60,000
Health	HD01	Close Health Department and transfer responsibilities to Lake County	383,000	390,000	397,000	405,000	415,000	1,990,000
Health	HD02	Operate Health Department on grant funding only	383,000	390,000	397,000	405,000	415,000	1,990,000
Health	HD03	Increase revenues and decrease expenditures to maintain operations	244,000	249,000	255,000	260,000	266,000	1,274,000
Health	HD04	Leverage additional funding opportunities	N/A	N/A	N/A	N/A	N/A	N/A
HRC	HC01	Eliminate Human Relations Commission and refer cases to other agencies	95,000	97,000	98,000	99,000	100,000	489,000
Commission on Women	CW01	Explore opportunities to partner with local non-profits and faith-based organizations	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD01	Create a fire station cut list	N/A	N/A	N/A	N/A	N/A	See FD02
Fire	FD02	Restructure staffing and operations	833,000	3,397,000	3,468,000	3,545,000	3,629,000	14,872,000
Fire	FD03	Fire station consolidation	50,000	50,000	50,000	50,000	50,000	250,000
Fire	FD04	Transfer cost of Station 14 to Gary/Chicago International Airport	0	752,000	767,000	784,000	802,000	3,105,000
Fire	FD05	Overtime reduction strategy	371,000	371,000	371,000	371,000	371,000	1,855,000

Action Plan Initiatives

Chapter	No.	Description	FY2010 Impact	FY2011 Impact	FY2012 Impact	FY2013 Impact	FY2014 Impact	Five-year impact
Fire	FD06	Overhaul sick leave policy	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD07	Reinstate uniform allowance at a reduced level	0	-94,500	-94,500	-94,500	-94,500	-378,000
Fire	FD08	Strengthen mutual aid agreements with neighboring jurisdictions	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD09	Create vehicle replacement plan for fire apparatus	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD10	Civilianize fleet operations	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD11	Create replacement schedule for turn-out gear	-56,500	-56,500	-56,500	-56,500	-56,500	-282,500
Fire	FD12	Implement a false alarm policy	37,000	29,000	21,000	21,000	21,000	129,000
Fire	FD13	Implement fire report fee	5,000	5,000	5,000	5,000	5,000	25,000
Fire	FD14	Implement hazardous material incident response fee	15,000	15,000	15,000	15,000	15,000	75,000
Fire	FD15	Puruse federal grant opportunities in concert with previous initiatives	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD16	Issue a request for proposal (RFP) for emergency medical services	505,000	1,014,000	1,020,000	1,025,000	1,032,000	4,596,000
Fire	FD17	Increase collections for outstanding EMS claims	110,000	110,000	110,000	110,000	110,000	310,000
Fire	FD18	Reduce EMS overtime to FLSA required levels	N/A	N/A	N/A	N/A	N/A	N/A
Fire Commission	FC01	Consolidate Fire and Police Commission administration	N/A	N/A	N/A	N/A	N/A	N/A
Fire Commission	FC02	Increase weight of written exam in promotional process	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD01	Reassess staffing levels after COPS grant expires	0	0	0	717,000	733,000	1,450,000
Police	PD02	Pursue civilianization to bolster police force	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD03	Consolidate communication operations with the County	0	1,329,000	1,355,000	1,384,000	1,416,000	5,484,000
Police	PD04	Eliminate three special police positions	120,000	122,000	125,000	128,000	132,000	627,000
Police	PD05	Transfer animal control functions to the County	0	182,000	185,000	188,000	191,000	746,000
Police	PD06	Transfer code enforcement position to Building Department	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD07	Reinstate uniform allowance at a reduced level	-118,000	-118,000	-118,000	-118,000	-118,000	-590,000
Police	PD08-A	Reduce shift differential	73,000	73,000	73,000	73,000	73,000	365,000
Police	PD08-B	Reduce longevity	101,000	101,000	101,000	101,000	101,000	505,000
Police	PD08-C	Reduce special assignment pay	39,000	39,000	39,000	39,000	39,000	195,000
Police	PD09	Monitor comp time usage and modify comp time policy	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD10	Explore short-term disability coverage and modify sick leave policy	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD11	Conduct a comprehensive fee analysis and collect on dormant revenue sources	N/A	N/A	N/A	N/A	N/A	N/A
Police Commission	PC01	Consolidate Fire and Police Commission administration	53,000	54,000	55,000	56,000	57,000	275,000
Public Works	PW01	Bid building service contracts in bulk	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW02	Invest savings generated by other Plan initiatives in capital projects	0	-500,000	-500,000	-500,000	-500,000	-2,000,000

