
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Distressed Unit Appeals Board Meeting Minutes January 6, 2010

Call to Order: The meeting of the Distressed Unit Appeals Board [DUAB] was held on Monday, January 6, 2010 from 10:03 AM – 3:52 PM. The meeting was held at One North Capital, 9th Floor Conference Room; Indianapolis, IN 46204. Board members in attendance were Kyle Babcock, Phil Bane, Dan Clark, Mark GiaQuinta, Bruce Hartman, Ryan Kitchell, Chris Ruhl, Tim Rushenberg, and Paul Wyman.

Discussion: Mr. Kitchell began the fourth meeting of the Distressed Unit Appeal Board [DUAB] noting compliance with the Indiana Open Door Law. He then introduced the new DUAB member, Mr. Phil Bane, a Montgomery County Commissioner. Mr. Kitchell also noted that Mr. Mark GiaQuinta would arrive shortly.

Minutes: Mr. Kitchell submitted the minutes from the May 20, 2009 hearing of the Distressed Unit Appeals Board for approval. He asked for comments.

Motion: Mr. Babcock moved to approve the minutes as submitted. Mr. Wyman seconded the motion. The motion carried by a vote of 8-0. Mr. GiaQuinta had not yet joined the proceedings.

Further Discussion: Mr. Kitchell stated that December 8, 2009 was the deadline for DUAB petitions for 2010. He said that one petition was received from the units in the City of Gary and that statutorily that meeting was to take place no more than 30 days from the petition deadline. Mr. Kitchell acknowledged that the January 6, 2010 meeting fell within the 30 days.

Mr. Kitchell: Gary hired a fiscal monitor, who we also worked with to do a deeper dive into their financials and provide some recommendations for Gary. And, so, they have provided that in written form that all of our Board members have seen. And, so, we have asked them to briefly cover that and leave a lot of time for question-answers. After we hear from them, we will hear from the petitioning units about their petitions for 2010. And, so with that, welcome Public Financial Management, Dean, Gordon, and a name I can't pronounce.

Mr. Kaplan: Jelani.

Mr. Kitchell: Jelani, from PFM.

[Background conversation continues briefly.]

PFM Group, Inc.

City of Gary Fiscal Monitors

Present for hearing: Dean Kaplan, Managing Director; Gordon Mann, Senior Managing Consultant; Jelani Newton, Consultant.

Discussion:

Mr. Kaplan: Thank you Mr. Chairman, members of the Board. Thanks for having us today. I am Dean Kaplan from Public Financial Management, the fiscal monitor for Gary. I am a partner in the firm and leader in our consulting practice and I am accompanied today by my co-project manager, Gordon Mann, who's handing out the presentations and by Jelani Newton, who helped us to develop the financial model. He'll be working on the presentation. The presentation was a summary of their work. We'll be able to make it – release it later working with the OMB [Office of Management and Budget] office.

What I would like to do briefly is just to give you a little bit of an overview as to who we are and how we came to be doing this work; just to give you some background as to where we come from. And, then, we'll talk a bit about the situation we found in Gary and our proposed recommendations for addressing it.

Public Financial Management is the nation's largest independent financial advisor to state and local governments. Our consulting group works with municipalities around the country, and both in these sorts of situations and others. You'll see on page five of our presentation some of our expertise working with other distressed municipalities. Right now we are the State-appointed coordinator for three cities in Pennsylvania's distressed program and we're also working with the State-appointed manager for the Detroit Public Schools, not too far from here. We've worked on a number of turnarounds nationally using a relatively small group of mostly made up of former government officials. If you look on page seven you'll see that the key members of our team for Gary, the team includes three former city finance directors. It also has the, our planning work was done by the former head of comprehensive planning for East Orange, New Jersey. Our work on the Clerk in the Courts by the former CFO of Chattanooga, who is also an attorney and has worked with legal agencies in New York City. We brought in an expert on fire, the former fire chief of Philadelphia, and Bill O'Joyce, who was the highest ranking civilian official in both the DC and Philly Police Departments, helped us with our police work. So, our goal really was to bring in people who had work in person in local governments, and now had some experience also with oversight. And, you can see that most of these people, almost all of us have either been in governments that were in oversight or have worked on oversight teams before, or both.

This work can't get done just by a bunch of outside experts obviously. We got a tremendous amount of help from city officials starting with the Mayor, the Controller, the Chief of Staff and the Deputy Mayor and a lot of people who are in this room today, a lot of department heads who were very generous with their time, but was not of course a very pleasant situation for them, also, particularly the staff at the DUAB. Cris Johnston and Chris Atkins were extremely helpful in getting us to this point.

If you look at page nine you'll see a quick summary of our assignment [in working with] the units that petitioned last year. And really I think that the request for services that we responded to – look for a plan to stabilize the financial situation and set the course for a long term transformation and stability for the City and the other petitioning units. We were not asked to develop a shutdown plan for the City, and we were not asked to develop a plan which would require the City to ask for permanent tax cap relief from the DUAB. Instead what we were assigned to do was come up with a workable, a tough, but workable financial roadmap to help the City and other petitioning units move under the caps as rapidly as possible.

Obviously, Gary has a tremendous history of great resources and, and great physical and human assets, but today it's obviously facing a challenge. A lot of the items that we are going to talk about today, just as

before the tax cap situation drove the City to the current financial structure, but these issues have all been sort of exacerbated by a number of factors that are unique to Gary and to northwestern Indiana.

Obviously the County has struggled to collect and remit property tax revenues on time. The County is the only one in the State that doesn't have a local option income tax so that other sources of revenue are very limited for the City. A lot of the formula funds that the City does receive from the State, for example highway funds, those formulas are not particularly favorable for older cities that have a declining population and a stable, a stable road system for example. Federal grant revenues are available in some cases; of course in the last two years very much from the ARRA legislation, but that's temporary and also comes with conditions. So these have had a real impact on the city's finances, but don't change the fundamental issue that the City has to address and make changes in the areas it can to comply with the State legislation.

The City has made substantial changes as you will hear in their testimony today. Since the, in the last year and a half wage freezes, furlough days, lay-offs, privatization of some services, transfer of services to counties, to the County, and consolidating of departments. And you'll see that some of those things are really picked up in our reporting and carried forward much further. But, the City has made substantial initial progress on those issues.

And then the final factor at the outset is that the, is just the kind of overall situation. We tried to emphasize this again and again in our presentations in the City in our discussions with managers. The effect of the tax caps because of Gary's prior property tax level was to reduce the property tax revenue approximately in half. Of course, it's their major revenue source. That number which is about \$30,000,000 a year is less than the current cost of providing police, fire and EMS services in the City when you include ancillary factors like benefits. So, for the City to move immediately to the tax caps, they would have to cut public safety services as well as eliminate all of the other services the City provides. So that sort of fact framed our approach to the, to where the City had to be.

That said, fundamentally our approach was to look at the City's need for change. Really the City only has three or four options. Providing the same services much more efficiently, obviously a desirable approach, but that includes transferring services to the State or County, joint working with other municipalities; eliminating services including valued services in Gary, and that was part of our plan because it's unavoidable given the numbers; and then finding revenues other than the property tax to support City operations. The City has done a bit of this with the user fee revenue and our report suggests doing more.

If you move to page 16 you'll see our general approach. The City has a cash-based budget with a lot of transfers, a lot of inter-fund transfers between taxing units, very hard to unpack, as the Board learned last year during the petition process. So what we wanted to do first was to establish what a baseline, freestanding budget would look like for – on the operating side for the City under property-tax funded services; essentially trying to create a baseline of what it would look like if the City had a stable budget without a lot of the one-time savings and revenue initiatives, some of the, and some of the issues that were driven by property tax collection delays in the County. We also took out a lot of the prior year revenues, which a – a modified accrual budget would show up in a different way, but it tended to randomly show up in different year's budgets and make it hard to tell what the City's baseline really is. So we took those prior year liabilities and set them aside and would come back to that later. We set up a baseline budget for the period 20 to 2014 to give a sort of a multi-year view of where the City might be. We used Policy Analytics' property tax projections, which you are familiar with, largely because they are very thorough, widely known and accepted, and we didn't see any reason to create any new, a new set of numbers for people to become familiar with. And then we looked at ways that we, once we had done those two things, and come up with a gap between revenue and expenditures and we started looking for ways to fill it.

You'll see on page 17 that that gap in a baseline model, really comes to be on a structural basis about 20 to 22 million dollars a year growing slowly in the future. This little chart you are looking at assumes the Policy Analytics phase-in of the circuit breaker tax caps. So really the years that are most representative would be 2012 to 2014 that the City is complying with the full tax caps in the baseline model and has its ongoing, current ongoing expenditures growing at relatively modest levels as you will see in the description below. So that would be sort of the minimum gap that the City would have to fill going forward.

As we mentioned, liabilities compound this problem. There is an outstanding loan of almost, over \$12,000,000 to the Sanitary District, which repayment is required by the terms of a federal consent decree. Tax appeals, the largest one being a repayment to USX, a substantial number. As I mentioned, and then, as I mentioned: borrowings from other city vendors that have to be repaid, as well as unpaid judgments, and bills. We did include a list of these in the report in some more detail.

So, our, our general approach given all of these factors were to first change the organization and management of city government; further the City's already begun consolidation of departments, contract out additional services where it made sense, increase the number of professional managers, especially in the operations area, and support employees, those remaining who are working for the City, making sure that their medical premiums get paid on time and other back-office functions are effectively completed on an ongoing basis.

Second, eliminate unsustainable spending. As we mentioned, under the tax cap numbers it's not possible for the City to continue spending what it has been spending. So, we essentially prioritized. In our plan we prioritized obviously public safety, certain back-office support services. We also maintained most of the services that are on grants in some form and tried to provide, again, basic public works and general services functions, strictly control spending within those limits, and then engage more broadly with multiple stakeholders. We met, as you can see on page 19, with a fairly wide selection of people across the County and the City and learned from I think almost all them that they were willing to support the City's activities as part of a larger, kind of regional approach, and you'll see that especially for some of the other taxing bodies. We think that is critical to the not only the City's success but the County's as well.

We also held a public meeting on November 30 to learn directly from citizens about their concerns, and we had about 30 people testify and if some of them are here today and we appreciate them having come to that, to that meeting. And also received some written testimony and follow-up emails that were very helpful to us.

Our recommendations really are set to fill the \$22,000,000 gap and then build back a modest fund balance for the City so that they have some working capital in the later years after the tax caps are fully implemented. Our plan assumes that the City will receive some relief in 2010, some relief in 2011 of a lesser amount, and no relief beginning in 2012 and beyond. This phase-in allows the City time to make the many, many operating changes that we suggest during this year and into the beginning part of next year. It also generates – equally important it generates some short-term revenue, some positive balances for the City in order to address a large portion of those prior year obligations that we mentioned. That number of those prior year obligations of 30 to 35 million dollars, if they are not dealt with upfront will

make it untenable for the City to survive at the back end. So, that's one other reason for the phase-in approach that they're recommending.

Gordon is going to describe some of the specific elements of our plan.

Mr. Mann: Thanks Dean. First just in terms of, so people understand why we are presenting what we are presenting. The initiatives are shown here just as they appear in the report, so we are not emphasizing one over the other, but it's to give you a structure that is somewhat logical to what is in the report. In the interest of not extending the presentation too long, I'll just hit one or two bullets on each slide. Although, we certainly are open to talking to you about any of the ones that are on the slide or not on the slides.

On the workforce – in the workforce area, one of the key assumptions in the projections you saw back when you saw the \$22 million deficits from 2011 on, is it actually assumes a five-year wage freeze. So there are no wage increases in there, no longevity increases, for those who receive uniform allowances, that doesn't increase; and some of the ancillary things that are attached to wages like payroll taxes; that's frozen. For a lot of the non-represented employees that continues a series of years leading up to 2009 where they have had wage freezes and even for some of the represented employees. So, freezing wages would not help solve the \$22 million problem you saw, because that is already assumed to be in the baseline.

The other major area of workforce cost is, involves employee health insurance. So we looked very closely at the health insurance provided to employees and really the recommendations in that area focus on two principles. One is that employees will have to contribute a higher amount towards their insurance premiums. Right now the amount varies by representative group, but it's generally in the five percent range. The plan recommends going up to twenty-five percent, again across [indistinct word] units. And then on the recognition that there is a five-year wage freeze or even longer for some employees and that some of the employees, particularly at entry-level positions do not have particularly high salaries there is an emphasis on providing coverage that is affordable so that when you make a twenty-five percent premium contribution it doesn't take a disproportionate amount of your salary. So there's the recommendation to establish a plan that would have a high deductible, but lower premium contribution in an effort to provide a more affordable option.

In the elected officials' area, the Clerk and the Courts, we present two scenarios and try to frame what would be involved in each and what the savings would be related to each. The first scenario would be to eliminate the City's court: the cases would be referred to the County; the City Clerk's responsibilities would be reduced and there would be the establishment of a new Ordinance Violations Bureau that would process some of the things that would remain the City responsibilities, which is fairly common.

The second scenario would be to keep the City court would be to improve fee and fine collection where it has been struggling. You would still scale back some of the Clerk's operations and to then secure state and county support for some alternative drug and mental health programs where that would help reduce recidivism and help reduce incarceration. But, because the City doesn't have the jail anymore they don't have as quantifiable and direct economic impact to or benefit to the City. The benefits that there were... at large... economically... [static].

Our recommendation there is just on the theory again of focusing on core services and the need to prioritize, and to get down to a level that meets the caps is by eliminating the City Court over a period of time is the way to go just because it simply saves more money.

Professional services – similar to the clerk and the courts recommendation, the health department chapter outline, gives three scenarios for the health department. The City has a health department. The County also has a health department. Some of their functions are overlapping, but not all. The first scenario is just to close the department entirely, which would require the City residents to go to a county facility, whether that facility is in Crown Point, about 20 minutes south of Gary or to a satellite office in Gary or in one of the northwest Indiana communities.

The second scenario is to scale back the City's operations just to grant-funded programs. That which is funded by outside grants or fees, some of those programs are self-supporting. Some of those programs are providing more services than their funding supports right now, so it is a draw on the general fund.

And the third area is actually to make an array of changes, some of them are expenditure reductions, some of them are fee increases, and some of them are then rescaling services. Our opinion is that the third scenario, not the elimination of the City's health department, but the third where you can reduce the amount drawn off the City's health department. Our recommendation is that that would be, that would be the preferable option. To the extent there are questions, we can talk about that later.

Moving on for police. The City as you will see in their presentation received federal stimulus money to support 11 police officers, starting September of 2009. Under the terms of that, they cannot reduce headcount through 2013. They have to maintain the level of headcount of the number of officers they have or had at the time of the hiring through 2013. So, laying off police officers, even if it were desirable, is not an option right now under the terms of the federal grant.

