

Russo, Stephanie

From: Nora's Miller Email List [noraglenn@threedognet.com]
Sent: Tuesday, January 05, 2010 8:19 PM
To: Russo, Stephanie
Subject: Fw: posted on www.threedognet.com/millerlist

Importance: High

----- Original Message -----

From: Nora's Miller Email List
To: srusso@sba.in.gov
Sent: Thursday, December 31, 2009 6:42 PM
Subject: posted on www.threedognet.com/millerlist

31 December 2009 18:38 CST | Posted by noraglenn

I TOTALLY AGREE WITH MCC! MCC, OF WHICH I'M A MEMBER, FOUGHT FOR THESE PROPERTY TAX CAPS!!

Contact Stephanie Russo at srusso@sba.in.gov ng

Miller group will oppose city tax plea

Comments

December 31, 2009
BY ANDY GRIMM, (219) 648-3073

CROWN POINT -- Gary's most active neighborhood group will protest the city's request for relief from state-mandated tax caps.

The city can survive without an estimated \$15.5 million in tax revenue lost to shortfalls from the statewide "circuit breaker" on property taxes, says Richard Barnes, a resident of the city's lakefront Miller Beach neighborhood.

Have you got something to say?

Residents may e-mail comments to Stephanie Russo at srusso@sba.in.gov or mail testimony to the Distressed Unit Appeals Board, 200 W. Washington, State House Room 212, Indianapolis, IN 46204.

A delegation from Miller Citizens Corporation, a decades-old community group based in Miller Beach, will attend a Jan. 6 hearing before the state Distressed Unit Appeals Board where the city will request an exemption from a statewide "circuit breaker" that limits property tax bills to no more than 3 percent of the assessed value of the property.

The MCC will recommend ending oversight by Public Financial Management, a private fiscal monitor hired by the city at the state's request, Barnes said.

PFM has recommended Gary continue to get relief from the tax caps for two more years.

The MCC will recommend getting rid of the fiscal monitor and forcing the city to live within revenues generated with the caps, Barnes said.

"We can do it ourselves. What's the monitor monitoring at this point?" Barnes said. "PFM did not have the information they needed to make a recommendation, and they aren't familiar with the demographics and makeup of Gary."

Higher taxes will harm Gary more than the reductions in spending and cuts to city services, Barnes said.

"If the taxes are higher, people vote with their feet, and they move," Barnes said. "That lowers property values and hurts the city more."

City residents saw rates rise 85 percent for the Gary Sanitary District for sewer service and a new monthly fee for trash collection when Mayor Rudy Clay hired a private company to handle garbage pickup, Barnes said.

The MCC has sued to block the trash collection fee.

The MCC, and any member of the public can testify at the hearing, will have three minutes to make their presentation, said Cris Johnston of the DUAB.

Russo, Stephanie

From: faith6266@aol.com
Sent: Thursday, January 07, 2010 8:51 AM
To: Russo, Stephanie
Subject: Property

I live in Gary Indiana and I have all my life and I have been property taxes on my home since 2005 and over these years our taxes have been the highest than any other area, In 2008 alone I paid \$3000 dollars in taxes and reconcile taxes and I live in Black Oak Section of Gary, my house a lot of work so I cannot see high taxes for a small one bedroom. The reason why Mayor Clay wants to keep the taxes high is for the comfort that he and his workers are used to because the money sure is not going for the city, just come look at it. The drug dealers need to be taxed they own the city anyway so I say no more taxes!!

Russo, Stephanie

From: bkwoody@comcast.net
Sent: Wednesday, January 06, 2010 5:37 PM
To: Russo, Stephanie
Subject: Opposition to Gary's Request for Exception to the Property Tax Cap

Dear Ms. Russo:

I am writing to express my opposition to Gary's repeat request for an exception to the state's property tax cap. As a result of the exception granted last year, my property taxes nearly doubled, I had an ecrow shortage and my monthly mortgage payment for 2010 increased by 20%. I feel there is too much wasteful governmental spending in the city of Gary and quite frankly, its tax paying citizens do not have a lot to show for it. I would prefer that the city be forced to make difficult decisions to cut spending than continue to ask its citizens to pay more than our share.

Thank you for your consideration.

Sincerely,

Bryan K. Woodruff
1128 N. Warren St.
Gary, IN 46403

AFSCME Council 62 Report to the DUAB

In light of the pending decision in regards to the economic devastation that is faced by the City of Gary, we offer the following thoughts and ideas.

The members of AFSCME Council 62 Local 4009 and Local 3491 cooperated with the numerous requests of the present administration to aid in decreasing expenses in spite of the lack of the Administration's willingness to be transparent in its decision making processes and dealings.

Our members have suffered through furlough days, a 3% reduction in Employer Contribution for our retirement benefits (PERF) in lieu of raises, we have watched competent, qualified and experienced members jobs be eliminated while incompetent, inexperienced and unqualified cronies, relatives, and friends are brought in to do the same job with a different name. We lost over 100 members due to the non-strategic lay-off procedure conducted by the City, which in turn has increased workloads, caused a decrease in quality services to the citizens and decreased the overall morale of all employees.

The City is now requesting funding to continue to provide ample services to its citizens. Our concern is that if the funding is received, the past fiscal behavior that has contributed to the problem be dissipated. We offer the following examples of the irresponsibility:

Duplication of Services

- The City maintains a Gary Employment Resource Center and also has a fully functioning Human Resources Department. There is also a Workforce Development Agency chartered by the state located within the City. **(The salary for the GERC department is \$45,000, a cost that could be applied to another area)**
- The Gary Park Department does not maintain the parks in the city; the General Services division completes this duty yet there is still a Superintendent, Deputy, and a Facilities Manager of the Hudson Campbell that are full time employees.

Wasteful Spending

- In 2008, the amount spent for promotion was \$278,390.00 from the General Fund with the Council responsible for \$201,573.00 of the total.
- Payments were made to vendors for minor repairs on the Mayor's Hummer
- The City paid travel expenses for an individual to fly from California, stay at the Raddison from January 24 to January 28 to act as the Master of Ceremonies at the Mayoral Inaugural Ball.
- The City paid \$28,000 for the ticket-takers at the Railcats Baseball Stadium
- City Officials spent in excess **of \$200,000.00** at the skyboxes of the Railcats Stadium for entertainment.

- The Administration consistently cancels trips and causes the city to lose cancellation fees. In one case, the city lost in excess of \$600 in fees.
-

Excess Payroll

If streamlining is needed, elected officials should be included in the process. i.e,

- City Council members meet twice a month but receive full time pay and benefits. Comparable municipalities utilize a stipend structure that provides members with payment based on Council related efforts. In comparison a Custodian Floater in General Services full time salary is \$20, 592.00 are being asked to pay a higher insurance premium and furlough days.
- The main fiscal department of the city (Finance Department) maintains a team of Senior Accountants and Accounting Manager of which none hold a degree in Accounting or perform critical accounting duties.
- The city has a Deputy Mayor (\$61,800 –does not include additional salary from GSD) and Chief of Staff (\$75,651.00). The recommendation has been to incorporate a City Manager into the Administration. One or the other of the afore-mentioned positions can be eliminated to save funds.

Costly Errors and Negligence

- The insurance benefits for employees had the potential to generate a much greater savings for the entire city (Citizenry, Employer & Employees) had the practice of good faith and transparency been in effect. The city could have had access to a professional research team through the union. Instead, the employees are forced to pay for a high cost insurance premium with no consideration for the fact that the salaries of the employees are the lowest in the region and country. AFSCME was willing, able, and ready to afford a full professional research department where more than the broker and employer are the benefactors.
- Unemployment benefits for laid off employees were reduced and in some cases terminated due to a reporting error made by the City of Gary. The State of Indiana has indicated that the error was made by the City but the City denies any responsibility in the error.
-

Russo, Stephanie

From: Hervey Burnett [herveyburnett@ymail.com]
Sent: Wednesday, January 06, 2010 5:02 PM
To: Russo, Stephanie
Subject: testimony

please help tax to high and property value access to high about to lose everything

Russo, Stephanie

From: Patrick Lavery [PLavery@Maiengr.com]
Sent: Wednesday, January 06, 2010 9:38 AM
To: Russo, Stephanie
Subject: raising taxes in Gary Indiana

I am writing to urge that the state of Indiana not allow the city of Gary to raise taxes on Gary homeowners. The taxes that are currently collected are misspent and wasted. Allowing the city administration the power to further increase the taxes in Gary is a hardship for the residents and rewards inefficient government here and does nothing to solve all the many problems this city faces.