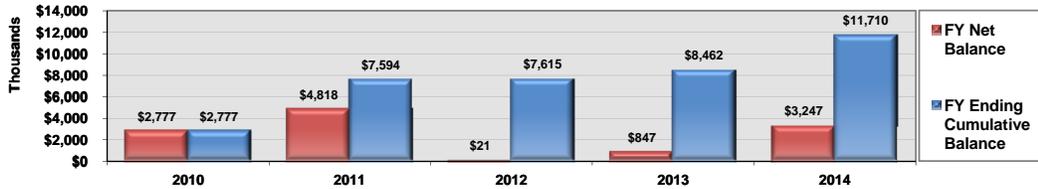
Action Plan Initiatives

Chapter	No.	Description	FY2010 Impact	FY2011 Impact	FY2012 Impact	FY2013 Impact	FY2014 Impact	Five-year impact
Building	BU01	Enhance code enforcement activity	N/A	N/A	N/A	N/A	N/A	N/A
Building	BU02	Institute a fee for electrical service turn-on inspections	76,000	76,000	76,000	76,000	76,000	380,000
Building	BU03	Cross-train trades inspectors	N/A	N/A	N/A	N/A	N/A	N/A
Building	BU04	Implement a landlord registration program	N/A	N/A	N/A	N/A	N/A	N/A
Planning	PL01	Convert initial business license fee to application fee	N/A	N/A	N/A	N/A	N/A	N/A
Planning	PL02	Shift responsibility for the business licensing process to the Finance Department	N/A	N/A	N/A	N/A	N/A	N/A
Planning	PL03	Implement site plan review fee	N/A	N/A	N/A	N/A	N/A	N/A
Traffic Control	TR01	Privatize traffic control operations	N/A	N/A	N/A	N/A	N/A	N/A
Traffic Control	TR02	Upgrade or eliminate traffic signals	N/A	N/A	N/A	N/A	N/A	N/A
Traffic Control	TR03	Establish a street light utility	N/A	N/A	N/A	N/A	N/A	N/A
General Service	GS01	Eliminate General Services department	N/A	N/A	N/A	N/A	N/A	Sum of GS02-GS05
General Service	GS02	Consolidate Parks Maintenance staff with the Department of Public Parks	See PR01					
General Service	GS03	Reconfigure street maintenance staff	227,000	229,000	233,000	238,000	242,000	1,169,000
General Service	GS04	Reduce demolition unit staffing	48,000	48,000	49,000	50,000	52,000	247,000
General Service	GS05	Other department personnel cost reductions	390,000	398,000	407,000	417,000	428,000	2,040,000
General Service	GS06	Complete trash collection privatization	0	22,000	0	0	0	22,000
General Service	GS07	Charge street cut fees	35,000	63,000	63,000	63,000	63,000	287,000
General Service	GS08	Pursue federal grant opportunities	N/A	N/A	N/A	N/A	N/A	N/A
General Service	GS09	Prioritize City street maintenance	N/A	N/A	N/A	N/A	N/A	N/A
Recycling	RC01	Ensure all operating costs are charged to the Recycling Fund	N/A	N/A	N/A	N/A	N/A	N/A
Recycling	RC02	Reduce expenditures to the level supported by external revenues	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle Maintenance	VM01	Outsource vehicle maintenance services	152,000	335,000	367,000	402,000	440,000	1,696,000
Vehicle Maintenance	VM02	Complete a vehicle inventory audit	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle Maintenance	VM03	Implement a vehicle reduction plan	1,474,000	939,000	940,000	963,000	987,000	5,303,000
Vehicle Maintenance	VM04	Eliminate take-home vehicle privileges	See VM03					
Vehicle Maintenance	VM05	Draft and implement a vehicle use policy	N/A	N/A	N/A	N/A	N/A	N/A