What we focused on was trying to get more police officers who are doing support functions, doing desk jobs as they're sometimes called out on the streets, focused on patrol, detective work, and other traditional police work and over time to fill those positions with civilians or to consolidate some of those positions.

In the fire and EMS area our recommendations focus on rescaling of fire suppression activities. Practically speaking, in talking to fire chief, the City already has to do this on an ad hoc basis. They have had a significant number of incidents where employees are not available and so the City either has to bring employees in for what is called "callback time" and pay them at an overtime rate or simply run fewer stations. And, the Chief has been making those decisions on an ongoing basis and what we recommend is making those decisions permanent, so the City can achieve the savings at a more predictable level. What's called the fire station cut list is actually a list of priority stations. The City has a list of 14 fire stations, one of which is committed to the airport, so you leave that aside, thirteen fire stations, this would be ranking the stations according to his operational expertise and public safety concerns. And then, when there is not the staff available to operate them what the City sometimes does now is to close them. There would also be the reduction of firefighters per rig that's per truck or per rescue vehicle from four to three. If you look at across the different northwest Indiana communities, you find one or the other. Three is not uncommon.

Mr. Mann: In the public works, parks and general services section, again a lot of the recommendations here focus on just rescaling prioritization – the fact that the City won't be able to provide the same level of services it does now. General Services – that was a department we recommended be eliminated. The functions would be, which are sort of shared at this point with public works and parks anyway, would be shifted out. You would get some overhead savings there from basically consolidating the department into two others.

Mr. Mann: Dropping streets activities to the level supported by State funding – the City has already made a lot of progress on this front. Prioritization – reducing park maintenance staff and focusing on eliminating a set of dual parks. Again just the simple fact that the City has more parks than it will be able to sustain at the level of property tax that's projected.

Then the Hudson-Campbell Athletic Center and Genesis Center – The Genesis Center actually has a separate property tax that supports it, one of the six or seven property taxes that are on the, on a resident's bill, but I do think one is the Genesis Center. We took a look at the facilities. We talked about the facilities and this isn't intended to be an indictment on either the Hudson-Campbell Athletic Center or the Genesis Center; we think they are the assets; they're just simply not assets that the City can afford to support fully from their own operations as they do right now.

Economic Development – This is an area where some of the residents and community groups that Dean talked about were particularly helpful, as well as some of the City organizations. The City has a number of economic/community/neighborhood redevelopment or development agencies. You expand that look to northwestern Indiana, you have even more. You expand it to Lake County, the number grows. Our recommendations there are focused on consolidating and coordinating to form and to emphasize one strategic coordinated vision, as opposed to having five or six well-intentioned entities pursuing their own thing, sometimes in a more reactive nature.

Other recommendations that are in the report that just didn't fit neatly within categories – We do recommend shifting all of the Sanitary Districts property tax millage to the City of Gary to provide support for the public safety services that Dean mentioned – police, fire, EMS and some of the other basic back office government functions.

Wastewater and sanitation charges, which is sanitation charges means basically trash collection would move to a user fee basis where right now both are supported both by rate where you pay either a sewer rate or a trash collection fee and a property tax. We recommend going fully to the user fee. And there's a very modest, to the extent as plan implementation is achieved, a very modest working capital budget of about \$500,000, which for a city of over 90,000 people, again, is very, very modest. You see on slide 29 this is a combination of the two charts that you saw earlier – the one showing the \$22,000,000 deficit and the one showing the initiative impact. And, this is accounting for implementation what our projected result would be from implementing the planning. You see there's a small balance in 2010 and 2011 as you make the changes, narrowly balances in 2012 and then grows a little bit beyond that. The property tax number you have below there, this would be the continued four year phase down of the property taxes [indistinct word] that the City petitioned you for last year. The numbers you see there starting in the year 2011, that does not include Gary Sanit – the amount of property tax that would come over from the Gary Sanitary District so that is just the steady state of rates that you have there for the City.

Mr. Mann: That - before we leave that slide actually, let me just step back a moment. The plan implementation would create a balance. It would also create some room to retire some of the known liabilities - the US Steel property tax appeal, the now \$12.5 million loan to the - or from the Gary Sanitary District. But, it's not enough. It's not enough. You can't generate enough savings that way just from plan implementation to wipe out, depending on what you include, somewhere in the range of \$30,000,000 to \$35,000,000 in prior year obligations. On that understanding what we have presented in the plan is a number of options of sort of dealing with that. And that is not something that the City will have the capacity to deal with on its own.

One of the options once the casino revenue becomes available, and assuming that the situation with Majestic Star Casinos and their own financial challenges gets resolved is the money that is, the casino money currently that is used to retire debt service on US Steelyard, which is the minor league baseball stadium in downtown and the public safety facility, as that money becomes available and as that debt service is retired in 2012, they may have the opportunity to use that to reduce some of the, some of the prior year obligations.

Mr. Mann: And then just kind of as a summary of the recommendation, to be clear is that we're recommending that the DUAB approve the City tax cap relief in 2010 primarily, although then looking forward to 2011 to measure up with the total property tax revenue that is estimated by Policy Analytics, and they have as Dean mentioned, a sophisticated model that they would run to the caps and perhaps make small adjustments there, but not large ones. And again on the four-year phase down in order to allow the City to implement the significant changes that are in the plan.

Do you want us to pause here and talk about the City, or do you want us to quickly run through the other four?

Mr. Kitchell: One thing I would like to take a time out for too here actually. I see some folks in the hallway and a couple folks back there. If you happen to have a seat next to you, that somebody can't see, if you raise your hand. We are trying to take any chair out of any available office on the floor that we can. But, we want to make sure people, everybody has an opportunity to see and hear what is going on here to the best extent we can. So, we'll continue to try to bring and squeeze chairs in where we can, if we can find anymore on the floor. The other thing from a testimony standpoint, which we will be taking after the units of Gary present, there are some sign-ups here, if you have not yet and you wanted to. You do not need to sign-up for the different units. You will have three minutes per individual who wants to testify regardless of which unit. So, if you have not yet signed up but want to that's there.

Why don't we quickly try to go through the other units?

Mr. Mann: Sure.

Mr. Kitchell: And then have an opportunity to ask you some questions?

Mr. Mann: Great! Gary Sanitary District currently has three property tax levies, three separate ones: one for debt service, one for sewer operating, primarily used to fix caved in sewer lines and then one for trash collection, which is partially funded by a user fee. The Sanitary District increased its rates by 85% recently and hiked again, has a garbage collection fee and is also operating under a consent decree which drives some of their operational expenses. Again, we recommend moving entirely to a user fee, paying it

through sewer rates, paying it through a trash collection fees and funding the district solely through that mechanism as opposed to the mixed mechanism of property taxes.

Storm Water Management District shared some of a lot of the same personnel with the Sanitary District. It has its own property tax levy. Other municipalities in Indiana – East Chicago, Muncie, Fort Wayne – fund these activities on a user fee basis. The fee is usually based on the amount of impervious land that you have. That's generally a better indicator of how much benefit you get from flood mitigation than the amount of property you own. We recommend going to a user fee for the Storm Water Management District as well.

Gary Public Transportation Corporation which is the bus company, which did not petition for relief in 2000 – for next year, it does have property taxes for debt service and for operations. We did a lot of work comparing GPTC to the transit in other – there were six transit agencies in other larger cities, setting aside IndyGo, which is much, much larger than any of the other ones. And the general finding with comparing GPTC to those, is that it does trail those other entities in the indicators that the State uses for, toward State funding which is passengers per operating expense or number of vehicle miles per operating expense. But, the population in Gary, in looking at the demographics is also much dependent on transit services to get to their jobs or to get to the doctor, to get to wherever they need to go and has less income to find alternative means of transportation and that is whether you are comparing Gary to Muncie or Fort Wayne or South Bend, or if you are comparing it even to Hammond or East Chicago, more nearby.

Gary... GPTC's operating deficit is projected over a million dollars and is frankly beyond the reach of DUAB could provide in terms of property tax relief and still meet the property tax caps, in any timeframe. GPTC, there needs to be a regional solution to their funding problems. And by regionalization, is just that if you take from three transportation companies that not able to support themselves individually and merge them into one, that does not necessarily give you a viable entity. There still would have to be a change their revenue structure.

And then the Gary-Chicago International Airport – again, they do have, they have two property tax levies, operations and cumulative building fund. We did some comparative work, with comparing GYY to South Bend Airport, Fort Wayne Airport and Evansville Airport, which are the other three airports, setting Indianapolis International aside, that have a significant number of planes and plane passengers. There are initiatives in there in the report to reduce expenditures and to monitor opportunities to increase revenue. But, the crux of the airport situation is they're going through a study right now, sort of to determine what they want to do in terms of development. We do have recommendations to keep the eyes and ears open to privatization or contracting out operations. But we do also highlight the fact that the other three airports that are on there, they have a lot more enplanements than Gary. They have multiple commercial service providers. They provide either cargo or some other service and they still need a property tax to operate in the case of South Bend and Fort Wayne; and Evansville uses passenger facility charges. So, even if you increase the services at Gary Chicago International Airport, it is likely that they are going to need some sort of other funding. It doesn't have to be a property tax. In fact, we talk about the benefit of a regional approach in the report. They're probably going to need something to support those operations.

Mr. Kaplan: Thank you.

Mr. Kitchell: Thank you. Questions for Dean or Gordon? Yeah, sure.

Mr. GiaQuinta: One of the – My name is Mark GiaQuinta. I am from Fort Wayne. I have served on ...VC Board, served on City Council and I wonder, one of the things that struck me when I travelled to Gary was, I left thinking, “you know their principal industry is government.” I wonder if that thought occurred to you, because many of the cuts that you are talking about will essentially result, I would think, in a significant increase in the unemployment rate in Gary, especially in job classifications that pay certainly living if not greater than a living wage. What’s round two then, if all of the cuts that you suggested... [indistinct words – static]. In any event, if we do all that, what’s your estimation with respect to the impact on local economy from wage loss and does that cause and effect factor into the next round of property tax generation? From what we have heard, what I suspect that we will hear is that if you do all of this a lot of the folks that have been clamoring for these changes may shut up in a hurry when they start seeing the storm water fee and that sort of thing. But in any event, when all that happens, what’s round two? Does the revenue drop? Have you done a projection? Have we cut off our nose to spite our face to some extent? I could keep going...

Mr. Kaplan: There’s no question that there would be a significant impact upon employment in Gary, and that a lot of City employees are City residents, not exclusively, but many are. We were impressed by the fact that the current level of salaries for a lot of those employees is not very generous by standards that we see elsewhere in the country. And we didn’t try to project a specific impact, because in many cases we were looking at multiple options. So, for example, although with the non-City residents who picked up jobs, if there was a privatization of services for example, the City – there are cases – we certainly got into cases where vendors were required to give first preference to City residents. So, the multiple factors on that led us not to do a separate calculation. On the other hand – and I think your basic point is completely right and obviously this makes it harder for people in the City, who are at lower levels of income to make a go of it. At the same time, if you look at the overall property tax numbers before the caps were implemented those lower income people who paid property tax saw significant reductions. So there’s a – really what we did was we accepted to some degree the fact that the State has made a policy decision about shifting the revenue structure for local government from property tax to other places. That’s one reason we went very heavily towards user fees, because although you can have a philosophical debate about it, that’s clearly where the State has made a decision. Then the other issue would be because Lake County doesn’t have a local option property tax, we mentioned earlier –

Mr. Ruhl: Income tax.

Mr. Kaplan: Yes, “income tax.” I’m sorry. The other options to sort of make that up aren’t really in your hands as they might be, if you look at again around the country, normally you have an income tax or property tax or a sales tax as your options for local government funding, and most places you have at least two of those. In Lake County you only have one. So there is that impact, to some degree we accepted the structure that had been handed us by the State.

Mr. GiaQuinta: Next question I have is, we had an awful lot of material sent to us – I was afraid the table was going to break when I put this down. But, if I recall correctly, you were estimating a 75% collection rate on the current property taxes and a 25% collection rate on collection of taxes paid in arrears. That kind of struck me. I know what Tim Rushenberg thought of that. I thought that was a pretty optimistic, rosy estimate compared to what I would have thought it would have been. I don’t know of any

community that is essentially generating 100% of its revenue, 100% collection here –25% on arrears and 75% on the current. Where do you come up with that?

Mr. Kaplan: I think that that is also an important point. I am glad you raised it, because we didn't mention it very clearly in our presentation. We had to make an assumption about, again we sort of were looking at the multi-year projection, about what a successfully operating government would and should be getting. And so we – and our feeling was that kind of again as you look at nationally, property tax collection, the combination of current and prior year, your target would be at least in the high 90% range. Obviously if you are in a recession, you are going to see some drop-off in that, but in well-operated governments you'll collect in that range. And, in fact the City [indistinct words] the middle part of this last decade did achieve that number. On the other hand, I think you are absolutely right, that right now, local governments are not necessarily achieving that due to the economy, but, also, in Lake County, because the County is not effectively billing and collecting the taxes. We felt that we should not build a plan that assumed continued failure by the County; that part of the challenge of this plan is to say to the County and frankly to the State and to the DUAB that you can't allow your local governments to be in a situation with a major revenue source that they don't control and they don't collect continues to come in at well under the kind of levels they can. So, our assumption is that, and why we didn't give a specific recommendation, our assumption is that there needs to be a solution to that problem, that you can't build a successful city based on continued 75% collection.

Mr. GiaQuinta: I think that again, if you were to look around the State of Indiana, you would find that that number is probably not being achieved by very many units. And then, secondly, to get back to my first question, if everything that is proposed in this plan – by the way [indistinct words] its creativity, but if everything that is proposed in this goes into effect, the likelihood of actually increasing property tax collection – I think the likelihood is drastically reduced. But, that's just an observation. And, thirdly, it struck me that you were suggesting accrual basis accounting for the City of Gary throughout the report and I don't know that the State allows that. I think we require a cash basis accounting, and I was just wondering had there been discussions between your group and DLGF. I mean, how does the City report on an accrual basis if the State Board of Accounts requires a cash basis reporting procedure?

Mr. Kaplan: There was some dispute for the City as to why they are on a cash basis, but our real point is that you cannot possibly understand the finances of the City of Gary if you keep them on a cash basis. Now that doesn't mean – if the State Board wants to require cash basis, fine. But, if you don't get them on some sort of accrual basis as well of reporting, you'll be – you will have to do our report again and again and again and again and it's you know...you know...

Mr. GiaQuinta: So welcome to the world of government. I mean...