Please do not raise our taxes.

Patrick lavery
Gary Indiana

Russo, Stephanie

From: Ann Gallagher [annmg@earthlink.net]
Sent: Tuesday, January 05, 2010 8:20 PM
To: Russo, Stephanie
Subject: Distressed Unit Appeal Board for Gary Indiana

My name is Ann Gallagher and I've been a resident of Miller for ten years.

I am the co-owner and developer of East Edge, a residential real estate development in Miller with my husband and business partner Jay Gallagher

In 2009 I rode a bicycle for four months across the continent of Africa through ten developing third world countries. Throughout the journey I pondered why some countries have become accustomed to begging and dependency as a way of life and some have not. I suspected that reading *Dead Aid, Why Aid Is Not Working And How There Is A Better Way For Africa*, by Dambisa Moyo might shed some light.

In the book Moyo illuminates the way in which over reliance on aid has trapped developing nations in a vicious circle of aid dependency, corruption, market distortion and further poverty, leaving them with nothing but the "need" for more aid. By reading this book I intended to gain understanding of the culture of dependency in developing countries like Ethiopia. Instead, between the lines on every page I was actually reading about Gary Indiana. The aid to Gary is in the form of tax dollars.

The fact of the matter is, governments need cash. Perhaps nowhere is the role of government more crucial- as a strategist, as a coordinator or even to some extent, as a financier- than in developing countries and in this case the city Gary.

For the early stages of development, the private sector is simply not large enough to assume a central development role. Traditionally, this is where aid stepped in. But as others who have spoken here today have argued, the Gary government has not delivered any meaningful or substantial economic performance.

Even if it were true that aid had contributed to economic growth, there are three compelling reasons why Gary should seek alternatives to finance its development.

- 1) Taxpayers have grown weary, are facing their own financial pressures and have options to live and do business elsewhere.
- 2) The Gary leadership does not possess the ability or knowledge to perform the crucial role as strategist, coordinator or financier.
- 3) As in many aid recipient countries, corruption is a way of life in the Gary government. The list of corruption in Gary is lengthy but the point is not that it exists; the point is that increasing the aid via increasing taxes is one of corruption's greatest catalysts.

Surly the DUAB knows there are alternatives to promote growth and increased revenues which are predicated on transparency, do not foster rampant corruption, and through their development provide the life blood through which Gary's social capital and economies can grow WITHOUT extorting more money from the Gary taxpayers.

Russo, Stephanie

From: chrysalisllc@gmail.com on behalf of jay gallagher [jay@chrysalisllc.com]
Sent: Tuesday, January 05, 2010 8:46 PM
To: Russo, Stephanie
Subject: Distressed Unit Board of Appeals, Gary IN

Hello Stephanie,

This is a copy of a 3 minute presentation that I will make before the board tomorrow at the DUAB meeting in Indianapolis. I've been asked to E-mail it to you as well.

Regards,

Jay Gallagher

My name is Jay Gallagher and I've been a resident of Gary for over 10 years. I've been developing real estate for the past 23 years, the last few of which have been in the city of Gary.

My wife and I have undertaken what is likely the largest privately funded residential real estate development in Gary in decades. We purchased an entire city block on the east side of the city in the Miller Beach neighborhood and made substantial investments in environmental abatement, utility infrastructure and landscaping. We have built just 6 of the planned 44 residences which will eventually produce hundreds of thousands of dollars in additional tax revenues. With our partners we have invested several million dollars to date.

We invested here because we saw a distorted market in real estate values where properties in close proximity to like-kind properties have values that are significantly different. Miller property is lower in value than all of the other beach communities from Chicago well into Michigan in spite of the fact that our beach is longer, wider and the water cleaner.

The first objection that we have to overcome with our buyers is the tainted Gary "brand". "Is it safe? How are the schools? How are the city services? Where are the local eateries and shopping?" And of course "What are the taxes?" In the few years since we started the development the questions are not getting easier to answer but more difficult. It's not easy to dance around facts: High crime, poor schools, terrible city services minimal restaurants and shopping and now we pay higher taxes than the rest of the state.

The only thing that is going to pull Gary back from financial ruin is not higher taxes but more people like us, private individuals and investors who are willing to put their money at risk and create new jobs and opportunities that will eventually produce more tax revenues for the city. The answer is not to further burden the residences and businesses that are already bearing more than their fair share of the cost to run the city because of its disparate demographic makeup, but to hold the administration responsible for living within the revenues generated within the caps like the other municipalities in the State.

We've seen many new people moving in who are all enthusiastic about the area's potential. Unfortunately, of late there has been an exodus even greater than the influx. People are jaded, weary and fed up with fighting higher taxes, fighting against ridiculously grandiose ideas for development put forward by the city that quite frankly are laughable. They're tired of paying more and getting less and they're moving out. The very life blood that could begin to sustain and eventually rebuild Gary into the vibrant city that it once was is going away. Please do not allow this appeal to go forward because in reality it's not helping Gary, it's just another death nail in the coffin.

Russo, Stephanie

From: Sandra Rodriguez [millerbeachfarmersmkt@gmail.com]
Sent: Tuesday, January 05, 2010 10:34 PM
To: Russo, Stephanie
Subject: Do not lift the property tax cap in Gary

As a new resident of the State of Indiana in the Miller section of Gary, I am deeply concerned about the mismanagement and poor leadership of the mayor and his appointees. Gary residents pay the highest property taxes in the State of Indiana. I believe the City of Gary continues to waste taxpayer dollars through bad decision making, mismanagement and malfeasance. Please do not allow the tax cap to be lifted.

Sandra Rodriguez
Market Manager
Miller Beach Farmers Market

11:30am-3:30pm
2ND & LAST SUNDAYS THRU OCTOBER
at Marquette Park United Methodist
215 N. Grand Blvd., Gary, IN 46403

millerbeachfarmersmkt@gmail.com
219.938.7720
cell 773.459.2058

Russo, Stephanie

From: Sue Kovachevich [suek1957@yahoo.com]
Sent: Wednesday, January 06, 2010 12:52 AM
To: Russo, Stephanie
Subject: Tax Caps - Not in Gary???

I am a resident of Gary and am appalled that the state would even consider the City of Gary's request to be exempt from the Tax caps that are in the process of becoming law. The fact that they have already been granted the right to add .88% to the tax cap until 2020 is ridiculous. But to ask to be totally exempt is going to cause myself and others to finally say TOO MUCH. The added .88% is a great burden. My real estate taxes use to be \$1200 a year, then they went to \$14000, now they are at \$8200.....the only thing that allows me to stay here is the fact that my mortgage payment is smaller than my car payment. I have actually been trying to sale my home for 2 years now. No one will bite. Why?? Could it be the taxes?? Nah!! The state wouldn't allow us to be taxed out of our homes. I can't believe that Mayor Clay would even begin to suggest exempting the City of Gary from the tax caps. The State needs to step in and take over receivership of the City of Gary in order for the City to survive. Please do not allow the City of Gary's petition to pass.

**Susan Kovachevich
8337 Lake Shore Dr.
Gary,In 46403**

Russo, Stephanie

From: police_chief@comcast.net
Sent: Wednesday, January 06, 2010 2:37 AM
To: Russo, Stephanie
Cc: Cassandra Stigger; Ayanna N Wright
Subject: Fwd: AFSCME Report to DUAB
Attachments: AFSCME Council 62 Report to the DUAB.doc

Stephanie,

Please ensure the DUAB receives this information (attachment) for their morning hearing. I apologize for the late addition but feel its very important to the deliberation and decision facing them. The fiscal monitor's report DID NOT include some of the waste listed in this report, e.g., the Job Resource Center and staff. The city failed to provide information/records (as mentioned in their report) for several areas.

Added note: The park superintendent is paid \$62,000 annually plus staff. During the past summer there were only TWO swimming pools in service, the grounds were seldom maintained, most former park employees were transferred to General Services - all evidence that this department should be eliminated and outsourced. Hutson-Campbell fitness center should be supported by user-fees and privatized.

It is clear that the fiscal irresponsibility demonstrated by the city administration has contributed significantly to its demise. The arrogance shown in the city's 27 slide presentation to the DUAB supports citizens' unrest with the request for assistance. There are many instances of misleading conceptions about consolidation shown 'on paper' only. The DUAB should require the city administration to explain in detail exactly what has happened.