Action Plan Initiatives

Chapter	No.	Description	FY2010 Impact	FY2011 Impact	FY2012 Impact	FY2013 Impact	FY2014 Impact	Five-year impact
Vehicle Maintenance	VM06	Standardize vehicle fleet	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle Maintenance	VM07	Vehicle replacement plan	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle Maintenance	VM08	Conduct regular vehicle utilization reviews	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle Maintenance	VM09	Fuel site reduction	N/A	N/A	N/A	N/A	N/A	N/A
Parks	PR01	Focus limited resources on "Jewel Parks"	304,000	313,000	323,000	334,000	346,000	1,620,000
Parks	PR02	Eliminate property tax subsidy for the Hudson Campbell Sports and Fitness Center	152,000	312,000	320,000	328,000	337,000	1,449,000
Parks	PR03	Eliminate property tax subsidy for the South Gleason Golf Course	117,000	242,000	250,000	259,000	269,000	1,137,000
Parks	PR04	Continue to pursue Marquette Park renovation	N/A	N/A	N/A	N/A	N/A	N/A
Parks	PR05	Establish a parks conservancy to support the City's parks	N/A	N/A	N/A	N/A	N/A	N/A
Parks	PR06	Maintain consistent and comprehensive program utilization records	N/A	N/A	N/A	N/A	N/A	N/A
Parks	PR07	Establish a formal grounds maintenance agreement with the private contractor	N/A	N/A	N/A	N/A	N/A	N/A
Genesis Center	GC01	Eliminate property tax subsidy for the Genesis Convention Center	361,000	740,000	760,000	782,000	805,000	3,448,000
Youth Services	YS01	Merge operations with the Department of Public Parks	N/A	N/A	N/A	N/A	N/A	N/A
Economic Development	ED01	Reorganize development functions in one division and unify strategy	N/A	N/A	N/A	N/A	N/A	N/A
Economic Development	ED02	Reconstitute Economic Development Department	N/A	N/A	N/A	N/A	N/A	N/A
Community Development	CD01	Cease funding of redevelopment activities until HUD findings are remedied	N/A	N/A	N/A	N/A	N/A	N/A
Community Development	CD02	Fund code enforcement with reprogrammed CDBG funding	87,000	87,000	87,000	87,000	87,000	435,000
Community Development	CD03	Fund new Development Division and reconstituted Economic Development Department with reprogrammed CDBG funding	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD01	Transfer demolition function to the Building Department	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD02	Improve professional redevelopment capacity	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD03	Use Tax Increment Financing (TIF) funds more effectively	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD04	Monitor and manage utility services	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD05	Communicate with on-site facility staff about utility usage, costs and priorities	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD06	Invest in energy efficient improvements	N/A	N/A	N/A	N/A	N/A	N/A
Redevelopment	RD07	Consider establishing an energy cost contingency account	N/A	N/A	N/A	N/A	N/A	N/A
Environmental Affairs	EA01	Coordinate brownfield development with other economic activities	N/A	N/A	N/A	N/A	N/A	N/A

**FY10-FY14 BUDGET PROJECTIONS
PFM INITIATIVES**



Fiscal Year Ending:	2010	2011	2012	2013	2014
Fiscal Year Ending:	2010	2011	2012	2013	2014
	Projected	Projected	Projected	Projected	Projected

Revenues

PROPERTY TAX	52,782,314	44,755,066	35,435,496	36,321,383	37,229,418
OTHER TAXES	3,959,266	2,762,400	2,765,613	2,834,754	2,905,623
LICENSES AND PERMITS	951,180	963,465	976,057	1,000,459	1,025,470
INTERGOVERNMENTAL REVENUE	15,413,414	15,904,265	16,201,908	16,604,782	17,017,726
CHARGES FOR SERVICES	1,666,146	1,870,775	1,899,795	1,939,365	1,980,498
FINES AND FORFEITURES	413,148	312,616	326,116	339,954	354,138
MISCELLANEOUS REVENUE	1,496,690	984,632	964,148	988,251	1,012,958
OTHER FINANCING SOURCES	7,702,500	7,602,563	7,502,627	7,587,692	7,777,385
TOTAL	84,384,657	75,155,782	66,071,760	67,616,640	69,303,215