Mr. Kaplan: Most governments that we work with nationally are on accrual at least for size, of Gary's size, would have an accrual account of reporting even if it is not their official way of reporting and most states... [words indistinct, Mr. GiaQuinta speaking simultaneously.]

Mr. GiaQuinta: That's like borrowing or keeping a second set of books.

Mr. Kaplan: I don't – Frankly, I don't think we are saying to hide them. I think we are saying, if the State finds cash accounting useful and preferred that is fine.

Mr. GiaQuinta: Well it's required by law. It's required by law.

Mr. Kaplan: Right. Right. Right. But I think that what we found and I think you will find if you look in the interstices of our report is that it is almost impossible to make heads or tails of what is really going on with Gary's finances unless you have accrual accounting.

Mr. GiaQuinta: Unless...

Mr. Kaplan: Unless you have accrual accounting.

Mr. GiaQuinta: So I guess my question is perhaps for you Tim: What are we... Is there –

Mr. Rushenberg: It should probably be to Bruce.

Mr. GiaQuinta: Bruce are you going to then allow accrual basis accounting to occur, or is one just a planning mechanism and the other one real.

Mr. Kaplan: I don't think we were saying we should supplant what the State...

Mr. Mann: It's not one or the other. The thing is that if you look at some of the annual reports of – if you look at the [unclear] of the annual reports they vary considerably in terms of what people present and how they present it. And actually, there are several Indiana cities, large cities that include accrual based information in their report, so it is not something that nobody in Indiana does.

Mr. Kitchell: Any questions?

Representative Brown: Mr. Chairman may I raise a question. Quite a few people in the back are straining to hear and there is no amplification. Can there be amplification brought in or can the members stand so that they can project so that the people in the rear can hear.

Mr. Kitchell: I got a note on that as you made your comments. I appreciate you mentioning that Representative .

Mr. GiaQuinta: Let me just summarize what – I apologize. I've never been – I got hearing aids so now I don't talk as loud. But, I asked a few questions, one was will the plan increase unemployment such that it will be counterproductive and we had a little bit of a discussion about that. I also asked a question concerning the mechanism or the method of by which the City would be expected to produce its year-end report, whether it could be done on an accrual basis as was suggested in the report when State law requires cash basis accounting. The answer was it is sort of an informational or policy setting analysis so that you can see what's down the road, whereas you still would I suppose, have to comply with the cash basis request. And then the other – what was the other?

Mr. Mann: Property tax basis assumption.

Mr. GiaQuinta: Then I asked whether or not it was fair to assume 100% collection of property taxes – 75% current year, 25% on arrears. And the consultant suggested that they did not want to present a plan that would be based on performance that was below that which Indiana cities should expect. That was why they assumed in their report a 100% collection number. I suggested that that's probably not being reached in many Indiana communities at this time in part due to the recession.

Mr. Kitchell: Other questions? Paul.

Mr. Wyman: Thank you very much for your report. The problems with Gary are so significant across the board, my question is, “do you feel like you received all the pertinent information that you really needed to make your far reaching recommendations?” Do you feel there was a no stone unturned kind of a situation? We are trying to get our arms around this has been quite a challenge for a lot of folks for a lot of years. Did you receive all the information you needed?

Mr. Kaplan: I think we received all of the information that was available. And particularly a lot of the department heads that are here today were extremely cooperative, in providing us not only with formal reports, of which there are not many in a lot of cases, but informal work that they had done on their own to help them run their departments and understand how they would manage with reduced resources. So, so the answer to the question, “did we get everything there was?” I think generally yes. I think one of the points in our report is that the City does not really have sufficient reporting. It’s not just an issue of the accounting system, but many of the departments are not staffed sufficiently or have not, do not have management trained sufficiently to provide reports that other governments would use. There are some recommendations in the report about that. And then, there are cases where there is, there’s not an information technology platform. Although the City’s proposing to change its financial information system, but right now some managers cannot get to the information that they need because the City does not have that structure. This is – I might mention that much of this is common in older cities that are facing financial distress because those tend to be places that go first. The analyst who collects the data and analyzes the number, the money that went to additional IT system, I would say that I think that our impression was that Gary was a bit worse off in that light, than others.

Mr. Wyman: Did it concern you at all that perhaps some of the detailed information was not available [indistinct words], A? B: Do you feel like there is an attempt to put in place not just the technology platform, but put in place that type of detailed reporting and that it might be in place in 12 months, 24 months, 36 months, so that going forward we don’t have that same situation?

Mr. Kaplan: I think in terms of the first question, one of the reasons that we proposed a phase-in of the final tax cap through 2012 was as Gordon mentioned in part to cover the prior year obligations, some of which are spread out over several years like the proposed USX tax payback. But also, to provide some room for the City to absorb both items which we didn’t know about at the beginning of the report, or knew of. So for example: the bankruptcy of Barton Enterprises, which occurred during the time of us doing the report changes what the City gets from its local revenue contracts with the casinos. It means that they need to find a new, a new revenue source for their RDA payment. So items like that will occur and one of the reasons we gave them a little bit of room and then built a balance in the out years was to anticipate that we would most certainly miss some things by doing a report in such a short amount of time.

Our assumption is that the City can implement substantial changes in its monitoring and reporting, relatively rapidly. It would be extremely helpful to have the new financial system up and running. One of the recommendations in the report was to hire two new senior professionals in the finance area in part to address that, also to work with departments on budgeting and performance managing reporting, and also we recommended the hiring of a Chief Operations Officer. Given the number of recommendations as your suggesting, the Mayor, Deputy Mayor, Chief of Staff, the Controller and the other senior officials in the

government will have their hands full if they went ahead and implemented these. We think some offloading of the daily operational responsibilities to a professional who has done that elsewhere would be very helpful to the execution of the plan.

Mr. Kitchell: Other questions.

Mr. Ruhl: Can you guys speak a little bit more in detail to the health insurance piece? Is it a function in terms of looking on a comparative basis - just the employer-employee share? Does the City have a richer plan in terms of the benefits than other comparable municipalities?

Mr. Kitchell: You quickly went over some numbers. You went over a lot of stuff really fast. Can you say again?

Mr. Ruhl: I thought I heard 95% employer, 5% employee, kind of cost share.

Mr. Mann: Sure. We didn't do - there is some comparability analysis in the work -

Mr. GiaQuinta: Can I ask if people can hear the question?

Mr. Kitchell: Did everybody hear that? If you didn't hear it, raise your hand?

Mr. Kaplan: Jelani, can you go back to slide 71?

Mr. Ruhl: Question about more detail around the health insurance plan and recommendation.

Mr. Mann: There is some information in the report about comparability. We didn't do - one of the things our firm is very, very good at is doing very detailed comparability analysis and usually in support of arbitration where we'll say, "How much are your firefighters paying for health insurance and how does that compare to twenty other cities just like you?" We didn't do that here, but we did provide some context. If you're looking for information on how much the employees pay and what percentage of the premium that is, it's in the report. Just quickly, two different kinds of plan coverage: one is a PPO; one is an HMO. For a single - single coverage for a PPO employees contribute ten dollars - page 25 in the report. That's 2.4% of premium. For family coverage \$75; that's 6.4% of premium. Now what does that mean in relation to what other people pay? You go to page 27, Lake County employees for single coverage contribute \$25. That's 4.3%, so a little higher than the City. Go to State employees, they contribute \$188. That's 32.3%. Go to Midwest employees. This is all workers - private, public, otherwise - \$71 - again, compared to the ten. State and local employers - there again we don't have a dollar amount, but we do have a percentage - 11%. And national workers, again, in public and private, \$67. Now I'm just taking - Again, I am not doing this to pick on one particular element here. I am just doing it to point out that there is some comparability information in there. And, if you look at the charts on 27 and 28 of the report you'll see the City is undeniably on the low end, lower than the County, lower than the State, lower than Midwest, lower than the national average. And again we recognize that some of that is understandably achieved through the collective bargaining process, and is a balance to the fact that their wages as Dean mentioned are not particularly high in a lot of areas. So, if you look at a total compensation package it balances that out.

Mr. Kitchell: Other questions? I want to make sure we're clear on this property tax collection piece that Mark raised because I read it differently than I think he did. What I read was you're assuming that a

current year 75% collection rate; separately of the stuff that wasn't paid current a quarter of that eventually gets paid. Is that what you're saying?

Mr. GiaQuinta: That is not how I read it.

Mr. Kaplan: Not exactly. What we were suggesting is that the combined collection rate, current and prior in any given year would be 100%.

Mr. Kitchell: Okay, which is what Mark said.

Mr. GiaQuinta: I mean that is a critical assumption I think the Board needs to understand. I don't know of any – well I think Tim would be a better source, but I am involved as he knows in a lot of assessing with units around the State and that's a pretty, that's a pretty optimistic assumption.

Mr. Kitchell: Okay.

Mr. Mann: One thing to highlight there – there are two reasons, fundamentally two reasons why property taxes collections are late or don't come in Lake County. One is the person's not able to pay, foreclosures, something that every government that has property tax wrestles with – delinquent property tax pursuits in property sales and that is something that again that is handled – current and both delinquent property tax collections are handled by Lake County, so it is not something that cities or the petitioning bodies control. The other reason that property tax, and if you look at that, if you compare actual to budgeted, you will find some years where they're way under and some years where they're way over. And that is because of the flow of property tax revenues. In one year the City may get half of what they are supposed to get, and the next year they may get all of what they are supposed to get and the next year they may get one and half or two times what they are supposed to get. So that makes that “are we getting 100% of what we owe every year” analysis much, much harder. And that is something that is more unique to Lake County.

Mr. Kaplan: I think too, two quick things to mention here is that and I am sure the City will mention this, maybe the Airport will mention this. As recently as last month, in December the taxing bodies in Lake County very late in the month found out that they weren't going to get all of their allocation for December and had to scramble to make debt service fee. So, we recognize that that's an issue. The second thing is that we also, we might have assumed that a best practice number is usually slightly lower than 100% in certain situations, but again because there's significant prior year numbers and I mean we saw such fluctuation as Gordon mentioned we pushed it a little bit higher in order to suggest that the County in particular with support from their bodies needed to do a very strong job of picking up prior years as well.

Mr. Kitchell: Kyle you have a question.

Mr. Babcock: Yes I have a question on user fees. It could be in your calculations and maybe I missed this part about what the storm water fee will be or trash pick-up fee over what they're paying right now if you took out the property tax and moved over to the user fee structure.

Mr. Mann: We did not do an estimate of what the cost would be without the property tax. Right now residents pay, I think it's \$12, with a reduced rate for senior citizens – this is for trash – there's a reduced rate for senior citizens and disabled citizens, of seven dollars. The City's financial advisor has already done some analysis that showed that that rate, just as a user rate is low in comparison to other rates in

Northwest Indiana. But, most or a lot of other municipalities in Indiana, in northwest Indiana, that do this on a user fee don't also charge you a property tax. So in comparison there, it's a lower rate, but not necessarily a lower rate when looked at an equal comparison. We did not do – we did not say your storm water fee should be “X”; your trash fee should be “X”. That is not it.

Mr. Kaplan: And, I think that's a good point though. We – it – It would take a little more time than we had available. One of the things, the benefits of doing that was that obviously if you look at the issue of waste collection, storm water use, sanitary use and property taxes and you look at it across different income levels within the City and also different types of taxpayers, businesses, residents and others, you'll get a pretty detailed matrix. So that is definitely an exercise that would be useful to do, but ...

Mr. Kitchell: Any other questions? Go ahead.

Mr. GiaQuinta: Did you into – we have a Nobel Prize Winner in the State of Indiana now, down in Bloomington, Elinor Ostrom, and she did a lot of work in determining “right-sized” governmental units and has determined that the service being provided often times ought to be determined by the size of the district providing it and in most governments in Indiana and in most governments around the country, it happens the other way around. We start with the unit of government and just provide services regardless of economies of scale analysis. Did you – One of the things that I would imagine the citizens of Gary are a little bit concerned about is that they present a uniqueness in their demand for certain services that may or may not be addressed in the event the services provided by a larger unit of government, thinking in particular Board of Health for example, since you highlighted that. I would suggest and what I gather although it hasn't been stated is that by transferring some of these services back to the County the County is likewise forced to make some tough decisions with regard to county option income tax and can no longer look down from on high and say, “No, WE don't need that” – euphemistically “we.” But, but, when it comes to a service like health, Board of Health, did you look into the uniqueness of the need in Gary for a different kind of health service that might not be the same when compared to the needs articulated in other parts of Lake County and ask yourself if we do this we may be satisfying a fiscal goal, but sacrificing a human goal and that is the need for the service. I mean, to what extent did those discussions take place, and did they factor into your report?

Mr. Mann: Let me hit the specific instance of the Health Department.

Mr. GiaQuinta: Okay.

Mr. Mann: Because this is something that we talked with County representatives about and the City about, and some of the collective bargaining units about. And, actually for those for some of those reasons you just articulated, that is why we did not recommend that the City Health Department being closed. You could theoretically, as a single mother with two sick kids get on a bus which comes hourly, take it from the Gary Metro Center and to Crown Point, which is 20 minutes away and go in there and get your services. And if you shut down the City Health Department, you would have a number of people needing to do that. Would the County Health Department have the capacity to handle that? I don't know. Instead we think there are ways to rescale the health operations because in view of the fact that I think it's either Hammond or East Chicago – I think it was Hammond that just shut down their Health Department, there's a, there are now some residents from Hammond, who are now coming to Gary. And the fact is that for that particular service, proximity does matter. And so there is, there is a way, if you did just strictly

numbers, you would not take the recommendation that we did for the Health Department. But, for that particular one, yes.

From a broader perspective, on matching services, rescaling service levels, there are other services in here that are talked about being moved to the County – animal control is one of them. It is a legitimate concern at the County, given its own financial challenges would not be able to provide the same level of service. But again, under the, when you start with the premise we had sixty million dollars and now we have thirty [million dollars], you have to make those kinds of decisions.

Mr. GiaQuinta: I appreciate that. I really do because it, in all of this there may be an opportunity to improve or to increase the size of the services to capture economies of scale and downsize the size of others. For example if you could provide the same level of services at a central point, that might lead you to increase PPC service and then allow you to save money by cutting back on other. But, I would, I would just suggest that Dr. Ostrom – and I have bought into this – is very big on labor-intensive services being delivered in a more decentralized fashion

Mr. Mann: Sure

Mr. GiaQuinta: ...and capital-intensive services capturing economy, the economies of scale... [Indistinct words – Mr. Mann began speaking simultaneously.]