Why is the fire department repairing their vehicles? What happened to the NEW vehicle maintenance service center? What was the phony 'Adopt-a-Facade' program on Broadway about? Why were those funds wasted? The questions go on and on and on but no answers are forthcoming.

Thank you for all the assistance.

Douglas M. Wright%2C Chief of Police (Retired)%0D%0A(219) 939-0631 Residence%0D%0A(219) 902-6963 Cell%0D%0A(219) 939-0654 Fax

"A goal without a plan is simply wishful thinking - unfulfilled"

----- Forwarded Message -----

From: Cassandra Stigger <afscmecas@sbcglobal.net>
To: Douglas Wright <dr_douglas2003@Yahoo.com>
Sent: Tue, January 5, 2010 5:14:58 PM
Subject: AFSCME Report to DUAB

Russo, Stephanie

From: Christina McDade [cdmcdade@sbcglobal.net]
Sent: Wednesday, January 06, 2010 5:28 AM
To: Russo, Stephanie
Subject: I oppose the city of Gary's request

I have three reasons why I oppose the City of Gary's request to exempt themselves from the caps:

1. Being a lifelong resident of Gary, with a few years out of the city after high school and college, I really do not see where our money goes. I have lived and travelled to many cities similar to Gary (for instance I lived in Baltimore for a number of years), and I've seen their attempts to revitalize their economy and way of life outside of industry. The City of Gary doesn't try and it doesn't support, only when its convenient for them. For example, many opposed King when he built the baseball park in downtown Gary. Many citizens were convinced not to support the park. But the park brings in customers from outside the city, and if you go to a game, you will be hard pressed to see a city official supporting the park. But everyone was there for the Michael Jackson memorial concert when tv and news from around the world were present.

2. I am a school social worker currently working for a charter school in Gary, and its a shame that little children know the word foreclosure. The number of parents who simply cannot afford to live in their homes are staggering. The number of families asking for help to save their homes or help with basic living needs is daunting. When parents really want to talk about their situations, a lot of them mention that when their property taxes went up, and when the mill laid off, it became hard to keep up the payments.

3. I want to know where our money is going, and where the people in the executive offices of the city live. Where does the money go, especially when people have a hard time receiving services, and its been recently revealed in newspaper articles how top heavy the city is in its government and even with its public school system? Also, why is it a running city inside joke that our Mayor keeps a fake home on 15th avenue, and that he actually lives outside of the city, where the property taxes are much cheaper?

I love my city and I have a vested interest in seeing my city become successful. However, throwing money at the situation is only going to keep the same things that have been going on since I could remember. Nothing has changed, and the city needs a wake up call.

Christina D. McDade

" Be the change you wish to see in the world."

Mohandas Ghandi

Russo, Stephanie

From: ALEXIS BANKS [alexis.banks@sbcglobal.net]
Sent: Wednesday, January 06, 2010 8:49 AM
To: Russo, Stephanie
Subject: Gary

I have lived in Gary for 20 years. I choose Gary for the location as it is close to my job. It certainly was not for the schools (the worst in the state). Thankfully my children are grown. I own 2 properties in Gary. But if my property tax cannot be capped like everyone else in Indiana due to Gary getting assistance to stay afloat from the state, then I have no choice but to pull up stakes, sell my home and my other property (both at a loss) and move to another town. As I watched the city of Gary for the past year, I have seen no changes in the way the city conduct their business. What am I paying taxes for? Rudy Clay's Hummer and personal bodyguard/driver? Certainly not for any city service. My street has not been plowed or salted at all this winter. Never. Our garbage is being picked up at an additional cost (not property taxes) from an outside contractor. The sidewalk in front of my home is crumbling and has been for years, the streets around my home are full of potholes. Some homes on my street have been abandoned and it looks like urban blight creeping in. Thankfully I had not had to utilize the police or fire department this past year. So all in all, I sure did not get any bang for my buck, sort to speak. I have a co-worker who lives in Munster Indiana. I am not sure if you are familiar with Munster, but it is comparative to Carmel by Indianapolis. My co-worker has a bigger better house than me, a cleaner safer neighborhood than me, receives better and more responsive city services and his children go to better schools than Gary can ever hope to have, yet he pays **less** in property tax than me. His property value goes up yearly, while mine has stayed the same every year. Go figure. What the city of Gary needs to do is downsize and cut out the perks. The population has certainly downsized, so the government has to downsize.

Alexis Banks

Russo, Stephanie

From: craig kloss [craigkloss@sbcglobal.net]
Sent: Wednesday, January 06, 2010 9:26 AM
To: Russo, Stephanie
Cc: craigkloss@sbcglobal.net
Subject: NO to Gary, IN Property Tax Appeal

Dear Ms. Russo,

Another tax relief appeal hearing for Gary, IN, is scheduled this year, for today, Jan. 6, 2006. **I ask for NO higher TAX rates for the tax payers of the city of Gary.**

With respect, I would like you to consider the items that follow:

- * The taxpayers of the City of Gary, have, in 2009, payed approximately DOUBLE the rate of the rest of the state.
- * The property tax cap has and is being manipulated. By Gary issuing bonds, the taxpayers must pay the cap plus service the debt on bonds. In addition, the debt for Gary School corp. is added to property taxes above and beyond the tax cap.
- * One of the main causes of the city of Gary's tax plight is the erroneous assessment of the U.S. Steel property. This assessment, conducted by the state of Indiana, undervalued the property at 100 million dollars. The property in question is a seven mile long by one mile deep swath of prime lakefront property, This property holds one of the world's largest and most profitable steel manufacturing facilities in the world. Assessment experts have pegged this property to be not 100 million dollars but upwards of 1 billion dollars.
- * Private organizations, to survive, learn to cut fat, retain necessities and look for outside ways to bring revenue to their operations. Government entities, like the city of Gary, must do the same, By saddling small businesses and other taxpayers with an inefficient government's debt, the city is strangling its occupants in order to avoid taking appropriate budget cutting measures.

Again, I ask for NO higher TAX rates for the taxpayers of the city of Gary.

I thank you in advance for your time and consideration,

Sincerely,
Elizabeth Kloss
Resident of Gary, IN

LAKE COUNTY COUNCIL

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307
219-755-3280
FAX: 219-755-3283



LAKE COUNTY GOVERNMENT CENTER
CROWN POINT, INDIANA

7th District
LARRY BLANCHARD
134 HORST STREET
CROWN POINT, INDIANA 46307
HOME 662-8219

January 4, 2010

To: Distressed Unit Appeals Board

Fr: Larry Blanchard; President
Lake County Council

Re: Gary City Court

Please let this memo serve as official notification that the Lake County Council did not adopt a budget nor approve appropriations in our 2010 budget, that would financially permit us to assume the operation of the Gary City Court.

As you are well aware, all Civil Taxing units in Lake County are under a levy freeze and have been for three consecutive years. Granting additional appropriations outside approved levies has absolutely been out of the question in the past and we are confident that practice will carry forward into the 2010 budget.

Impact of Higher Property Taxes on the Residents of Gary, Indiana

The City of Gary, Indiana, has filed for exemption from state mandated caps on property taxes, the second time in as many years that the Gary city administration has done so.

City officials argue that they will face terrible financial consequences if they are not granted their request that allows the City of Gary to tax its property owners at the highest rate in the State of Indiana.

While the City points to the impending doom if its request is not granted, no one has examined or analyzed the financial impact on the taxpayers of the City as to the effect such a tax rate would have on property values and the ability of the residents of the City of Gary to survive another year without tax relief.

The Tiebout Hypothesis: High Property Taxes / Lower Property Values

There is an extensive amount of literature dealing with the relationship between property taxes and the value of real estate, both land and structures.

What has become known as the Tiebout Hypothesis was first presented by Charles M. Tiebout (pronounced TEE-boo) in 1956 and published as "A Pure Theory of Local Expenditures."

Tiebout proposed the idea that consumers actually shop around and compare their cost for public services before making a decision as to where they might reside. Property taxes become a consideration for people in deciding where they are going to live and what services they receive in exchange for their property tax dollars.

Wallace Oates tested the Tiebout Hypothesis suggesting that in communities that have a higher tax rate than their neighbors, they will see a decline in property values as people decide to move and live elsewhere, reducing the demand for housing in that community.