Obligations

GENERAL FUND

10-MAYOR'S OFFICE	575,894	613,649	616,298	619,044	621,892
20-COMMON COUNCIL	893,335	902,519	911,969	921,695	931,705
30-CITY COURT	765,827	307,891	(0)	0	(0)
40-CITYCLERK	806,292	537,759	361,715	370,348	379,269
50-LAW	1,493,800	1,466,194	1,339,110	1,311,560	1,284,559
90-PUBLIC WORKS	853,881	857,347	860,949	864,692	868,582
100-FACILITY MAINTENANCE	644,600	660,715	677,233	694,164	711,518
160-HUMAN RELATIONS	0	0	0	0	(0)
190-STATUS OF WOMEN	8,397	8,397	8,397	8,397	8,397
200-HEALTH DEPARTMENT	563,961	569,131	574,458	579,945	585,599
210-ENVIRONMENTAL AFFAIRS	104,890	105,390	105,908	106,445	107,002
220 GENERAL SERVICES	633,863	636,227	635,600	634,183	633,200
240 POLICE CIVIL SERVICE COMMISSION	87,153	88,330	89,562	90,850	92,196
250-POLICE DEPARTMENT	13,239,082	13,203,004	13,315,157	12,801,840	12,911,164
258-POLICE DEPT SUPPORTIVE SERVICES	1,836,454	491,212	470,050	446,540	419,815
280-GARY FIRE DEPT COMMISSION	115,927	117,641	119,400	121,207	123,061
290-GARY FIRE DEPARTMENT	12,570,731	10,455,255	10,503,185	10,551,261	10,598,866
300-AMBULANCE SERVICES	1,774,553	1,187,104	1,190,318	1,193,686	1,197,212
310-CIVIL DEFENSE	27,495	27,563	27,634	27,709	27,788
420- YOUTH SERVICES BUREAU	3,500	3,588	3,677	3,769	3,863
430-VEHICLE MAINTENANCE	561,065	515,715	515,967	517,293	519,795
600-FINANCE DEPARTMENT	2,035,092	2,098,077	2,122,114	2,146,822	2,172,222
601-MEDICAL INSURANCE	5,157,012	4,940,199	5,513,350	6,103,621	6,849,900
602-CONSOLIDATED OPERATIONS	18,156,748	11,796,152	6,890,128	6,986,502	4,863,220

MOTOR VEHICLE HWHY

222-GENERAL SERVICES	1,229,852	1,259,030	1,290,992	1,326,023	1,364,437
223-TRAFFIC CONTROL	590,764	604,366	618,668	633,725	649,597
606-CONTROLLER'S UTILITY	1,200,000	1,230,000	1,260,750	1,292,269	1,324,575

OTHER FUNDS

253-PARKS DEPARTMENT	1,057,141	859,518	855,065	850,017	843,499
381-GENESIS CENTER	225,785	21,733	20,677	20,720	20,816
CITY OF GARY DEBT-2007	879,713	895,938	900,363	907,358	907,604
111-ENGINEERING	632,000	647,800	663,995	680,595	697,610
609-PUBLIC WORKS	710,000	727,750	745,944	764,592	783,707
618-FIRE PENSION	5,232,079	5,362,881	5,496,953	5,634,377	5,775,236
619 POLICE PENSION	5,794,000	5,938,850	6,087,321	6,239,504	6,395,492
221-GENERAL SERVICES (LOCAL ROADS)	1,147,205	1,201,119	1,258,169	1,318,560	1,382,512

TOTAL	81,608,091	70,338,041	66,051,073	66,769,311	66,055,910
FY NET BALANCE	2,776,566	4,817,740	20,688	847,329	3,247,305
FY ENDING CUMULATIVE BALANCE	2,776,566	7,594,306	7,614,994	8,462,323	11,709,628