Mr. Mann: Just to be clear, what I just said was not intended in any way to be an indictment of the regionalization of services where if you go regional everybody gets less, not necessarily. You know if you look at both the public transit chapter or the airport chapter that talk about the fact the airport is, will be as it develops, a regional asset that right now is supported by the property taxpayers in the City of Gary, even though again, once it gets to be a regional asset will certainly benefit more than the property taxpayers in the City of Gary.

Mr. GiaQuinta: I am pleased that you have those discussions. I mean, I think that's important. And we'll be hearing a lot more about that I'm sure.

Mr. Kitchell: We gave you guys an hour and you stuck to it and I appreciate it. I want to end with one question so we can move on because I know we've got a lot of folks that want to testify. You gave us as Mark said a huge binder of a hundred plus recommendations. If you had to, you know, what are the three highest priority things that Gary's not currently doing that you recommend they start doing? Can you pick three for us to focus on?

Mr. Kaplan: I think that as we mentioned as we talked a bit about the things that Gary doesn't really control and the fact that, and several members have highlighted the fact that there's a ... it's a tough road to hoe for them to more towards move traditional operations. But, I think that the overarching issue is to become much more creative and, and what we as a shorthand always say, "thinking outside the box," but we're at a position now with a reduction in revenue that the City has to really think hard about what services it provides, which ones it wants to keep and then be fairly ruthless about jettisoning the ones they can't keep so they can really focus on doing a great job on the things that are the most important. So, I think that is – and that's a very hard thing to do in the public sector and managers in the public sector aren't normally trained to do that. So, I think that, that's probably the number one issue.

The second thing is, coming from outside Indiana, like we said we really benefitted from the city managers and others in the region who helped educate us about how Indiana works and the very unique properties of northwest Indiana. But, as an outsider, one is struck by the lack of dialogue between governments, local governments along their borders, regional agencies, and the county and then multiple counties. And of course then during the time that we were preparing this report the regional transit initiative was voted down. So, it's clear that as a region northwest Indiana as we see has to start working together. And, I don't think the City has been poor at reaching out to do that, but will still need to do more, and will need to and probably as the largest city in the County can take a leadership role in that area. Gordon, I didn't know if you wanted to add one more.

Mr. Mann: No, I guess if I had my personal list and obviously it's a conversation that should involve a number of people, but if you are looking at the first thing on the list to do, the health insurance changes are big, because a lot of the collective bargaining agreements are expired, and it's something that depending on the nature of the collective bargaining, you get one shot at and then you have a contract for three years and then you are stuck with it. It's a big thing. It's something that is imperative because of the time and it's something that if you go back and take a look at in 2011 or 2012, it may be too late.

Mr. Kitchell: Thank you guys. We're going to next hear from Gary. I hope that you guys can stick around just to reserve the right once they present. I don't know whether any Board members would like to hear any response from you, but if you guys could stick around, I think that would be really helpful.

Mr. Kaplan: Sure.

Mr. Kitchell: Next up, Mr. Mayor, we have given you 90 minutes to orchestrate the various Gary petitions. Mr. Mayor we have had a lot of hands waving for volume so the louder you and your colleagues can be, we would appreciate it.

Mr. GiaQuinta: Do we have State officials? Representative Brown is here.

Mr. Kitchell: Yes.

Mr. GiaQuinta: Should we introduce? Do we have others?

Mr. Kitchell: I saw Representative Smith here, and I don't know if Earline's here.

Mayor Clay: She had to leave.

Mr. Kitchell: She had to leave. I saw Representative Smith here.

[Background conversation]

City of Gary

Lake County

Present for hearing: Mayor Rudy Clay; Celita Green, City Controller; Joe Rodriguez, Economic Development Director; Suzette Raggs, Clerk; Jewel Harris, Jr., Attorney for City Clerk [present, but did not speak]; The Honorable Deidre Monroe, City Court Judge; Ronyé Scott, President of City Council; Mary Brown, City Council Finance Chair; Kyle Allen, Councilman at-large; Lucy Horton, Director of

Gary Sanitary District and Gary Storm Water Management District; Vern Webbs, Deputy Director of GSD and GSWMD; Doreen Carey, Environmental Affairs; Chris Curry, Gary-Chicago Airport Director; Nikki Thorn, Gary-Chicago Airport Financial Manager.

Mr. Kitchell: The floor is yours.

Mayor Clay: Alright thank you very much. First of all I want to thank God for the moment but I certainly want to thank the Distressed Unit Appeals Board for your time and of course the service that you are rendering the State of Indiana and the City of Gary and the County. I appreciate that. I also want to thank and congratulate you for Cris Johnston and our City Controller have been working well together and I appreciate that.

You know I was introduced, right here in Indianapolis, I might add, at a mayors' conference, as the mayor that has the toughest job of any mayor in America. That's how I was introduced. And at that time I thought it was perception, but it has become more and more of a reality everyday because of the economy and where we're going in Gary, Indiana. But, I am here to tell you that really the glory of Gary, are the God-fearing people of Gary, Indiana. We have the greatest people. So, that's why we continue to push forward and work close with the Distressed Unit Appeals Board last year. Our mettle was tested through 2009. And here we are in 2010 and of course our mettle will be tested again. So I, we come here without rancor. We just want to be professional in what we do, representing the good people of Gary, Indiana and to keep our credibility and integrity intact as we did in 2009 as it relates to the Distressed Unit Appeals Board in asking for relief from the financial issues that face our community and other communities too.

So with no further ado, I want to introduce a lady, in fact she is the first woman who has ever been the City Controller in Gary, Indiana, Celita Green. She is very competent, very knowledgeable. She is underpaid, overworked. The fact of the matter is that I called her one evening and her husband was in the hospital in the intensive care unit and she was sitting there visiting with him and working on this particular Distressed Unit Appeals Board presentation, [demonstrating] her dedication to the people of Gary, Indiana. I am not going to talk too much; we don't have too much time. So, with no further ado, I am going to let Celita Green present our case.

Mr. Kitchell: Celita, before you get started. I can see there is some confusion up here. We had some presentations in advance. Are they the same or should we toss those and use the one you gave us today?

Mrs. Green: They are different. I was going to go into that. Because of time constraints we made an abbreviated version.

Mr. Kitchell: Okay. So, the one you passed out that's stapled is...?

Mrs. Green: That's the one.

Mr. Kitchell: Okay, thank you.

Mrs. Green: Thank you Mayor. Thank you and good morning to everyone. We would like to go through the PowerPoint and we would like to go through some of the things that we indicated we would do in 2009 and where we are with those and the things that we are projecting we will do for 2010. Starting with

the agenda, the introduction, recent financial situation proposed budget reduction 2010, 2011 and 2012 summary. You can't hear me.

Mr. Kitchell: Celita will you be as loud as you can.

Mrs. Green: You can't hear me? Okay, I may have to hold it – and summary and conclusion.

Mr. GiaQuinta: That doesn't amplify. That is just for recording.

Mr. Kitchell: Be loud.

Mrs. Green: For the introduction: The City of Gary, Indiana is seeking assistance from the Distressed Unit Appeals Board, pursuant to I.C. 6-1.1-20.3-6

Member of Audience: We can't hear.

Mrs. Green: It is also referred to as House Bill 1001, 2008. In order for us to comply with requirements of this law as it's currently thought, the City provides Distressed Unit Appeals Board with a financial plan for three years as a phase-in of tax caps established by law.

For 2009 recent financial situations, our budget reductions are first. We eliminated 365 positions from the 2009 budget between January 2009 and June 15. We reduced the civil City employees from 1,356 to 991 employees. Some basic areas in the general fund where we eliminated 117 positions, transferred out 17 to other funds and outsourced 47 positions.

The Park Department eliminated 106 positions; most of those were seasonal and part-time. And, the Genesis Center eliminated 54 positions from its tax-based fund. I might want to say at this time that the Genesis Center had two funds. It has an enterprise fund and also a tax-based fund.

This section deals with the proposed reductions that we presented to you last year versus the implemented reductions. Starting with personnel, we proposed that we would reduce the workforce by 148 positions. We actually reduced 365 positions. We also reduced the general fund from 29 departments to 22 departments. Of the 22, one department is unfunded and one consists only of Commissioners. And listed below is the same information we presented and the yellow type will tell you whether we completed and implemented those reductions.

Consolidate in health and community services we did do. The public info and Chief of Staff departments we also consolidated, outsourced sanitation, transferred jail services to the County. We transferred employees to grants where it was allowable. We also transferred the majority of the street employees from the general fund to Motor Vehicle Highway. We down-sized staff in all of our departments from our tax-based funds, and we did also close the six park pavilions. So, everything here we actually completed.

Continuing – personnel we closed four of the eight pools for summer usage as we indicated. The complete analysis of medical insurance coverage you recognize insurance plan to increase employee contributions accordingly. We're in the final stages. As of this week, yesterday, today and tomorrow we have open enrollment. We have implemented PFM, their report and their suggestions and recommendations. It will be in effect second and third pay of this month. It could not be in effect the first pay because of open enrollment, but it will be in effect the second and third pay – the 15th and the 31st.

Reduce clothing allowance and negotiate with police and fire to change sick leave. We are negotiating with them now, and also with the teamsters on their sick days. And make changes to police, fire, and AFSCME union premiums to pay 100% of medical insurance employee premiums instead of the 25% discount for public safety and the \$30 discount for AFSCME. We're in the process. Some of the unions have agreed and some of them are filing grievances at this point.

Mrs. Green: Under operations – participate in the fuel hedging program co-authored by [unclear] we have been participating. We are in our ninth month at this time. Work with Indiana American Water to identify meters no longer needed or to down-size the meters. We are in the process. And, explore new vendors to lock-in lower gas prices at a lower rate. We are still in the process of finding other vendors.

Also under operations – work with Crystal Clean to purchase used oil. They've been contacted, and we're still in the process. That is on hold for just a moment until we figure out what we are doing with vehicle maintenance because it is [indistinct words] for vehicle maintenance. Transfer the payment of \$1.1 million in fire hydrant fees. We have done that. Negotiate a better cell phone – and we only talked about cell phone when we were here before but we also have gone to a different type of land line phone, which is also a savings in cost per month.

Under revenues – increase fees for City services in most departments. We have passed a new ordinance through the City Council that has increased most of our fees. GSD established a garbage collection fee, which we have done. Selecting a new EMS billing service – we have selected and increased our collections by 81%. Work with USX, United States Steel, Public Safety Director to engage their grant writer to write grants. And we have engaged with them, but there have not been any results at this time. Advertise new rates for licenses and permits. For 2009 we did it, and we are working on 2010 right now. And letters will go out. Normally we do advertise in the newspaper to remind our business owners that they have to purchase their licenses and what the fees will be and that they can contact us and they can also get the information off line to increase the awareness that even a babysitter has to have a license.

Also, we are going now to the year 2010 and this was implemented in 2009. One of the reasons our reductions were so high in 2009 was because we accelerated due to us having to reduce another seven million dollars those cuts that we had planned for 2010 and 2009. In 2010 we proposed to reduce 62 positions, but we actually made a reduction of 222 more positions than we had actually proposed for 2010. We did consolidate the building and planning departments and public works. We have consolidated general services and demolition. We eliminated an additional six positions than the 62 that we originally proposed. And, we purchased excess insurance for their compensation. We are in the process now, and we have to complete the contract with the Board of Works for 2010.

The analysis is a major 2010 budget expense. We kind of looked at our expenses to characterize when we thought it might be good to give you this information – where are most of our costs. Police and fire budgets are 48% of the 2010 budget. Civilian expenses are 30% of the 2010 budgets. Medical insurance, TAW interest, which are tax-anticipation warrants, utilities are 22% of the total 2010 budget.

This slide shows the 2009 DUAB approved budget and the 2010. And, you can see where the differences are. The total reduction in the levy is nine million dollars. And if I could just mention, on that same page on the slide you will see that there is a slight amount in the police pension fund and the fire pension fund. Originally when we were told that the State was taking over the pension fund, we were told that they

would only take over the pension payment. We were recently told through IAT that there are some other expenses that we can include. And we're including the pension secretary expense and the death benefit, some of the death benefit. Well we didn't want to raise the levy too much, so it doesn't really cover the basic amount of our [expense] [indistinct words].

For personnel in 2010 – We have taken many of the recommendations from PFM. And I just want to say at this time, we just want to thank PFM for all of their hard work and the map that they have given to us to help us adhere to public law 146. So we've taken their suggestions and we've also included them with ours. This is not a complete list. We could not list a complete list. We just tried to cover some of the main areas. Eliminate board compensation. There are several boards that are paid \$600 a year, so those will be eliminated. Implementation of furlough days and salary reductions, those will start next month. They will be effective on the pay check in February. We've already told the department heads and we've talked with all [indistinct words]. We have some tweaking to do so that we make sure that when we implement the furlough days and salary reductions for anyone making over \$50,000 that that management person is not making less than the person underneath them. So, we have a little tweaking to do there. Further reductions in overtime and elimination of additional pavilion positions; reduce fire department staffing by thirteen. The fire department has been really good. We met with them this week. They have \$833,000 that has to be reduced in 2010. They gave us a plan whereas they would reduce thirteen positions and those thirteen positions as well as some of the other recommendations that were made, that they were willing to make for the reductions. It's a little different from what PFM suggested. But, rather than start 2010 with eliminating 54 to 57 positions three-quarters into the year – I'm sorry at the last one-quarter of the year, they decided they would do thirteen positions at the beginning of the year and get the same result. One of the other reasons for doing this is because before US Senate there is a job bill that has been presented. It's passed the House, whereas there are billions of dollars that are to be awarded that will create jobs, and firefighting jobs are one of those. We have asked them to follow-up on that. If it is approved by Senate the money will come to the State. And, we want to ensure that the City of Gary will get some of those funds. It's either to retain or to hire more firefighters. So, hopefully by 2011 instead of having to lose them, we will have those funds available to [help us with that] [indistinct words]. We also will eliminate three special police positions; reduce clothing allowance by \$500,000. We have talked about it; we have not come to a conclusion yet with police and fire union. Implement new rates for the employee health insurance that I mentioned. That is going away for our next pay period. Employ Chief Operating Officer for day-to-day operations. Those requests will be going out for resumes as well as two accountants to assist the Director in implementation of some of these changes to be made. Those two people will be very welcome. And at this point PFM indicated that our financial system [indistinct words]. We actually have been [working on] [indistinct words] our financial system since I was a deputy five years ago. [Indistinct words] ...and, I was told by a [indistinct word] to hold off. They said that probably there would be other entities or other cities that might also want to change their financial system. They were using the RBS system too, which is basically geared towards schools and we kind of – we have actually outgrown them. We did place out an RFP. It did get responses back. It has been awarded to SunGuard. So we hope in February to start the transition. We were a little afraid the last couple of years because of our financial position whether or not we could afford the financial system, although we knew we need it. But, we found that we can lease it. And the greatest part about it is we can lease-to-own for ownership rights. We have no ownership rights with our current provider. So there are a lot of reporting, the Gatsby and Gant reporting it does that our current financial system cannot do.