"This is important for comparing the effects of property taxes across communities; it means, for example, that if one community... levies higher tax rates than a neighboring municipality in order to provide the same quality of public services, property values in the former community will be depressed relative to those in the adjacent community where tax rates are lower. Consumers thus appear to some extent to "shop" for public services. If one community can provide a given program of public services more "cheaply" (that is, with lower tax rates) than another, at least some individuals appear willing to pay more to live there." (Oates, p. 967)

Thus there seems to be a negative correlation or inverse relationship between the two variables: (1) as property taxes go up; (2) real estate values go down.

The DUAB in attempting to bail out the City of Gary by allowing them to operate with a higher property tax rate than neighboring communities is actually contributing to the reduction of the value of real estate in the city. As property taxes continue to remain high, property owners – especially with a decline in public services – shop and move to adjacent communities leaving more vacant housing, lower property values and lower property tax revenue for future city revenue.

By granting the City of Gary yet another year of exemption from tax caps and creating a disparity in property tax levels between Gary and adjoining cities, DUAB runs the risk of creating a downward spiral in property values and continued out-migration from which the City of Gary may never recover.

Oates found that “differences in property taxes and public services were reflected in home values.” (Oates, 1969) Thomas Dee also noted “Communities with better schools and lower taxes have higher home values. (Dee, 1990) Thus lower property taxes are once again correlated with higher property values.

Dee, T.S. 2000. “The Capitalization of Education Finance Reform.” *Journal of Law and Economics* 43 (April): 185-214.

Fischel, W.A. 2000 “Public Goods and Property Rights: Of Coase, Tiebout, and Just Compensation.” *The Economics and Law of Property Rights*, Hoover Institution, Stanford, CA. May 15, 2000.

Tiebout, C. “A Pure Theory of Local Expenditures.” *The Journal of Political Economy*. 64 (October 1956): 416-24.

Oates, W.E.. “The Effects of Property Taxes and Local Public Spending on Property Values.” *The Journal of Political Economy*, Volume 77, Issue 6 (Nov-Dec., 1969) , 957-971

Nicholas T. Johnson, MD
Associate Director, EMS
Methodist Hospitals
600 N. Grant St.
Gary, IN 46402
njohnsonmd@gmail.com

Distressed Unit Appeals Board
Office of Management and Budget
200 West Washington Street
Indianapolis, IN 46204

To Whom It May Concern:

I am the Associate Director of Emergency Medical Services for Methodist Hospitals in Gary, Indiana. I have spent the past few years working closely with the men and women of the Gary EMS system. Throughout my career I have interacted with many different EMS systems in urban and rural areas in Indiana and Illinois. Starting as a Nationally Registered EMT, I have some intimate knowledge of the difficulties that EMS personnel face on a daily basis. I am continually amazed with the dedication, expertise and bravery of the Gary EMS personnel.

Gary, Indiana is a unique, urban area with no lack of medical and traumatic emergencies. The large population of the city, the high traffic through the area and large industry supplies the system with an extraordinary amount of medical acuity. Gary ambulance crews can efficiently make 20-30 patient runs per 24-hour shift, which exceeds the patient load of a busy ambulance in Chicago. The high percentage of traumatic injuries in the area helps to make Gary EMS experts in the treatment and quick transport of the trauma victim. Experience with penetrating trauma (i.e. gun shot wounds) is paramount in this area, and I can always count on Gary EMS personnel to quickly and effectively treat victims of violent crime.

In an area that receives relatively sparse police coverage, Gary requires hardened and brave civil servants. The men and women of Gary EMS will frequently put themselves in harms way to retrieve both medical and trauma patients from hostile environments. Proper judgment and experience in combination with bravery makes them invaluable to the patient population. In situations where seconds count, sometimes a patient cannot wait for a completely safe environment before they are transported. I can verify that many patients lived only because Gary EMS got to them before the police were able to secure the scene.

Much of the compassion and dedication of the Gary EMS system is a result of the personnel having a large representation of Gary citizens. People that grew up in the area have more intimate knowledge of the community and can better relate to the problems of the population. It is not uncommon to have a Gary EMT or paramedic bring in a patient that was a former classmate. It is extremely helpful when EMS can tell me the patient's medical history from the past years' interactions.

I believe that the people that make up Gary EMS are an invaluable and intangible asset to the community. Numbers cannot explain the benefit to my patients. The City of Gary will suffer if it loses the EMTs and paramedics of Gary EMS.

Thank you for your time and consideration. Please let me know how I could be of further service.

Respectfully,

Nicholas T. Johnson, M.D.

Russo, Stephanie

From: christine leonard [leonard.christine@sbcglobal.net]
Sent: Tuesday, January 05, 2010 3:10 PM
To: Russo, Stephanie
Subject: DUAB Meeting in Indianapolis Jan. 6, 2010

Dear Ms. Russo,

Please forward the following comments from me to the DUAB, for the January 6, 2010, meeting being held in Indianapolis. Thanks very much for assisting so many of us.

----- my comments as follows -----

TO: The Distressed Unit Appeals Board
1 North Capitol, 9th floor Conf. Rm.
Indianapolis, Indiana

The City of Gary, Clay administration, has requested a repeal of property tax caps through your Board, this meeting to take place on January 6, 2010.

As a resident of Gary, I am strongly opposed to approving this request. If this repeal is successful the result would be even higher property taxes for Gary residents. The residents of Gary have been struggling to improve conditions in our area for a long time now. We have seen no positive action coming from the City administration to help get this city back on its feet.

If the City's request for relief from tax caps is granted, the administration will continue to act in the same manner as has been their practice for a long time - to spend, distribute, any money received in an irresponsible and costly manner. They must be held accountable for their prior poor decisions. The city can, and should, work this out on their own - without taking more from its citizens.

THANK YOU.
Christine Leonard
6960 Ash Place
Gary, Indiana 46403

December 31, 2009

Ms. Stephanie Russo
Distressed Unit Appeals Board
200 W. Washington Street,
State House Rm. 212
Indianapolis, IN 46404

Dear Ms. Russo,

Our name is Anthony & Carolyn McClinton. We are residents of the City of Gary who resides at:

1110 N. Saint Joseph Street, Gary IN 46403
Our home telephone number is 219 938-8349

This letter is sent in hope that the Distressed Unit Appeals Board (DUAB) does not give the City of Gary any more relief. The City of Gary's elected officials must live within the means the city is able to provide city services.

For far to long the elected officials of the city have spent tax payer dollars foolishly on unnecessary activities, festivals, giveaways, etc... instead on the essentials of city government. The elected officials always found money to spend on their own self-promoting projects like the Miss U.S.A. beauty pageant of Donald Trump, baseball stadiums etc...

If the DUAB forced the city to operate within the tax cap as the other city and town governments within this state, business who may want to invest in this market know the taxes are under control and the city is conducive for profitable business investment.

Carolyn and I originate from Illinois. We built our home in this city because we believe this city is an attractive place to live. If the property taxes continue as they are, we will not be able to remain residents.

Anthony McClinton / Carolyn A. McClinton
Anthony & Carolyn McClinton

Russo, Stephanie

From: kelymich@sbcglobal.net
Sent: Tuesday, January 05, 2010 9:33 AM
To: Russo, Stephanie
Subject: Deny Gary's Exemption

Please deny Mayor Clay's request to exempt Gary from the state mandated tax cap. It will raise taxes on home owners and the already highest taxes in the state will have the opportunity to be raised even higher. This request is irresponsible and is another example of Mayor Clay's ineptitude!

Kelly Evans

Sent via BlackBerry by AT&T

Russo, Stephanie

From: Beach46403@aol.com
Sent: Thursday, January 07, 2010 9:54 PM
To: Russo, Stephanie
Subject: DUAB article and comments from Post-Tribune 1/7/2010

watchful eye wrote:

Does anyone else notice all of the city officials in this picture?? They're very afraid for their jobs, all paid for by line items in our property tax bills.

It doesn't matter how many solutions we present if they fall upon deaf ears. Rudy is not one to heed sound advice; if it isn't HIS idea, he'll double talk you and scrap it(i.e., he promised to CONSIDER several PFM recommendations).

The DUAB members are not listening to what the people of Gary are really saying. I for one wouldn't mind tightening my personal finances and paying higher property taxes, provided that the current administration had a plan based on responsible government and sound fiscal policies.

I cannot put my faith in, or gamble my financial future on, a mayor who hasn't finished ONE overly hyped project, and who continues to pin the entire economic future of our city on an ill-conceived, bad-timed, unpopular and unnecessary Michael Jackson museum.

It doesn't say much about this mayor if the citizens feel that the only way to get rid of him, and everything he represents, is to let what's left of our beloved city die!! If the DUAB don't hear the message we're sending, then they're in la-la land themselves.

1/7/2010 7:13 PM CST on post-trib.com

[RecommendReport Abuse](#)

[Unable to display image]

d chicago wrote:

I was an idiot who donated to the Civil Rights Museum; while broke in college. What was I thinking? Byron Allen looked so mad during the telethon because he knew his career was shambles at that point.

At least he was able to pick himself up and move on but we're searching for an identity as a city beside ineptitude and murder.

Sorry. I just had a bad flashback after reading the previous post.

1/7/2010 3:35 PM CST on post-trib.com

RecommendReport Abuse

wrenchbender wrote:

Just look at what Rudy clay did before he got involved in politics. He was an insurance agent. He lost his agency due to some very irregular practices in respect to the forwarding of payments to the main office. The citizens of Gary continue to elect these crooks since Hatcher and expect to be bailed out. Speaking of Hatcher and Gary's financial woes, the feds still can not account for millions wasted or stolen during his years a mayor. Nor can anone account for the monies collected for the "Civil Rights Museum". Things will not change until the culture of graft and waste are rid from the city.

1/7/2010 3:00 PM CST on post-trib.com

RecommendReport Abuse

keith wrote:

Look at the pained bored look on the faces of the DUAB people hearing the same song and dance again from that minstrel Rudy Clay and his idiot Celita Green.

Clay and Green said they will consider several PFM recommendations,LOL consider like you have any choice in the matter.Laziness,stupidity and incompetence the trademark traits of Gary government. The tax caps need to and will be put into the Indiana state constitution to protect the decent taxpayers of Lake County.

Gary is a dying tax wasting burden on the entire state of Indiana and it's time for a bullet to end this misery.

1/7/2010 1:16 PM CST on post-trib.com

RecommendReport Abuse

d chicago wrote:

Open Challenge To Rudy Clay Supporters:

I realize that many of us have been hard on Rudy Clay. So here's my challenge to those who support Rudy Clay:

Please list any promise or proposal that Rudy has successfully put forward.

Maybe I'm not well versed in what Rudy has promised but here's my list of what hasn't happened (regardless of my support or not):

[Unable to display image]

[Unable to display image]

[Unable to display image]

1> Closing the Miller Station to develop a downtown station.

2> Sheraton development

3> Chinese investors in Gary

4> Teaching hospital at IUN

5> MJ museum (without using city funds)

6> The efficient use of taxes in Gary

Now let's hear your list of Clay accomplishments.

1/7/2010 12:55 PM CST on post-trib.com

RecommendReport Abuse

d chicago wrote:

I know many will call this a takeover or "coup" but beggars can't be choosers also.

1/7/2010 12:29 PM CST on post-trib.com

RecommendReport Abuse

d chicago wrote:

Compromise solution. Give Gary its last one-time tax cap relief only if Clay steps down and a state mandated city manager is assigned to the city. The city manager stays in place for no more than 2 years to lead the city into the a fiscally responsible position.

This would allow one year to prepare for the transition into the tax capped future. The second year would be used to guide the city through a tax cap year. Then a new election can take place with an wide understanding that city is operating within the constituional tax cap.

It's just an idea and I'm nearly out of ideas for this situation.

1/7/2010 12:26 PM CST on post-trib.com

RecommendReport Abuse

bored member wrote:

I am sick of the clown show. Why was there no mention in the article about Rudy resting the economic vitality of Gary on the MICHAEL JACKSON MUSEUM?

While I realize some relief must be granted, citizens deserve some relief also.

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[Unable to display image]

[Unable to display image]

Why are you going to hire a Chief Operating Officer? what does the Deputy Mayor do for the \$125,000 she earns? What does the Chief of staff do for the \$115,000 she earns? They are the ones to ensure the day-to-day operations are run correctly. Are you going to vacate their positions, or just add another \$100,000+ position to the already bloated city payroll?

Clay is requesting 30 million in relief. I would not grant more than 15 million until he shows he can properly manage it.

1/7/2010 11:25 AM CST on post-trib.com

RecommendReport Abuse

watchful eye wrote:

To: Critical Mass

I liked your comment about Rudy calling Gary a 'Leader.' I attended that meeting and I was amazed at the number of people who didn't catch the comical irony of that utterly ridiculous claim.

Let's face it, churches and Section 8 slumlords are the one's who don't pay property taxes; yet they are the majority property owners in Gary.

It would make the DUAB's decision whether or not to give Rudy any more 'tax relief' if it were the State's money he was asking for instead of that of the few remaining homeowners and business owners.

1/7/2010 9:51 AM CST on post-trib.com

RecommendReport Abuse

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w.d wrote:

The City of Gary and all of its officials from the Mayor down have pushed their Trojan Horse through the county and state too many times. These vampires drained the life out of a prosperous city that began with Hatcher. They cut all the city services while their personal party continues. It is to late to vote them out or to impeach themselves out. The city is now a violent ghost town museum.

1/7/2010 8:33 AM CST on

wildkard1 wrote:

Face it people this once great city is and has been circling the drain. 100% property tax collection, ya ok. Not gonna happen. They say that not meeting a 70% tax collection rate is why the Police have not recieved their raised that were agreed upon years ago which has subsequently caused the flight of 30+ officers in the last 6-8 months. Also enough with the section 8 and public housing already. The federal Government does not pay the city for those houses that are rented out. Not to mention the slumlords rent the houses, collect the money then default on the house so they don't pay the taxes to the city. Do you think the average slumlord or thug cares about not paying taxes? That is why the good people that are left in Gary are feeling all the weight. They are being forced to pay theirs and their neighbors because of just that point. Move out now. Martial law is just around the corner. Again...you voted for him and this is what you get and if you didn't vote at all. Ha ha ha. I know Rudy did not cause this whole thing but he has done nothing to better it and in fact has made most of it worse. Half the things he claimed to have cut in the above article are lies ghe is still spending at his leaisure and cutting at the public safety level to allow it. Don't believe me? Look into it for yourselves.

1/7/2010 8:00 AM CST on
post-trib.com
RecommendReport Abuse

[Unable to display image]

[Unable to display image]

critical mass wrote:
I wonder if the DUAB members knew that at one meeting of the City Council, Rudy Clay had the audacity to get up before the public and tell them that "Gary is a leader!" and that it was the first to appear before the DUAB and get their wishes granted for more property taxes. "Other communities are now going to follow Gary and wish THEY had asked for property tax relief. They are following us and we are the Leader!"

How dumb is that? It is like the Captain of the Titanic going on the radio and bragging about being the first ship to find an iceberg.

1/7/2010 6:21 AM CST on
post-trib.com

RecommendReport Abuse

critical mass wrote:
The future of the City of Gary looks very bleak following the meeting of the DUAB committee on Wednesday. The City of Gary will continue to have the highest property taxes in the state and the poorest population in the state. How can the citizens who have 34 percent living at or below the poverty level, with a per capita income of \$14,100 continue to pay their bills? In the last 18 months the people of the City of Gary have been hit with higher property taxes (\$22 million), a \$5.2 million trash fee, a \$1.1 million fee for "fire hydrant maintenance" an 85 percent increase in sewer taxes, and now the city is going to add a fee for storm water sewers... We have a 16.5 percent

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unemployment rate, have 17 percent of our homes vacant, a continuing decline in population as people move out... (down 12 percent from 2000)... Who is going to be left to pay for Rudy Clay's Hummer? We simply cannot afford another round of higher property taxes while City Hall continues to spend and spend and spend.

This is NOT just about the community of Miller! Everyone in Gary pays these taxes; we all pay for trash collection, sewer fees, fire hydrant fees... we are ALL in this together.

Wake up, Gary! With declining population, with declining property values, with declining public services, at some point the whole house of cards will fall apart.

It just may be that the reason our crime rate is falling is that even the criminals realize there ain't much left to steal!

1/7/2010 6:16 AM CST on post-trib.com
RecommendReport Abuse
say no to new taxes! wrote:
How many more "studies" must the taxpayer fund before the State realizes Gary WILL NEVER live within it's means? The State needs to install a city manager and take the checkbook away from Rudy and his cronies. Once they do that they need to look at the Gary school system, another bottomless pit of wasteful spending.