Mrs. Green: Create economic development is another area and increase unemployment and workman's comp. And, for 2009 we did increase the percentages for workman's comp and unemployment because we are carrying deficit balances because of laying off so many people. We went from 2% to 4%. This year I would like to increase it another 2% because the result of increasing it to 4%, we carried over another \$400,000 deficit in unemployment and workman's comp from 2008 to 2009. It has been decreased to \$100,000... [Indistinct words.] So we're coming out of that deficit balance and by increasing another percentage or two that will bring us to a positive balance.

Also, for operations for 2010, these are additional major department privatizations and consolidations. but not again all of them are not listed: consolidation of services for general and demolition services to the Department of Public Works and consolidate the fire and police commission. We have been working on the consolidation of general and demolition services into Public Works. I think we are about there at the end of where we need to be so we can go ahead and implement that one. Transfer code enforcement to Building Department and cross-train inspectors, the animal control and 911 dispatch to the County. I know that the police department has been talking with the County about the 911 system, so we have to kind of deal with them a little bit more to make sure that they are able to take the transfers from animal control. Privatize traffic control operations and the balance with trash collection services – we're in the process of looking at that: outsourcing vehicle maintenance. We also will put out RFPs for that one within the next thirty days. Implement vehicle reduction and take-home vehicle reduction policies. We do have vehicle reduction policies. They probably have to be revised. The police department brought me over two of their policies on yesterday to take a look at and we have another one for department heads. What we will do is refine it. The cars are due to come in by January 30. And then after the policy has been refined, then the cars will be redistributed based on, based on the policy. Something else that we would like to do is establish a semi-annual Citizens Report to include updates of the City's financial position and other areas of interest. This is something that we were looking at, we just did not have the staff to do it. And that's simply why it wasn't done; we did not have the staff. With two additional professional accountants we should be able to do it; and increase accountability for judgments, settlements and claims through the Law Department, additional reductions in travel expenses. We will reduce it in half.

We are also looking at moving the Health Community Service – Well, we were looking at moving them to Figg [phonetic] Hall. Health Community Services are housed at the Methodist Hospital and we're paying rent of \$40,000. We're working with the Community Health Center who said that they would take them at no rent, but we'll have to be responsible for the phones. So that would eliminate about \$35,000 a year. We eliminated grants and subsidies from all tax – except for tax-based funds. Our Health Department and a few others that rent have to have rent now. Close some fire stations up. Those have not yet been identified. And re-establish a modified accrual method accounting. I heard the conversation on this earlier. About five years ago we were on modified accrual accounting basis and we were receiving medals – plaques, I'm sorry – three plaques we received for our accounting based on the modified accrual accounting. We could not be cannot be Gatsby [phonetic]-compliant, we've been told, unless you are on the modified accrual accounting basis. So under the recommendations of State Board of Accounts, we went to cash basis. I guess what confused me the most was that in our audit there's a section that says that we are not compliant with Gatsby and Gant. So, we can't be because we are not on the modified accrual basis. So we have no issue at all going back. That's where we were for many years with modified accrual and what the accountants do when they come in, they take our information and they convert it. So our system that we are looking at will automatically give those reports in that form. We will have to see if it

can do both of them as soon as we can because the cash basis is much easier than the modified accrual basis. But, what we were told is that we did not function totally on the modified accrual basis and that is correct, but we manually would gather all the information from first quarter of the current year for anything that was actually applied to last year through the modified accrual basis and give it State Board of Accounts, so they would have all the information they would need for the modified accrual basis. So, again we have no issue with it. We were on the modified accrual. The system that we are supposed to be implementing uses the modified accrual accounting.

Mrs. Green: For 2010 revenues, we indicated that we ... [indistinct words/static] revenues... for the Gary public safety overtime equipment as a collaboration between USX and Gary. That has yet to be realized. However, we did not indicate about the Cox grant. We did receive the Cox grant for 11 officers and this particular requirement is only for one year retention, and that one year of retention through the chief of the police department we would be able to accomplish the one year retention by not filling open positions. So the 11 officers would go into those open positions.

Incorporate more effective procedures for license inspection and renewal. We have been working on that for a couple of years, so when we incorporate better procedures so that our business owners are not coming in going from one department to another department. We are trying to establish with our networking and with our internet a system where as they can go on the internet and actually complete the application, which they can do now, but have that application go through a process through all the departments that are part of the process, whereas the owner does not have to come in and go to five or six different departments before getting their licenses renewed.

Incorporate other revenue-generating mechanisms for EMS such as transport services. EMS and the fire department has been talking to one of the Vice-Presidents at Methodist Hospital. And we have also now been having conversations with the Chief Physician in the Emergency Room – a lot of conversations exactly. So we're hoping that we can develop a transport service whereas they will call the City of Gary before they call anyone else for transporting.

We also would like to will sell lots on vacant land. That has been ongoing, but we would like to accelerate that process and sale of assets such as our garbage trucks. We would also like to look into having that done by the end of 2010.

2011 – 2012 By that time we would have accomplished many of the PFM requirements and those goals that we have set for ourselves so there's not very much left in 2011 and 2012, except if the golf course at Genesis Center has not proven itself to self-sufficient then we would have to outsource it. So we are – we have talked with the Genesis Center. They have a lot of appointments even that they have scheduled for next year – at one point they did not know how to handle the appointments because once the PFM report came out a lot of people who made appointments or who had events, scheduled events called the Genesis Center, wanting to cancel their contracts, or didn't, or wanted to know if they could make events, schedule events for the future, so we had to indicate that the Genesis Center will continue to operate on the funds they have left from their property taxes as well as with their private enterprise funds, and we will do everything that we possibly can to make them self-sufficient. And, we will be continuing to implement the furlough days and reduction of hours we have in the past.

Under operations we would continue to reduce interest rates related to TAW, because we know Indiana Bond Bank we are seeing some decreases. We will see better decrease when we are able to receive all of our tax receipts the year that we are supposed to receive it. And reduce prior year outstanding obligations that has also continued. As of today all of our insurance claims up to 2009 will be released and paid. So we are continuing to work in those areas. Revenues is when the shift from the Sanitary District is supposed to occur with the general fund and we hope to increase revenues from additional grants.

2013 and 2014 are the final stages of implementation for the omissions to 2011-12. In 2013-14 we'll address USX settlement that has been negotiated for property tax credit that starts in 2010 and it's \$8 million they are proposing over four years. This was a 2002 property tax appeal that was settled through the County. They had the, a lawyer that represented the County as well as the other entities within the City of Gary.

2013-14 will also provide for the implementation of the NFC grant and other economic development programs that are projected to increase the property tax stakes.

In summary, "How can DUAB help?" We are seeking to increase circuit breaker caps for the City of Gary at a phase-in rate through 2014 – actually 2012. And we are sorely seeking to enforce compliance to the budgetary [limitations] [indistinct word] and property tax distributions. With already established debt lines [indistinct words]. This will eliminate critical cash flow issues compounded by the property tax cap and low percent property tax collections rates. And this is extremely important, extremely important to us. A lot of the problems that we are facing are not necessarily that we don't have the cash. We just don't have the cash when we need it. When we have two million dollars of claims that need to be paid in insurance right now – as of yesterday some of the employees when we were talking about insurance were saying that they are being garnished. Some of them have, they're, they're receiving some of them court dates where they have to go to court. And this is because we cannot pay our insurance. Our insurance, the last time we paid was in May, but out of a \$54 million levy, the City of Gary has received – out of 10.8% that we would have received which would have been our 20%, we received about \$2 million. That's the whole year. So, our 20% is \$2 million. We cannot borrow from our inter-fund [indistinct words], because we don't have any funds that come in from casino. They would have come in out of \$6 million, so there is no place to borrow.

So we have these expenses that are sitting on our books that we can't pay, that's affecting our employees, and they're affecting how we do our business. We did – normally we would receive a distribution on December 31. All of the taxes were collected, had been collected. Normally we receive a distribution on the 31st, it's there. We asked for the distribution. We're told that – we were told we were not going to get it because they were inclined to distribute the final distribution in January and could not go back into the system to give us our distribution. Well, the Mayor called out there and they said we'll see what we can do. Well they did give us seven million. Of the seven million, we received 1.4. And the rest went to the Indiana Bond Bank. But, it did help us to get through some of the payroll issues we had to get through by the end of the year, which was \$500,000 that we had to pay in insurance – premiums, not insurance claims, just premiums every month and a few other things that required payments that we had to make. However, if we – we did have to call the bank and say, if there's any reason that we should have a deficit balance, we either need to now get a short-term loan or ask you to float us. They said well it's going to be

three or four days before you get your TAW's, if you have a negative balance we'll float you. We should not have to do that when we have over \$8 million just sitting in that account on December 31.

Mrs. Green: The next one is, "How can legislators help?" We're asking to reconsider the property tax caps percentages for large industry, again to find a common denominator between local and state assessment and real property for large industry, so that all tax payers are expected to pay their fair share. We were told by the attorney who was representing the County as well as the City, that the assessment is done from a – and I am not sure how true this is – but we were told that assessments of large industry in northwest Indiana is done from computer calculations and that it should be done by also outside assessments to make sure that these industries are being assessed properly. We also are asking that there be an allowance for second class cities to adopt some kind of local option income tax, or impose gasoline taxes.

And lastly, should continue to provide distributions from the welfare excess fund. This year we received a distribution of about \$2 million from the welfare excess fund [indistinct words/static]. It helped us with the overtime, especially since we had to cut back on the overtime. We didn't use it all. We only used a small portion of it. The rest of it we're using for 2010 to cover the clothing allowance as well as some other overtime. We're just asking that this time that if there is excess and we can get excess that it be limited to those entities that have public safety. There were some entities and I can use Gary Sanitary District as one that received a sizeable amount of these funds but they don't have public safety. And we could have used those funds for the City of Gary public safety instead of – actually they're still sitting there [indistinct words], because under the guidelines of the statute these can only to be used for public safety.

Continuing how the legislators help: to reduce the frequency of assessment by trending. What the County is telling us is because of the frequent assessment by trending that they have to do each year that there are a lot of errors that are occurring, the errors in assessment and the need to do appeals and then there is the late distribution because of those errors. It also creates enormous additional interest for delays in TAW, as well as delays on our bills.

And that's the end of the presentation. Thank you.

Mr. Kitchell: So, procedural matter – we just heard the petition for the City of Gary. If it is okay with you Mayor, we'll take questions on the City of Gary petition and then hear from the other units. Is that – would you like to do that?

Mayor Clay: Yes.

Mr. Kitchell: Questions from the Board? Please speak loudly. Kyle.

Mr. Babcock: I got a few here. I took some notes. Have you thought about a fire territory with the township? Has that discussion come up? We did one in my community – a city and town and merged them together like that. I don't know if that's happened or not. My thought on that. You thought about outsourcing EMS? We're considering that right now the same way. Not-for-profit user fees? Have you looked at that? We have a number of not-for-profits there and they pay storm water fees, or they pay not necessarily property taxes obviously, but, those are some of the questions I had going through the presentation. Take-home vehicle policy – I know our community looked at that (and worked with)

[indistinct words/ static] police and fire or department heads on that. You talked about the [cumbersomeness] of citizens coming in and having to go through five different steps for licenses and policies, go through IAT. I have been to a couple seminars and there's computer systems, and I don't know if you guys have looked at this about companies that do all this and handle the management online. Just an example, egov, which I won't go into their seminars (there's just too much around that) [indistinct words] – I applaud your efforts on the transports on EMS. We looked at that and that's obviously where the money if you could get the transports. So...

Mrs. Green: We'll try to address all of them. For EMS in terms of outsourcing, we did ask some of the neighboring communities that have a private EMS services if they would be interested in taking over some of the [carriages] [indistinct words]. The largest one which is [indistinct words] indicated that it would not be interested because it has such a high non-collection rate. However, PFM report indicates that maybe we should also, put a PFM – put a proposal out there again asking them if they would be interested in servicing certain areas. And we will do that to see what we receive in return. Our only fear with that is that they would be interested in those most profitable areas and we would not... So we will look at that and when we receive the request for proposals back, we'll take a look at – because most of them want you to subsidize them in some way to make sure that subsidy that we would have to provide for them does not outweigh the amount that we are actually paying for the service itself.

In terms of take-home vehicles the policy, well the policy has not been refined yet, but we are looking at who [should be able to do that] [indistinct words].

Mayor Clay: January 30 that's [the deadline] [indistinct words].

Mrs. Green: The fire territory ... the fire chief – we would have to ask him. I remember he mentioned it, but I'm not sure what the relationship is between them.

Mr. Babcock: There was substantial savings for our community, because we were handling the fire territory – the fire calls in the township and it was costing our city a tremendous amount of money and we were able to spread those costs to the township because it made more sense. So, I don't know when you talk about this kind of issue [whether outsourcing is part of] [indistinct words] the discussion.

Mrs. Green: And your last –

Mayor Clay: [speaks indistinctly to Mrs. Green].

Mrs. Green: On your last area the licensing. With Sunguard, we did ask the question of how we can make that process a lot easier. They do have a proven process. So if online a person applies online and it comes back through our Finance Department, or either to the Building Department, it would be routed to all the different departments for an approval process. And, then if there is anything that is going to be required that that application does not have available, that person would be contacted. So, they will not actually have to go to each department.

Mr. Babcock: A not-for-profit [indistinct words/static]...?

Mrs. Green: We do have a non-profit. That question did come up because we do have a lot of churches, so we will have to look into it a little further.

Mr. Kitchell: Celita, PFM mentioned thirty to thirty-five million dollars of liabilities. As a balance sheet matter in addition to what you're talking about kind of on an income, state matter: one, "do you agree with the number?" And two, "what does your 2010 plan do to address that problem?"

Mrs. Green: I do. I agree with the information that Financial ... that we did talk about it. And, my only concern was that there were some expenses or obligations in there that were more cash flow related and that would be paid off by the end of the year. For instance, as I indicated that the 2008 obligations that were in there, were paid off in the first quarter of this year. We knew that there would be a rolling effect of more insurance obligations and more vendor obligations if we did not receive our funds by the end of the year. But it was more related to cash flow than the inability to pay. So some of it yeah, I did agree to, and I didn't mention the workman's comp and unemployment, those were also the internal funds that they indicated. We had already recognized that it was going to be a problem, which is why we increased the percentage and will continue to increase the percentage. So we're seeing a decrease in the deficit there. And as I mentioned this year I would like to increase it a little bit more so we can get rid of this deficit [indistinct words].