1/7/2010 6:00 AM CST on post-trib.com
RecommendReport Abuse

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millerbeach wrote:
What a proud day it must have
been for Mayor Clay...once
again begging before a board.
Maybe he could do a little
dance and get some coin!
Dance, Rudy, dance!
1/7/2010 4:46 AM CST on
post-trib.com

RecommendReport Abuse
manuelberk07 wrote:
Somebody mentioned
Currently, a 60-year-old likely
would pay five or six times
more for private medical
insurance than someone in his
twenties but it may not be true
always check
<http://bit.ly/68ShhE> for lower
price coverages
1/7/2010 4:27 AM CST on
post-trib.com
RecommendReport Abuse

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First << 1 2

w.d wrote:
The City of Gary and all of its officials from the Mayor down
have pushed their Trojan Horse through the county and state
too many times. These vampires drained the life out of a
prosperous city that began with Hatcher. They cut all the city
services while their personal party continues. It is to late to
vote them out or to impeach themselves out. The city is now a
violent ghost town museum.
1/7/2010 8:33 AM CST on post-trib.com
RecommendRep

Clay and critics square off in Indy tax hearing

**After 6 hours, state official says 'people in la-la land
on both sides of issue'**

Comments

January 7, 2010
BY JON SEIDEL, (219) 317-631-740

INDIANAPOLIS -- Angry citizens blasted Gary Mayor Rudy Clay's plea to a state appeals board to raise property tax caps once again in his city, but board members still seemed willing to work with Clay when a six-hour hearing ended Wednesday.

That's because Clay and his staff told the Indiana Distressed Unit Appeals Board they've made budget cuts ahead of schedule, and they embraced many reforms suggested by its Philadelphia-based fiscal monitor, Public Financial Management Inc.

» [Click to enlarge image](#)



Mayor Rudy Clay covers the microphone Wednesday as he confers with City Controller Celita Green during their presentation to the Indiana Distressed Unit Appeal Board in Indianapolis.

(Photo by Doug McSchooler for the Post-Tribune)

» [Click to enlarge image](#)



A standing-room-only crowd filled a conference room Wednesday in Indianapolis as City officials from the City of Gary reported to the Indiana Distressed Unit Appeal Board.

(Photo by Doug McSchooler for the Post-Tribune)

RELATED STORIES

- [State weighs Calumet Township takeover](#)

"Gary is doing business differently today than they were a year ago, but it's not where it needs to be," board member Paul Wyman of Kokomo said when the meeting ended. "We're getting there."

Wyman, board chairman Ryan Kitchell and PFM managing

director Dean Kaplan all said it's possible for Gary to live within the caps if they are phased in gradually. However, board member Mark GiaQuinta of Fort Wayne agreed with some citizens who said Gary's total assessed value isn't enough to support local government, a situation he said the tax caps may have exposed.

"I kind of respect the individuals who said, 'Just take a gun and pull the trigger, and there's no more Gary, because you're just prolonging the inevitable, which is the death of this city,' " GiaQuinta said. "Well, I respect that, because at least those people are acknowledging that you can't live within your means."

Bill could pass soon

The conversations took place across the street from the Indiana Statehouse, where the General Assembly could vote within days on legislation to put those tax caps into the state's constitution. A public referendum would follow and, if it passes, the DUAB would dissolve and Gary would be forced to live within the caps.

Those caps limit property owners' tax bills in the rest of Indiana to 1 percent of assessed value for homeowners, 2 percent for landlords and 3 percent for commercial properties.

After Gary's successful appeal to the DUAB in 2009, those caps were set for its property owners at 2 percent for homeowners, 3.27 percent for landlords and 4.55 percent for commercial properties. No other city in the state has petitioned for DUAB relief in 2009 or 2010.

Gary, which hoped to see the caps raised even higher last year, was joined in its 2009 petition by the Gary Sanitary District, the Gary Stormwater Management District, the Gary/Chicago International Airport and the Gary Public Transportation Corp. This year, GPTC opted out of the DUAB process.

Clay and City Controller Celita Green argued they've already made several cuts in 2009, including the outsourcing of garbage collection, closing the city jail, consolidating departments, closing park pavilions and swimming pools and reducing its 2009 workforce from 1,356 people to 991.

Becoming self-sufficient

In 2010, Clay and Green promised to consider several PFM recommendations. They said they are already working to

reduce health insurance costs for employees covered by collective bargaining. They also said they will employ a chief operating officer, eliminate board compensation, implement furlough days and pay cuts and transfer animal control and 911 dispatch to Lake County.

In 2011, if the city can't make them self-sufficient, Green and Clay said they would privatize the South Gleason Golf Course, the Genesis Convention Center and the Hudson-Campbell Fitness Center.

Clay and Green said they want state lawmakers to consider allowing second class cities to adopt local option income or gasoline taxes. City Clerk Suzette Raggs also said she has proposed legislation that will let Gary retain all court and casino revenue, which is now split up between the city, county and state.

Gary won some sympathy from the DUAB arguing it doesn't receive its tax distributions on a timely basis. Green said that prevents Gary from paying its bills, and forces it to pay interest on tax anticipation warrants in the meantime.

Blaming Booker

Asked about the hold-up by GiaQuinta, Timothy Rushenberg of the Department of Local Government Finance put the blame squarely on Calumet Township Assessor Booker Blumenberg.

He said Blumenberg is behind on his work and has been sent a letter questioning his performance.

"If we don't get a satisfactory answer by Jan. 15, next Friday, we're planning on doing the assessment work for Calumet Township," Rushenberg said.

GiaQuinta asked Kaplan how massive layoffs at City Hall could affect unemployment levels in the city, where he said the "principal industry" seems to be government. Kaplan said PFM didn't question the state's policy decision while preparing the report.

"Obviously, this makes it harder for people in the city," Kaplan said.

'Hood-winked?'

Some members of the public were skeptical about PFM's work. Nat McKnight said the firm was "Lake-County

hoodwinked." Richard Barnes questioned the assumption by PFM that Gary will see a 100 percent property tax collection rate.

"They simply didn't do their homework," Barnes said.

Douglas Grimes of the Miller Citizens Corp. said Gary must be forced to clean up its own house, while Lori Peterson of the Central District Organizing Project pointed out that most city officials were absent from the meeting during public testimony.

"It's not inconsistent with any City Council meeting," Peterson said. "Instead it's representative of the attitude elected officials have toward the residents."

The public testimony didn't seem to significantly sway DUAB board members, though, especially GiaQuinta.

"We have people living in la-la-land on both sides of this issue," GiaQuinta said.

Last year was the first year for the DUAB, and it took four months to rule on Gary's petition. A decision could be made more swiftly this year, as PFM has already scoured the city's finances. The DUAB was also distracted last year by the General Assembly's long budget session. This year's short session must end by March 14.

Related Blog Posts

Summary of the times PFM used the word "estimate" in trying to understand Gary's financial woes.

The following are direct quotes from PFM's Report on the City of Gary:

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. (p. 10)

As a result, the establishment of reliable historical information on annual revenues and expenditures is not possible. (p. 10)

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. (p 71)

In contrast, those funds from which loans are made show reduced balances, and their actual financial position is not readily apparent either. (p 71)

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 – (p. 56)

Likely growth in employee health insurance and pension costs are factored into this savings estimate.

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, (o, 207)

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 (p. 212)

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. (p. 217)

From a budgeting perspective, this arrangement makes it difficult to accurately estimate the annual cost of this service. (p. 233)

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.** (p. 71)

SUMMARY:

The admission of PFM to the lack of data, their inability to have accurate information, etc., raises questions about the validity and reliability of their study. Hence it would be impossible, based upon faulty information, for PFM to be able to make any accurate and reliable recommendations concerning the future of Gary's financial situation.

Richard Barnes, Ph.D.
Gary, Indiana

PFM's "Multi-Year" Model of Gary's Budget is Based on Faulty Assumptions

TO: Distressed Unit Appeals Board
From: Richard Barnes, Ph.D.
Date: January 6, 2010
RE: Questionable assumptions in PFM's "Multi-Year" financial model for Gary

This argument contends that "PFM built a multi-year model of Gary's budget for the funds using property tax revenue" with faulty assumptions that are not based in fact.

PFM claims that "limited information (was) available on the proportion of each year's billed property tax revenue that is received in that year."

Not so.

In fact, information was available

- (1) in current news articles published locally and available on Google search (see below), and
- (2) at the Lake County office of County Treasurer in Crown Point, Indiana.

PFM did not do the necessary research to collect the available information in making their report. Thus their report is incomplete of the fact with regards to property tax revenues in Gary, Indiana.