The problem that we are having with the insurance with the information that PFM has given to us, with that being fully effective and implemented, I don't see that being a continuing problem. So the only issues that remain would be the \$12 million that is owed to the Gary Sanitary District, the \$8 million that has been the property tax settlement for USX, and there are some outstanding obligations and judgments. And unfortunately with the judgments, every year it is something new, and we have a large, a couple of large ones.

Mr. Kitchell: So, take that \$20 million – the twelve and the eight – what does that \$20 million become if we are talking to you guys next year?

Mrs. Green: Well, it becomes reduced periodically. And, I am saying "periodically" because of the twelve of the twenty, we made an agreement with the Gary Sanitary District to pay \$3 million each year.

Mr. Kitchell: Okay.

Mrs. Green: So that would be – and I believe it was five year that we made that agreement. With USX settlement, the agreement that attorney's are making with USX is \$2 million each year.

Mr. Kitchell: So the twenty would be fifteen this time next year?

Mrs. Green: Yes.

Mr. Kitchell: Other questions? Okay, Mark.

Mr. GiaQuinta: Did the – the USX settlement was under discussion the last time you all were here. Did you participate in the actual settlement with USX?

Mrs. Green: No, we did not. No City of Gary officials participated. It was solely done through the County. They would update us, but it was done through the County.

Mr. GiaQuinta: Tim, was that a tax court decision or a Supreme Court decision? I mean it was settled, but at what point in the process was it settled? Do you recall?

Mr. Rushenberg: Let's see that was 2002 pay 2003; I think it was actually tax court. I don't actually know that for sure Mark. I'll have to check. That was actually before the Department [of Local Government Finance] was required to ... code ... [indistinct words].

Mr. GiaQuinta: And I – I – forgive me. The first thing I wanted to say is that I hope your husband is better. I am, I'm kind of appalled that you're having to go through this year-in and year-out with County officials on the collection of your tax revenues. I can hardly imagine, and I think all of us are incredibly sympathetic to an employee who is being garnished for medical payments because the City isn't being paid what its due from County officials who at the same time say that they don't need a local county option income tax.

Mayor Clay: Amen.

Mr. GiaQuinta: I think that that is a really horrible situation. Now I don't know the extent – and I want to better understand – when – and Tim jump in and help me here – Who – these are – you and I have had a lot of discussion over which cog in this wheel you have authority over and which ones you don't.

Mr. Rushenberg: Right.

Mr. GiaQuinta: But, it would seem to me at this point anyway, there are plenty of counties and my county in particular who has it down. I mean we're collecting our taxes. We have 150,000 parcels and we're getting our money to our local units too. Why is this happening? Why are - why is the little guy the one who is being forced to suffer? Because I don't know the extent, but their point about tax anticipation warrants and paying the interest on this, is not their fault. A lot of – some of these problems they have created for themselves, but this one they have not.

Mr. Rushenberg: Right. That's a good question. Thank you for asking it. I've been – I know this has been reported on by the press up there to some extent. The County Assessor up there has a vendor that covers ten of the eleven townships, for Lake County, that's done their assessment work for 2009 pay 2010. The one township that did not contract with the vendor happens to be Calumet Township Assessor. The assessment work for ten of the eleven townships in Lake County when you run the statistical analysis on it that we do for equity, accuracy, and uniformity, and that has passed. Unfortunately, at this point, the hold up is the Calumet Township Assessor's office, who we have been in constant dealings with. And, this is a conversation that I had back in October with the Lake County Auditor, the Lake County Assessor ... they are well aware. We just sent a letter on December 31, after getting a couple letters from the Calumet Township Assessor's office, informing him that if he did not meet our statistical standards and the discrepancies between the Assessment work and the ratio study by January 15, 2010, then we would as a Department, step in and complete the annual adjustments for Calumet Township, which would speed up the process. Like I said this was a letter we sent to him on December 31.

Up until about four weeks ago I was actually hopeful that Lake County was going to actually be on time this year and have a May 10 due date. The reason I was hopeful was because of the fact that the Lake County Assessor actually did get his work done faster this year, [along with] like I said with ten of the eleven townships. Unfortunately, at this point, Mr. Blumenburg is the hold-up. We have been in contact with him. I know we have spoken to him personally. One of our statisticians spoke with him yesterday about the remaining issues and we will get that result. I have also been in contact with the County Auditor

last week about the possibility of provisional tax bills for Lake County in 2010. So that's a possibility. That of course, that authority in terms of whether or not to send out provisional tax bills is a decision of the County's residents. We have the discretion to do that and that's been in law for several years so...

Mr. GiaQuinta: And you hate to send out provisional tax bills because you have to – you have to go through the process later on of

Mr. Rushenberg: Reconciling.

Mr. GiaQuinta: Exactly, of reconciling a provisional. So that's added expense at a time that we're trying to cut expense. So, and then I want to apologize to anyone in Lake County who wasn't then involved in these delays. But, to the extent that you and your Department – I mean the County Assessor does have the authority to take over the work of a township assessor, and that's a drastic step. But, these are drastic times. I mean we're telling the City of Gary to part – to be "ruthless" – that is the word that was used – and part with services that they have provided for decades and decades, and they're, from what I'm seeing have been willing to make a lot of the changes that have been recommended and we'll discuss the ones they're not. I believe this requires a concerted effort from every level of government to help them. And, this is one area where we're just seeing money go out the door for no reason. And, there's a human cost associated with that, that just is not fair.

Mr. Rushenberg: I agree and it does start at the assessment level. They were a little bit faster [this last year but unfortunately like I said the Calumet] [indistinct words] assessor is the hold up at this point. 2009 with the settlement issues, the 2009 tax bills were out a little bit faster than they were the previous year. I think the County Auditor did a pretty good job up there. She turned it around pretty quickly in terms of getting us assessed values for 2009 in a relatively fast manner. In terms of the settlement issues, I'll place a phone call myself to find out what the specifics are there. Because I know you guys up in Lake County had an October 28 first installment due date this year I believe and then also a November 30 due date. It was actually by Lake County standards pretty good that you actually had a tax bill due in the same calendar year. Like I said up until about four weeks ago I was very hopeful that you folks, based again on the fact that the assessor had his work done a bit faster, would be on time and actually have a May 10, 2010 due date and of course a second installment due on November 10. But, because this issue with township assessor, it held it up. But we are, as I mentioned in the communication to him, if we don't get a satisfactory answer by the 15th, which is next Friday, we are planning on doing the assessment work for Calumet Township ourselves.

Mr. GiaQuinta: Good. Good for you. I also just want to say. I don't want to – we're – I want to avoid micromanaging too much other than to offer a suggestion with regard to EMS [indistinct words]. The City of Fort Wayne has now for almost twenty years, offered EMS service through a vendor and they have come up with a pretty creative way of creating their own insurance vehicle, whereby residents pay \$50 to tap in on the use of EMS. And, it's determined in a – based on a fairly sophisticated model. But, I want to extend that information to you in the event that you would want to call them. The problem that you run into and it's one that we see over and over again in dealing with the City of Gary is, "Gee, why don't private vendors want to come into the City of Gary?" Well, guess what? Because they're private vendors. They come where they can make a profit. That's why government provides certain services, because we have a situation here where there is no real profit motivation directing vendors into this city for EMS. But, I do want to suggest that you do contact Fort Wayne. It's a very painful process; it required us to part with

a city service. There was all kinds of tumult. I want to caution you that when you start talking about taking over private transport, there are some landmines in that area that you will learn about, but good luck any way and it has worked pretty effectively in Fort Wayne.

Mr. Kitchell: Other questions? Chris.

Mr. Ruhl: Can you speak to a little bit about the staffing issues. Are those positions that were actually filled – budgeted and filled or just budgeted and not filled and just positions not the people.

Mrs. Green: The majority of them were filled, except for the fire department. For the fire department and the police department, there were a number of positions that were not filled. And, because we could not know for sure where we would be in terms of... [indistinct words], we didn't fill them. We just asked for a freeze on public safety and a lot of the positions that were put out were a total 365 were cut from police and fire.

Mr. Ruhl: The other question maybe, Mayor, you could speak to us a little bit. I'm just curious kind of your philosophy on some of these stimulus funds. Our experience has been it really limits your flexibility and options to the extent you sign-up for a lot of these grants where you get some money in the short term, but you tie your hands significantly in the long term, which is something I don't think you guys would want to do. So, I am just curious you have gone after some of these grants and I think have been successful – Senator Bayh and others here awarding lots of money into the city and I wonder what analysis have you guys done in terms of what long term obligations you think that saddles you with when those grant dollars run out.

Mayor Clay: Most of the stimulus money is money that we only use as one time. In other words we don't use them for long term. For instance our stimulus money as it relates to our COPS program, our community and police program. That would be a program where we have attrition on this side, then, we'll just feed into that so that it won't upset our police numbers. The stimulus money for Gary, Indiana has been trickling in. We have monies for our energy efficiency you could say. With our energy efficiency what we would do with that is we save monies as it relates to the cost of a telephone – no let's say a light bulb. We save about 80% of what we're paying with the stimulus money. It's energy efficient by using this LED lighting, so that will be then long term, but when the money runs out then of course we will have to continue on down the road with other lighting. So stimulus money, CDBG money, as you know, we've gotten some money there for the demolition of houses, etc. So that is like a one-time thing when housing is demolished. The only thing is that when we get the money for CDBG, we can't use the money for anything other than the reason it was given to us for, such as a lead paint, demolishing lead paint out of these houses, etc., because we have a lot, a lot, a lot of abandoned houses so that stimulus money is to do projects so to speak. We have some money for tearing down certain developments, Ivanhoe Development, which is a real terrible, ugly, real – a place that shouldn't be, so we're going to tear that down. So that will be gone and then we'll have private developers come in. We build that, so that private developers, private money. So our long term is to use the stimulus money to have private people develop. And then we'll have permanent jobs in the private sector, which means that they will begin now to pay taxes, pay property taxes, have jobs that people can raise a family on and so forth. So, we look at stimulus money as once we get it and its gone, it won't affect us [indistinct words].

Mr. Kitchell: Any more questions?

Mr. Ruhl: I have another. Just out of – for our purposes up here and as it relates to fiscal monitor’s report, I would be at least curious to know how you guys have viewed that report. Are you acceptable – I mean is it an acceptable report to you? Do you think they’re way off base? I obviously don’t expect a 100% compliance. My interpretation right now as I read your presentation, is that many of the things that you’re looking at to do in the next couple of years are the things that they’ve mentioned. So, I am sitting here right now thinking you guys think they did a pretty good job. You’re pretty happy with the product that you’ve got. And you’re kind of going to move forward with their model. But, that may not be right. So, I would like to hear from you, your interpretation of what that is.

Mr. GiaQuinta: I was thinking the exact same thing. To piggyback a little bit, is there anything in there that that you just said, “We would really draw the line on...” I was a little surprised like you said that there really wasn’t more of a response to their report. And, maybe, it’s because as you said you’ve adopted a lot of it. But, I guess I felt the same way you did about your presentation. It just seemed like there was something missing [indistinct ending].

Mayor Clay: Well, first of all, absolutely, I don’t think anyone here would accept 100% of what the fiscal monitor has come up with. At least we don’t anyway. There are some things in there that we had already presented to the Distressed Unit Appeals Board in 2009 that we wanted to implement – implementing, etc. and so forth. So quite naturally we do not accept 100% across the board. In fact, I think in one area there, they recommended laying off 57 firefighters. But, of course – but, they did a good job as it relates to what they were supposed to do with the information that they had. And then, the firefighters came up with their own, should I say, documentation, that they didn’t have to layoff 57 firefighters. Then of course they came back a few days ago – with what’s that Celita, thirteen? So, there’s a lot. Then of course, no city wants to lose its court and city clerk. They don’t want to lose the health department. We don’t want to lose ours either, but we understand how some of this has to be implemented. But, I think you said it best that we were here last year and presented a program that we thought would carry us through. And, of course, most – I wouldn’t say most, but quite a bit of what they had in their [presentation] this morning were things we were going to implement anyway. Maybe Celita might want to speak to that.

Mrs. Green: Well, just to add to that, we were very concerned about the high amount of layoffs that the report recommends. And, it was pretty much the conversation that was earlier – that we heard earlier. It creates a higher unemployment rate; we already have a high unemployment rate. We have high homeless rate. We have high foreclosure rate, so we have more people go to the unemployment line. We have more people that go on welfare and less property taxes being collected. So, we’re looking at how we can accomplish the same savings by maybe not having to layoff as many through the resources that we already have. The report is still really new to us and we are looking at it as I said earlier as a map to get us to a destination. How we get there might not be the same road, but we intend to get there. So, there are some areas that we need more discussion on and the Mayor has mentioned some of those. So, I can’t say I’m 100% in agreement.

Mayor Clay: But also, I think there was a question that you answered or the Chairman asked about this 75% collection and 25% collection. Maybe our City Controller here might want to address that, because I think 100% collection is not realistic, let me just say that.

Mrs. Green: We did have that conversation with PFM also and we thought it was very optimistic, particularly because we sat with the County officials probably about a month ago, the Mayor and I and

some other officials and we asked for the funds that would be due to us after the property tax sales. They had two property tax sales – one for County property tax sales and one for Commissioners. And we were told last year that it was about \$2 million. We asked for our share and we were told that all the monies that were collected were offsetting expenses. So these would have been prior taxes that would have been due to our entity that have – that we'll never get. We will never get. So we can't just from that point of view agree with 100%. The other part is that each year we have appeals to the assessment. We have people that just can't pay because of the foreclosure rate. So, those are several factors that impact the 100% collection.

Mr. Kitchell: Other questions? Yes, Kyle.

Mr. Babcock: I just have a question here for you Ryan or maybe one of the legislators here. I've been reading in the paper that property tax caps are possibly going to become part of the Constitution. What does that do to this process here, where we have a fiscal monitor's report, we have a report by Gary – if their in the Constitution, is this just null and void, or ...? Is there an appeals process?

Mr. Kitchell: That's an important question. If the General Assembly passes the tax caps in the same form they did in 2008 this year, that would go on the ballot in the fall of 2010. If voters then approved that, that would be law, essentially making this process irrelevant, starting in tax year 2012. And so what we do this year that impact tax year 2010 and then to the extent we do this again in 2011, both of those would be appropriate roles for this Board. After that, this Board would essentially go away if the Constitution would be amended.

Mr. Babcock: Okay.

Mr. Kitchell: Other questions? Yes Mark.

Mr. GiaQuinta: I have another question about US Steel.

Mr. Kitchell: Sure, go ahead.

Mr. GiaQuinta: That's another issue that troubles me. I – You got the money so this is like a little bit of a category from late assessments, because they paid the money, but then somebody else settles the case, informs you that the case had been settled. You didn't have apparently a seat at the table and I don't know why, but you didn't. That might have been your own choice. Maybe you didn't know there were even people around the table. But, now you've got this \$8 million you've got to pay back. You know you had a slide on the board of the PowerPoint, indicating assistance from the State. Have you – have you made any effort to ask for some assistance there, because I am looking for areas where it clearly, I feel, you have been somewhat victimized by others' mistakes. And I - Is that any area you'd mind, or – Tim, is there any assistance that, that you know of out there that could assist municipalities that all of a sudden due to a settlement by another unit of government finds itself in debt by \$8 million? I mean that's – there's... I just – We're looking at \$40,000 items and I – I want to say something I'll probably get in trouble for, but I'm sitting at home over Christmas watching our State Treasurer on TV every other hour and it's making my blood boil because I just listened to Tony Bennett talk about how he had to cut 100 people out of his staff and their meal allowance is down to \$25 a day and there's this State official who has worked his tail off to save money, they're eight million bucks underwater on a judgment and there's other people spending money – millions of dollars, throwing it away. It's – I just want you to know I'm a little

empathetic to how you must feel as local officials to see some of this stuff going on. But, there's nothing we can do about it. I wish, if there were one area where the State could help you, I wish that would be it, because that is clearly an area where you can't be blamed for a mistake. Although the flip side is that you did get the money, but you had every reason to expect that you wouldn't then have to write a check for it.

Mr. Ruhl: I don't know a lot of the details about the case, but my assumption is that you are settling a case that some local unit of government lost in court. You're settling down from a higher number to a smaller number. So, it's a matter of USX may have been owed a heck of a lot more than \$8 million based on the ruling of whatever elected official made the ruling. So, I'm sympathetic to the fact that they might not have been at the table to negotiate their portion of that, but you've got to think of all these units that had been over-assessing and USX had been overpaying for years as determined by some arbiter, not us. Right?

Mr. GiaQuinta: We don't even know. As we said earlier, we don't even know where that case was even settled.

Mr. Rushenberg: That was before we got involved in assessments. The other part is had it been assessed right to begin with.

Mr. GiaQuinta: There are things we can learn throughout this process. And, one of the things we might learn is that when units settle cases after money has already been distributed, it strikes me that maybe one of the things we take away from this is maybe there's a legislative initiative that needs to almost require the consent folks who end up having to pay the money back, because this isn't a good situation at all. Eight million dollars to them right now is huge.

Mr. Kitchell: Any other questions, comments? Mayor, one thing I'd like to hear from you: I remember last year you and some of your economic development folks talked about efforts to bring new assessed value into the community, which obviously makes these problems easier to deal with. Any economic development wins from 2009 or efforts ongoing that you could help share with us.

Mayor Clay: Well yes. First of all let me say this to you: our economic development department is one person because we had to cut it down. But when it comes to economic development for the City of Gary we have quite a few economic development projects on the table. For instance we are excited about what's going on in Washington, DC with Housing and Urban Development. We are in high hopes that HUD will, should I say, fund this demolition project which would be citywide. The City of Gary would become a project for the whole nation to look at, which would mean many, many jobs for our people and of course it would mean more economic development by private developers. So, that is a very big priority with me. I would like to see that happen, because you cannot have a city with economic development with the blight that's in our community. Once that happens I think we'll have more people wanting to come in and do development. When we look at other development, we have money that has come in, I might add, for our lakeshore development called the Marquette [sp?] Plan. That's going to be – in fact, it's moving forward now. It's going to mean jobs for a lot of people and of course some more economic development there. We already talked about the Ivanhoe Project. But, I am happy that some of our State legislators are here because we'd certainly like to see that land-based casino passed through the legislature for the City, because if that happens then we're looking at some more economic development there as it relates to jobs for the people of Gary, Indiana; because we believe that the offshoot of that or an auxiliary of that would

be like hotels and restaurants, something that people would come in from all over the area to –... It would mean a lot of jobs for our people. So those two or three, then there are a couple of other projects that we would kind of like to keep under the radar here that we've made some commitments to and we've had some commitments made in fact from outside of the State to do some things as it relates to economic development for the whole world to see I might add. As I say, we'd like to kind of keep that under the radar. Look at our downtown area and there's two or three economic development projects that are going on there. We have one in the 700 block of Broadway. I think it's about a \$7.5 million project. I want to thank the State of Indiana, because this particular entrepreneur, developer received tax credit from the State. What we're looking at there is a – I think it's about a three or four-story building with retail at the bottom and mixed living at the top then some townhouses on Massachusetts Street there, with a developer there.

Mr. GiaQuinta: Is that under construction? I'm sorry. Is that something you're saying is under construction?

Mr. Kitchell: Mark asked you a question.

Mr. GiaQuinta: Are you saying that that project is underway?

Mayor Clay: No what I am saying is, we received the tax credit from the State – in fact our economic development director is here. Our development chair, Joe – come on up Joe. This is Joe Rodriguez, our Economic Development Director and our entire Economic Development Department right here. Do you want to talk about that?

Mr. Rodriguez: Sure. I think from the last discussion I had with this Board, I think one of the accomplishments of 2009 was the reopening of County Market, which led to 42 Gary residents having jobs. We've – in 2010, we do have some projects pending. One being on the 700 block of Broadway which the Mayor mentioned; it's a 35 unit development with retail on the first floor. That's a \$7.3 million project. There is a – we did – the developer did apply for the [indistinct word] tax credit. The application has gone in, but I do not think he has gotten his award yet. In the next couple of months he should know if he is awarded for that to move forward. [Indistinct chatter]

Mr. GiaQuinta: That's a great question Chris asked? What he's getting at I think is if we go forward with this, is there anything on the horizon ...

Mayor Clay: Oh, yes.

Mr. GiaQuinta: ...to give us a sense that what we do here isn't simply throwing – that we wouldn't be throwing good money after bad. We always have to be optimistic. We always have to be hopeful, but we also have to be realistic. Last year, I think the only economic development project that we heard about in Gary I think was the building of a Walgreen's, and that was really, I thought, quite sad. So you know, if there is a \$7 million development, then I mean that's three times or four times the value of the Walgreen's that we heard about last time.

Mr. Rodriguez: The Walgreen's project is a completed project.

[Mayor Clay and Mr. Rodriguez begin speaking simultaneously – words are indistinct.]

Mayor Clay: And, let me say this. And I got a call from a member of the Jackson Family, Michael Jackson's family, right, asking me to come to Las Vegas. This was few months ago. They said come on out to Las Vegas. We want you to be in a private viewing of the "This is It" – Michael. It was his last – he was going to have 50 shows and of course that didn't happen. Well, we went out to Las Vegas and there were many people there that were interested in building the Michael Jackson Performing Arts Center in Gary, Indiana. In fact, one of the people that was present was Robin Leech, I think his name was, yeah, Robin Leech from "Rich and Famous." He introduced me and said we're going to have an announcement tomorrow morning as it relates to Gary, Indiana. Of course tomorrow did come and some of the people that were involved including Joe Jackson, father of Michael, made this announcement that they wanted the Michael Jackson Museum and the, the Jackson Family Museum and the Michael Jackson Performing Arts Center built in Gary, Indiana. I'm still excited about it and it's an ongoing project. It's a project or should I say, work in progress. The fact of the matter is there were some local reporters there from Gary, from our local newspapers, and it was quite an event. And there were some things discussed there and I have said to the people in Vegas that they have the wherewithal and the money, so let's start. Make it happen. And, I have said to them before I will make any public statements about what was going on with that, they would have to be at the press conference. So I don't want to make a press conference out of this, but that is also on the table too. So I wanted to inform you of that one. And that would be a situation whereas you are looking at a Michael Jackson. In the United States of America, Michael Jackson has ten million fans. Outside of the United States of America, he has seventy million fans. So if we could get 10% of just the fans to come into Gary, it would be a big, big economic boom for our city. So, that one is a work in progress and I am optimistic that it is going to happen.

Mr. Kitchell: Any other questions? Yes, Kyle.

Mr. Babcock: Mr. Mayor have you worked with the IEDC, the Indiana Economic Development Commission in preparation and to get some help with that project.

Mr. Rodriguez: We actually have a project ... [indistinct words] it will be is located at 18th and Broadway, and IEDC has definitely been assisting in that project.

Mr. Babcock: You mean this Jackson Project process?

Mr. Rodriguez: No, not yet; not until we get the players together. [Remainder is indistinct]

Mayor Clay: [Indistinct comments] We have a lot of them. We have to be like Nehemiah though.

Mr. Rodriguez: Given some of the economic hurdles that we face in Gary, we have some opportunities, projects and businesses that are no longer there that were there last year and having to replace those businesses has been my problem as well. This past two months we have had Bennigan's Restaurant close as well as the Duffy's Buffet. It was two – The Duffy's Buffet it was a brand new facility buffet... [indistinct words]. We've actually had, we actually have a new operator who's running it now, but she's had so many problems. As far as the Bennigan's Restaurant, we are positive we can get a Chicago firm to become 54% owners who own a restaurant in Chicago. They would be interested in leasing the space and turning it into – doing some kind of [different forms of entertainment.] [Indistinct words.] So we do have some positive projects.

Mr. Kitchell: Are you seeing folks who are closing and leaving going just outside your border? Because we provided relief last year to Gary and no other unit in the State, you guys have the highest tax rate in the State for business, homeowner, anybody. And so, I just wondered if you're seeing businesses being made to go slightly outside your borders where the tax rate is lower than if it were inside.

Mr. Rodriguez: I am not sure if that is one of the issues. It has a lot to do with traffic counts as well. Normally, most family restaurants can survive in an urban city just dealing with the community. It's really about just getting the community on board and supporting those establishments and just keeping more of a [family] [indistinct word] type atmosphere.

Mayor Clay: Those restaurants he was talking about were closed for two days and they were in some bankruptcy problems. Then there's one other thing that's a major issue – the engine that we say will make northwest Indiana turn is our airport. I was talking with the director of the airport before we came upstairs a few moments ago, and we are that close to getting the railroad down and extend that runway, which will not only help City of Gary, but it will help northwest Indiana, Porter County and other counties that's close to Gary, Indiana. So that airport is very important too. So, I just wanted to mention that. We are working on that on a daily basis.

Mr. Kitchell: Maybe that's a good segue. We've got three other units that we need to hear from and I want to be sure we've got time for public testimony.

Mayor Clay: Then we have our City Clerk and City Judge that's here. I think they want to say a few words too.

Mr. Kitchell: Is this part of the City's presentation.

Mayor Clay: Yeah.

Mr. Kitchell: The Judge's...?

Mayor Clay: Right.

Mr. Kitchell: Alright. Well let's quickly hear from the Judge and then see if we can move on to the other units.

[Indistinct conversation as the Clerk and Judge come forward.]

Judge Monroe: I'll move over here.

[Indistinct conversation continues as the Clerk and Judge come forward.]

Judge Monroe: Good Afternoon.

[Indistinct conversation continues.]

Mr. Kitchell: Yep. Let's go.

Judge Monroe: And I am just going to be very brief. What I wanted to do today was just let the committee know that we do support – I do support that you grant us relief for 2010. In 2009 all of us suffered

through cuts, layoffs. Gary City Courts suffered through 11 furlough days for our employees, and with that keep in mind the average employee for the Gary City Court makes about \$25,000 a year. So that was extremely difficult as it related to my staff. But also, in speaking and in reviewing the report from the monitor, one of the things that they talk about was gradually eliminating the Gary City Court. And [after] discussions with the City as well as with the Common Council we find that difficult to happen just because of the situation that we're in. And, what I did today was gave you a presentation, a little thing about what the Gary City Court does. Something that happened two years ago, we closed our jail. And with closing our jail we experienced some severe problems and one of those problems being dealing with the overcrowding. And currently, the County is proposing a book and release without any judicial review. So what happens there is that they'll book a prisoner, then release a prisoner back into the community and those are the kinds of things that we're experiencing with the City of Gary and that's why any court facility in the City of Gary is something that we need, not just because it does generate some funds, but also because of the public safety issue that we have. In addition to that, which is one of the important aspects, we also have a mental health and a drug court which the monitor did review. And, those are some of the things that are not offered by the County. Lastly, I have a letter from the president of the County Council and I give it to Mr. Kitchell before I finish, which says in essence, they don't want us. They are not prepared to take us. So we are really struggling with what would happen to our people if indeed the court was phased out in 2012 or 2011. So those are some of the things we face in Gary. In one month in Gary, we had 12 murders. Currently the Gary City Court monitors about 206 people per week, between my probation department, my mental health court and my drug court. What we're thinking when we think of public safety is where would those people go and what would they be doing.

Mr. GiaQuinta: May I interrupt to make sure I understand? Did those 12 murderers end up in City Court.

Judge Monroe: They didn't end up in City Court, but what happens is that a lot of those persons have come through City Court. A lot of those people who are involved – Of the 250 people that we monitor, we have a drug court and our drug court monitors about 150 young men per week and our emphasis is to keep them off the street, keep them out of trouble, keep them from being involved in those kinds of things. If we get them early, that prevents them from being involved in those types of things in the long run.

Mr. Wyman: What is your recidivism rate?

Judge Monroe: Our recidivism rate is very low. In fact the drug court, the graduates from drug court... and the recidivism rate is about...

Mr. Wyman: How many people have you graduated?

Judge Monroe: I have graduated 500 people to this point since we started in 1996. The important thing about that is that of those 500, 90% of those people received their GED or high school diploma. They had to give 200 hours of community service; all of them had to be employed. All of them had to pay a fee to be part of the program. All of them were monitored and tested. So you can't quit and leave the program without at least learning what abstinence is.

Mr. Kitchell: Any other questions?

Mr. GiaQuinta: I think I know what the answer to this is, but you mentioned before that in Indianapolis they closed their city court and the county court was overwhelmed so they ended up having to open a community court. Reading between the lines in the consulting report, the monitor's report, I think what they were suggesting is let the County see what happens when these services are terminated. And maybe that's what it will take for the County to say, "Gee, this makes more sense to allocate some funds to the City of Gary to kind of decentralize some of these services." But, until this happens they need that – they maybe need that kind of slap across the face with the wet towel. And until that happens, they're not going to open up their wallet. So I mean, I see some logic in what the monitor is saying, "Look, as long as the City of Gary is willing to pay for these services at tax rates that – Great question by the way about the impact of one year's high tax rates have done not just that, but it would be interesting to know across the board whether or not that's had kind of adverse impact on City residents, but maybe it's going to take some of this ruthless cutting. And maybe you know, you don't take out the bench and chair, because they'll come back and say, "You know what? We think we'll help subsidize the City Court in Gary, because we cannot afford all of these programs." I mean, you could respond to that. It sounds to me like it's all the same.