The PFM reports the creation of a "multi-year model of Gary's budget...":

"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*

-City of Gary: Report of the Fiscal Monitor. December 11, 2009
Public Financial Management, p. 8

Note: This is an erroneous assumption that cannot be supported by fact. Lake County reported December 2nd that property tax receipts were down 25 percent. Porter County reported December 21st that property tax receipts were down 12 percent.

In November 2009, SRI conducted an on-line Property Tax Sheriff's Sale for Lake County. In Gary, there were more than 1,100 properties listed for non-payment of property taxes. Only 461 were sold.

Claiming to assume that "the full amount of each year's property tax billing is assumed to be received," is not grounded in fact or experience. To make this wayward assumption part of their financial model for projection the economic future of the City of Gary, is intellectually wrong.

There is no way that PFM's "financial model" is either reliable or valid. Therefore any recommendations made on faulty assumptions cannot be taken seriously and would result in extensive income estimates far in excess of actual revenue.

Lake County still owed 25% of property taxes

Wednesday, December 02, 2009

By Andy Grimm, Post-Tribune

CROWN POINT-- Twelve hours after the close of the 2009 tax season, and with some checks still to be counted, Lake County had collected three quarters of the tax dollars due.

Figures released Tuesday by Treasurer John Petalas showed a total of \$497,373,919.16 in personal and real estate property taxes were paid by the Monday deadline for the second installment of 2008 tax bills.

That left \$161,366,781.70 in outstanding payments, slightly **less than 25 percent** of the total owed for 2008 countywide, about 5 percent better than collections last year on the final day for second installment payments, Petalas said.

County fears tax collections down

VALPARAISO, Dec 20, 2009 (The Times - McClatchy-Tribune Information Services via COMTEX) -- While local officials had reason to breathe a sigh of relief when property tax bills went out much earlier this year, they may yet find themselves again scrambling to pay bills.

Preliminary figures gathered seem to indicate tax collections are down this year, perhaps more than 20 percent in some areas including the city of Portage, Jackson Township and the town of Pines.

Sharon Lippens, director of Porter County's Information Technologies and Service Department, who intends to recalculate the figures Monday to remove some unrelated information, said she expects there still will be unusually large shortfalls.

A **shortfall of nearly 12 percent** in the preliminary figures for Valparaiso concerned Clerk-Treasurer Sharon Swihart. "That's huge," she said. "What are people going to do?" If the roughly \$2 million shortfall holds, Swihart said cuts likely will have to be made. "I don't know what we'll do if this is the case," she said.

The city already is sitting on nearly \$9 million in debt that needs to be paid once this year's revenue arrives, Swihart said.

Two additional assumptions are put forth in PFM's "Report...". The second is that wage and salary-related costs will be fixed for the next five years and they will be subject to increases as the result of "generic inflationary rate(s)." But nowhere does PFM project future inflationary factors nor do they identify which "budget categories" would be affected. For example, adjustments in health care would be far greater than gasoline.

- *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).*

A third assumption creates a fund balance that is equal to zero. PFM admits that , **there is currently no way to establish an accurate starting point.** It is disingenuous to propose this key factor in their "multi-year model of Gary's budget for the funds using property tax revenue" after you admit that there is no way to establish a starting point.

- *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,*

Summary

PFM concludes by claiming to build a "financial model" and **create a reliable baseline with simple assumptions.** But in summary, this reliable baseline is neither valid or reliable.

First Assumption –

On property tax revenues

“, the full amount of each year's property tax billing is assumed to be received,”

False: The City of Gary has never collected the full amount of each year's property tax billing. If this were the case there would be no foreclosures, no county tax sales for unpaid taxes.

Claim: *“since there is limited information available”*

False: Local news reports and Lake County Treasurer of available data was never checked.

Second Assumption –

“Wage and salary-related costs will be fixed for the five-year period...”

False: Many of the labor contracts include automatic Cost-of-Living adjustments and cannot comply with a five-year budget fix.

Third Assumption - • The City ends FY2009 with a fund balance of zero. ,

...” there is currently no way to establish an accurate starting point”.

False: By PFM's own admission, there is no way to establish this, hence the assumption is false.

One can only logically conclude, that if the "model" is based on faulty information, the subsequent conclusions and recommendations from PFM cannot be regarded as true or reliable and should not be accepted as valid.

Impact of Higher Property Taxes on the Property Values in Gary, Indiana

TO: Distressed Unit Appeals Board
From: Richard Barnes, Ph.D.
Date: January 6, 2010
RE: The People of Gary

The City of Gary, Indiana, has filed for exemption from state mandated caps on property taxes, the second time in as many years that the Gary city administration has done so.

City officials argue that they will face terrible financial consequences if they are not granted their request that allows the City of Gary to tax its property owners at the highest rate in the State of Indiana.

While the City points to the impending doom if its request is not granted, no one has examined or analyzed the financial impact on the taxpayers of the City as to the effect such a tax rate would have on property values and the ability of the residents of the City of Gary to survive another year without tax relief.

The Tiebout Hypothesis: High Property Taxes / Lower Property Values

There is an extensive amount of literature dealing with the relationship between property taxes and the value of real estate, both land and structures.

What has become known as the Tiebout Hypothesis was first presented by Charles M. Tiebout (pronounced TEE-boo) in 1956 and published as "A Pure Theory of Local Expenditures."

Tiebout proposed the idea that consumers actually shop around and compare their cost for public services before making a decision as to where they might reside. Property taxes become a consideration for people in deciding where they are going to live and what services they receive in exchange for their property tax dollars.

Wallace Oates tested the Tiebout Hypothesis suggesting that in communities that have a higher tax rate than their neighbors, they will see a decline in property values as people decide to move and live elsewhere, reducing the demand for housing in that community.

"This is important for comparing the effects of property taxes across communities; it means, for example, that if one community... levies higher tax rates than a neighboring municipality in order to provide the same quality of public services, property values in the former community will be depressed relative to those in the adjacent community where tax rates are lower. Consumers thus appear to some extent to "shop" for public services. If one community can provide a given program of public services more "cheaply" (that is, with lower tax rates) than another, at least some individuals appear willing to pay more to live there." (Oates, p. 967)

Thus there seems to be a negative correlation or inverse relationship between the two variables: (1) as property taxes go up; (2) real estate values go down.

The Distressed Unit Appeals Board in attempting to bail out the City of Gary by allowing them to operate with a higher property tax rate than neighboring communities is actually contributing to the reduction of the value of real estate in the city.

As property taxes continue to remain high, property owners – especially with a decline in public services – shop and move to adjacent communities leaving more vacant housing, lower property values and lower property tax revenue for future city revenue.

By granting the City of Gary yet another year of exemption from tax caps and creating a disparity in property tax levels between Gary and adjoining cities, DUAB runs the risk of creating a downward spiral in property values and continued out-migration from which the City of Gary may never recover.

Oates found that “differences in property taxes and public services were reflected in home values.” (Oates, 1969) Thomas Dee also noted “Communities with better schools and lower taxes have higher home values. (Dee, 1990) Thus lower property taxes are once again correlated with higher property values.

Sources:

Dee, T.S. 2000. “The Capitalization of Education Finance Reform.” *Journal of Law and Economics* 43 (April): 185-214.

Fischel, W.A. 2000 “Public Goods and Property Rights: Of Coase, Tiebout, and Just Compensation.” *The Economics and Law of Property Rights*, Hoover Institution, Stanford, CA. May 15, 2000.

Tiebout, C. “A Pure Theory of Local Expenditures.” *The Journal of Political Economy*. 64 (October 1956): 416-24.

Oates, W.E.. “The Effects of Property Taxes and Local Public Spending on Property Values.” *The Journal of Political Economy*, Volume 77, Issue 6 (Nov-Dec., 1969) , 957-971

Russo, Stephanie

From: Ann Gallagher [annmg@earthlink.net]
Sent: Friday, January 08, 2010 2:28 PM
To: Russo, Stephanie
Subject: DUAB Post Gary Relief Hearing Comments

DUAB Post Gary Relief Hearing Comments

Dear DUAB board members,

I am Ann Gallagher from the Miller neighborhood of Gary. I attended the January 6 meeting in Indianapolis with my husband and business partner Jay Gallagher. Following are some thoughts that I hope you find beneficial.

Whatever the manner in which the DUAB was compiled I am not aware. You seem to be a decent group of individuals with good intentions who have been allotted a daunting task which I don't envy. Your insight and collective experiences acquired in your respective communities can offer new perspectives. It is the tax paying citizens of Gary whose perspectives are the most relevant and poignant, however.

It is true that some citizens benefit from the current model of the Gary government. Many are employed, know someone who is employed or are the recipients of some other favors. Some are nostalgic and sentimental. They have a long history here and hold onto the distant memory of a functioning and even thriving Gary of 50 to 60 years ago.

Most however are fed up with higher taxes and nothing to show for it. A small example in our case; we can't even get a single garbage can after building six new homes to the tune of a few million dollars. An unsustainable upside down model of government lords over us. It doesn't serve us, it serves itself.

During the hearing we listened and watched the Gary employees and consultants rattle their tin cups with deafening aggressiveness in front of the board. How odd that scenario was! Payroll driven Gary employees pleaded to a board not from Gary, to mandate us, the Gary taxpayers to give them our money! We listened for four hours to their "relief" plea to save their way of life working for a government which serves them and not the citizens who are fitting the bill. When it was finally "the public" time for comment we were allotted three minutes each and the servants of the people, our very own Gary employees whom we had indulged for four hours, exited so swiftly it created a draft in the room.

I was saddened, but not surprised that the focus of the hearing was about the survival of this antiquated albeit pared down model of government. The mention of economic development finally occurred three quarters through the "relief" presentation. Apparently, the cycle of dependency is so entrenched that it doesn't even occur to them that the current model of government is NOT SUSTAINABLE. It is not sustainable because under the current system, no new business will take a chance on Gary. No new jobs will be created. Even residential investment on beautiful beachfront in Miller with views of the world class city of Chicago is limited due to the lack of trust and confidence in Gary's ability to fiscally manage its affairs on behalf of its citizens rather on behalf of unwieldy and unproductive sectors- just another way to award their cronies.

It all adds up, the status quo of dependency guarantees reputational damage. The ever-present corruption and the negative stigma left in the minds of potential investors are the hidden costs to a community when a government becomes the tail wagging the dog.

WHAT CAN WE DO?

Let Gary as we know it DISOLVE. It is an illusion anyway, there is nothing left but geographic pockets of potential and some really capable and shell shocked people. During a transition period services could be contracted from neighboring municipalities or the private sector. In Miller, we already have contracted garbage pick up as you know and a group of residents have hired off duty Gary police officers to patrol due to the huge Gary police patrol cutbacks and the resulting increase in crime.

If given the opportunity for SMALLER MUNICIPALITIES to establish the GOOD GOVERNANCE necessary for SUSTAINABLE ECONOMIC GROWTH, the area will be looked upon by potential investors as an EMERGING ECONOMY. Why locate businesses overseas when there could be so much cost effective opportunity right here?

The lure of transparency in governance, inexpensive and large tracts of land, a large available work force in the region, a conveniently located airport, adjacency to Chicago, and renowned beach front, parks and ecosystem to enhance a lifestyle dreamed about by many are some inherent advantages of the area.

This cannot and will not happen while shackled by the Gary government, otherwise known as the "silent killer of growth." Relief will continue to prop up a system which does not work and is not sustainable. In marketing, "perception is reality" and the Gary "brand" is tarnished beyond restoration. The area divided into smaller municipalities controlled and governed by smaller more involved groups of citizens could thrive and grow into A MODEL FOR ECONOMIC RENEWAL.

Thank you,

Ann Gallagher

East Edge LLC
8525 Lake Shore Dr.
Gary, IN 46403

January 8, 2010

Distressed Unit Appeals Board
200 W. Washington
State House Room 212
Indianapolis, Indiana 46204

Re: Gary Indiana Application

Dear DUAB Board Members,

As one of you said "this is a real conundrum". Yes, a conundrum indeed. There were several quotes and ideas expressed at the DUAB meeting that I thought worthy of reiterating as you are all contemplating the issue before you. I don't envy your positions and the decisions you must make. I didn't put these things in quotes because I may not have the exact wording correct but clearly the intention is expressed:

- It's seems like the biggest industry in Gary right now is the government.
- There just isn't enough value in Gary to sustain itself.
- If you do grant the city the extra money nothing is going to change for us other than to pay more money.
- The only economic development in the last couple of years was the building of a new Walgreens.

It seems to me that if relief from the tax caps is given that there must be a plan in place that will turn the situation around in the foreseeable future to where the city will not only be able to sustain itself but will actually begin to grow. I see no such plan proposed and without this the city will be back over and over again to request more money from its citizens and businesses.

There are pockets of viability in the city but unfortunately they are all being dragged down by the dinosaur of Gary government as it exists right now. Miller Beach is a classic example of that tragedy. With less crime than the rest of the city, fewer police are assigned to the area resulting

in increased crime and numbers of people moving out. We've actually taken collections and paid additional monies to a private security contractor who has hired laid off Gary Policemen to additionally patrol our neighborhood. Poor management of Parks results in prime real estate looking dilapidated and resulting in very few new investing entities coming in. We've been charged additionally on our Sanitary District bills yet the city can't even provide enough garbage cans. On top of this one of our citizens arranged for thousands of used but functional garbage cans to be purchased at \$2 or \$3 per can and was willing to pass his right on to the city without any fee whatsoever. He was turned down. When you add increased taxes on top of all of this you get what I call "green flight" where the money just leaves. This takes a very viable area and kills it.

The meeting was almost 3 hours old before anyone mentioned economic development. It is way down on the priority list of this administration. There is one man in the city's Development Department and I'm not sure what he does. I have the largest privately funded residential real estate development in the city and I've never heard his name before. They are professional money seekers. That's not to say that any one of them isn't outstanding in his or her field. Just look at it on the surface: Probably 75 percent of the people in that room were city employees on city salaries most of whom drove here in city automobiles fueled by city money. They were here to plead to a small handful of people, who live far from our city and know little of its demographics or its geographics, to make a decision that would force the people who drove down on their own dime (none of whom were paid while they were there) to pay them more money. Much of Gary's presentation was devoted to how to extract more money from the people and businesses already there rather than how to attract more people and businesses into the area. An example of this is increased assessments through "trending" etc. Our assessments have gone steadily up in the last few years in spite of the fact that true property value has declined significantly.

Gary has evolved to a point where it cannot possibly continue operating in the form that it has. Something has to give and it shouldn't be the backs of the homeowners and businesses that do exist here. If that means breaking Gary up into smaller municipalities then that's what should be done. Denying the application would hasten this transition with all its attendant challenges. Granting even a minimal amount "relief" from the caps will only slow down the inevitable and further push out those people and businesses that can begin to start anew.

We're anxiously awaiting your decisions and we hope you'll make the right ones. Please don't hesitate to call if you have any questions or comments.

Sincerely,

A Jay Gallagher

Gary, Indiana

312-909-7611 cell

January 5, 2010

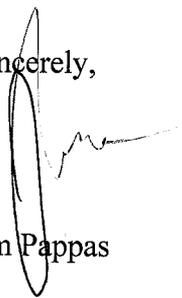
Jim Pappas
701 N. Howard
Gary, IN. 46403

Distressed Unit Appeals Board
200 W. Washington
State House Room 212
Indianapolis, IN 46204.

To Whom It May Concern:

I am writing in protest of the city's request for relief from state-mandated tax caps. The city of Gary can and will survive without the \$15.5 million in tax revenue lost to shortfalls from the statewide "circuit breaker" on property taxes. For two years, Gary and its governing body have been ill informed by Public Financial Management, a private company who has not considered the effects this decision will have on the citizens of Gary. That being said, I am also asking that Public Financial Management be relieved of its financial oversight for the city.

Sincerely,



Jim Pappas

January 5, 2010

Jessica Krause
5720 Birch Ave.
Gary, IN. 46403

Distressed Unit Appeals Board
200 W. Washington
State House Room 212
Indianapolis, IN 46204.

To Whom It May Concern:

The city of Gary has requested for relief from state-mandated tax caps, a move that will increase property taxes in an already unstable market. This request simply cannot be granted. The citizens of Gary will not tolerate it. An increase in property tax will keep people from wanting to move here and, for some, it will make it necessary to relocate, ultimately lowering the value our homes.

The city of Gary can fully operate with finances generated under the cap. An increase in property taxes is not necessary. To think otherwise, would be to take Public Financial Management's suggestion; one created as a business move by a private firm without concern for the citizens of Gary. It is my suggestion and the suggestion of many others that Public Financial Management be relieved of its position with the city and that the money used to pay this private company, be added to the operating budget for the city.

Sincerely,



Jessica Krause