Judge Monroe: Well what my response to that is that we have two persons on the County Council that represent the City of Gary. And, with the ongoing – one of the things that you guys talked about was economic development – We cannot get economic development in the City of Gary if we do not have some kind of control over crime, if the police department cannot arrest people over small things such as public intoxication, driving while suspended, loitering – those kind of things and have a local court to bring them to. We have a lot of problems with persons just stealing out of the grocery store. So when they come to me and they steal out the of the grocery store, they're going to get a worse treatment, a harsher treatment and more time in the City Jail, or the County Jail rather, than if they just go to the County. With the advent of this [possible tax] [indistinct words] relief really puts Gary in a precarious situation as it relates to economic development. No one wants to come into a city that does not have some type of control over their crime, or some type of handle. And, that's why the City Court and local City Court is so important. In the county of Lake County almost every single city and almost all towns have a court of some kind.

Mr. Kitchell: Any other questions? Thank you. Judge Monroe.

Ms. Raggs: Okay, I am Suzette Raggs. I'm Gary City Clerk, and if I could have a couple of minutes to just kind of let you know some of the things that we're trying to do, I think that it would be probably worthwhile to your time. So, a couple of minutes?

Mr. Kitchell: Is the Mayor still here? I am trying to differentiate between the City's petition and public testimony is this part of your petition as the City of Gary.

[Mayor Clay responds. Details of response are indistinct. Indicates yes, this is part of the City's petition.]

Mr. Kitchell: Thank you.

Ms. Raggs: Okay, thank you very much. I probably needed a little bit more time, but I'll try to make this as brief as possible. The Public Financial Management, the fiscal monitors for the City of Gary asked the Gary City Clerk to consider three actions for savings within the office. They briefly went over them and I

would just like to reiterate what they were saying: eliminate the civil division of the Court and the Gary City Clerk's office; Clerk, Lake County and the State should develop a short-term initiative to identify and collect outstanding court-related debt; the Clerk and Lake County and State need to work together to significantly increase fines, fees and of course collections from cases that continue to go through the criminal division of the Gary City Court. I need to reiterate that the Court and Clerk's office work very closely together in developing initiative to, already to collect outstanding court-related debt. We have other efforts that are beginning for this first quarter of 2010.

But, one primary thing I wanted, primary point I wanted to make this morning, this afternoon, is pursuant to I.C. 33-37-7-8: Court cost revenue is allocated whereby 55% goes to the State, 25% to the City, 20% to Lake County. In reviewing the amounts of funds collected through the Gary City Clerk's office in 2008 and applying the above formula, the State received \$536,409, the City received \$227,406, and the County received \$126,722. Such collections in fines and fees received through the Gary City Clerk's office in 2008 totaled \$890,538. This is important because the City of Gary is in a [financially] distressed state. That's why they're here – That's why we're here today. And I believe that our unprecedented state of distress has entitled us to make the unprecedented decision for just survival. Because of that I am making a proposal that we be allowed to keep all court cost revenue that would be collected during the distressed period designated for the City of Gary.

The fiscal monitor has indicated that they use a five-year ratio fiscal impact. And, if you use that five-year ratio fiscal impact, then the City of Gary would receive more than \$5 million. Now what I have done, I have approached Representative Vernon Smith as well as Representative Charlie Brown, is here, and I have asked, we have asked that they would present some type of legislation or amendment that would allow all of the revenue generated through the City of Gary to be retained in the City of Gary and to be maintained by the City of Gary. We know that you know we are not trying to make anybody angry, but we're just trying to survive. And with this, if we're able to do this, we're not asking for increase, we're not talking about increasing taxes, we're just talking about the money that comes through our City already, let us retain 100% of it. And, if you allow us to do that, I think that some of the issues that, financial issues that we're having right now will be lessened.

That's primary. There were a couple of other things that I had a couple of examples here, creative examples that I wanted to share with you, but I don't have the time, so you guys won't get the benefit of that. But, the bottom line is that this legislation is very important to us and when I talked to Representative Smith about it, he was very enthused. He was very encouraged, because we're at the point in the City of Gary where we can lose no opportunity. And, we can leave no stone unturned and that's where we are. I think I will interject just one thing, if you can give me just a second here.

I really like to liken the City of Gary to "employed" and "unemployed." You know in the past the City of Gary could have, were in the status of being employed. The City of Gary was making a lot of money on the paycheck. And we made a lot of contributions to a lot of different entities. A lot of people benefitted from us making a lot of money in our paycheck, being employed. Right now, the City of Gary is unemployed. We don't have the luxury of making all of these contributions and allowing ourselves to be generous in areas where we can't or where we have difficulty feeding ourselves. So, in that scenario, you know, I think it just kind of reinforces the fact that you know we are trying to take care of ourselves. We have this image and certain persons have said that Gary has to pull themselves up by their own bootstraps

and you know and it has to start there. You know this is what we're trying to do in this effort and we feel that this effort is going to be very important. The fiscal monitors say, "You need to work with the County and the State." We intend to do that and I believe that if this is successful I think we'll see revenue that we won't have to wonder about where it's coming from. We will know where it's coming from and it's something that we will be better able to rely on.

Mr. Kitchell: Thank you.

Ms. Raggs: So... Thank you.

Mr. Kitchell: Questions?

Mr. Ruhl: Judge, just curious, knowing a little bit about this. The State pays most of the trial court judges salaries. Does the State pay your salary?

Judge Monroe: No, they do not.

Mr. Ruhl: It's funded out of the fees? It's different for city court?

Judge Monroe: They pay none of the city court and town court salaries. All of those are allocated through the towns and cities.

Mr. Kitchell: Thank you. Mayor, you said you had one more individual. I think it's a city councilman. Not putting you on the spot, but did you say that –

[Mayor Clay speaks in background.]

Mr. Kitchell: Okay.

Judge Monroe: Just before I leave, I would just say, no one wants to pay more taxes in the City of Gary. I have several people if they would stand up with me. They support the City, they support what they're doing. And, they understand that we do not want to lose any more basic services in Gary as well as sacrifice public safety. Thank you.

Mr. GiaQuinta asks about the letter from the president of the Common Council.

Mr. Kitchell: It sounded like she was going to give it to – She'll give it to me, and I will make sure all of the Board members get that. Thank you.

Interested? Not interested? Sounds like it's –

[Background discussion]

Mr. Scott: Good morning. Well, good afternoon. I'm Ronier Scott, president of the City Council. I have my colleagues the finance chair, Councilwoman Mary Brown, and Councilman-at-large, Councilman Kyle Allen. And basically, we're going to be brief because we know the time is going. Basically we want to reiterate a lot of things that you all have a lot of documentation – and be able to review the fiscal monitor's information concerning really the decline in the property tax rate. If you review history and you will see the US Steel was basically took on the onus of paying the majority of the tax base, that has pretty

much declined, which put the onuses on the residents, which right now in the year 2010, that's become majority senior citizen rates, and they're on fixed income. So they are limited in what they are able to pay as far as in the property taxes. And then you have a lot of the big businesses as you all know have basically migrated away from the local city to the suburbs, which also caused a major decline, which again put the onuses back on the tax base of the residential people. So now when you have set, set with the fixed income, you have small businesses that are really struggling right now in our city because they can't afford to pick up the burden which US Steel pretty much had. And, this caused the other tax rates to go up which fears the other big box companies to come up in our city, when it's cheaper for them to set up on the outskirts.

So, I just wanted to – I think that all pretty much is tying into – that's what we wanted to do as far as legislative. It's very hard because we've been doing a lot of things as far as reducing within the City as you saw in the presentation brought forth earlier. And, it's just a difficult thing. We have been doing everything possible to basically survive. I am going to turn it over to Councilwoman Brown and then Councilman Allen, that way we can tie this up and bring it to a close.

Ms. Brown: Thank you. Good afternoon. The one thing that I really wanted to emphasize and when I was here last year and I had an opportunity to speak and ask you to come to our city to see the kinds of unique issues that we face there in the City of Gary and you were kind enough to do that, and we certainly do appreciate that. But one of the things that Councilman Scott just alluded to is the fact that we have a population in our city that is majority senior citizen. My district, I represent a particular district on the far west side of Gary and the majority – it's a very stable district, but the majority of the people are senior citizens, who have a problem, you know with additional fees, and with paying their taxes, those kinds of things. And when we start to talk about the fact that – you know we brought in the fiscal monitor who I had – I guess I was kind of under the wrong impression. I realized that they were going to give us some information as it related to what we could or should or perhaps needed to do as it related to reducing our spending and those types of things. But when I read about them, I was under the impression that they were going to assist us also in terms of economic development. And basically what I heard from them and what I read in the report was you know putting additional fees and taxes on our citizens who already as I said feel that they're overburdened and overtaxed. And, many of these people are unemployed. Many of them are on fixed incomes because as I said previously, we have a – our population is senior citizens, a growing senior citizens population. And so that makes it extremely difficult for us. Not only that, the tax base is eroding because we have people, young people who are not locating in our city because we do not have the businesses or the kinds of things that attract young families to your city. So you know we have people who come into our city who work, who get a salary from our city, but will not live there, because we are not able to offer them the same kinds of goods and services that are offered to them in neighboring communities. So we have some serious issues as it relates to that eroding tax base. And I think that US Steel still plays a major role in that. We have people who come into the city who work for US Steel who earn a large salary, who use our streets, who use our services, but they refuse to live here. So when someone mentioned earlier something about a local option income tax. We certainly hope that the State will consider that because we believe that that will assist us – People who work in our city, but will not live in our city and who use our services. Thank you.

Mr. Allen: Happy New Year gentlemen. I get the pleasure of speaking with you again one year later. I am not really concerned – you know you want to make your community as attractive as possible, and I

support the idea and the concepts of the caps. My only problem with them is that they're inflexible. And, seeing as how we derive 80% to 85% of our revenue from property taxes to fund services, that causes a unique situation for us in particular. The caps, property tax replacement credits no longer being available, and then the House Bill 1858 which gave US Steel, BP/Amoco and [unclear reference] Hotel additional tax breaks on personal – personal property. But the main issue – really my ax to grind is primarily with County government – I think the term that was used was “a wet towel in the face.” They are pretty much against passing any form of option tax at this point, even though they are doing everything from laying off public defenders, laying off court personnel, all of the basic services that we obviously take for granted in cities and towns across the State. And I think that their main issue is the amount of money that we would receive and in their mind they would be subsidizing us and based on the last estimates that I had seen, we would approximately receive twelve to fourteen million dollars from the income tax, which then could be funneled into public safety or tax relief. And, the reason why I have a problem with that argument is because we are, we're required to share our gaming revenue with County government. And the yearly total fluctuates, but it's primarily between fifteen and twenty million and depending upon wagering admissions and how well boats do. So, I really have a problem with hypocrisy. On the one hand you're saying you're subsidizing us, but on the other hand you have your hand out every quarter for a check from the State in the terms of gaming revenue. The other thing is obviously the manner in which we are required to borrow because of tax bills not going out on time, requiring us to have tax anticipated warrants which then incur interest from the banks that we use, primarily Chase and Fifth Third. And, I think statements that alluded to how some of the issues that we have are not directly in our control. Some things are; some things are not. And certain circumstances are of our creation, but I think that the State from that standpoint in dealing with the township assessors, the County Assessor to whomever, they need to take a more active role in terms of making sure, at least in my humble opinion, that local government units receive their money on time and that residents get the services that they are due. Obviously, some of our departments they need to be combined. They have overlapping functions. And I know – I believe the fiscal monitor spoke about the convention center and the Hudson and Campbell. I would probably say to you that the convention center would probably be eliminated, all things being equal, that's just a fact of life. Most conventions centers have to be subsidized in some form or fashion by government funds – sales taxes, property taxes, real estate transfer taxes. And, right now that is something that we can no longer afford to subsidize given our economic situation. All things being equal, it should probably be privatized or built by a casino operator as the State is soon trying to get us moved to land-based casino. That would probably be something that a private operator could build, fund and attract the necessary talent, for lack of a better word, to make it profitable; same thing with the Hudson-Campbell. While I recognize the need in a city that has youth that need an outlet, the fact is that we can't support it and we cannot subsidize it anymore. That is just a harsh reality. And as far as our public safety, that is probably the most important thing, and probably consumes about 50% to 55% of our budget. And, you know beyond public safety, I'm pretty much flexible. I just – that just has to be provided. People expect the police to show up. They expect the firemen to show up. If they call 911, they expect the ambulance to show up. They expect their streets plowed and their streets paved. Beyond the other civilian departments that the city has obviously they'll either be combined, eliminated or shifted to another unit of government. Albeit the County, and I think that the County is either unwilling or unable to assume the responsibilities of the Health Department, of the Clerk and the Judge. That might be expedient, initially, but I just don't see them being able to assume that responsibility. I think earlier they – it was said here that the City of Hammond eliminated its health department and then gave that responsibility to Lake County. That was something

that the City Council was against. They were willing to subsidize the cost of those operations out of casino money. And then in return they want – But that did not pass at the time; the mayor was against it. Or for the city to open up a satellite office within the City of Hammond; well to me that's kind of defeating the purpose. Why did you get rid of it in the first place if you are going to require the County to open it up and require them to fund it, when they don't have the funding in the first place. All in all, it's almost like a perfect storm in a sense. And, we have definitely come full circle in terms of where the City is at.

And lastly, I know that the paper reported about the Governor had stated about cities merging possibly, or towns merging. I think that that would possibly be a good idea, but I don't think it's going to happen primarily because the cities around us, they're struggling; maybe not to the extent that we're struggling. Some of them have a hard time just keeping their lights on. Others are looking at laying off police officers, firemen and the like. But when you have two individuals who are struggling and you try to convince them to pool their resources, I just, I just don't think that's going to happen. I'm not saying that it should not happen. Ultimately most of those towns want to maintain their own control over their own services. And, being merged with a larger city with a larger population, they would obviously be concerned about a change in the local elected leadership. That's just a real assessment. So, they would probably not be inclined to do that.

But, on issues such as purchasing I think that that would probably be one way where the City could reduce its costs, pooling with the other communities in purchasing power. I know right now we kind of pretty much do those things separately, but I would just say consolidate or eliminate or all things being equal probably shift to the County. But they're not going to do that unless you all make them. They're not going to do that voluntarily. Thank you.

Mr. Kitchell: Yes.

Mr. Babcock: You talked about sharing your casino revenue. What percentage do you guys share with the County?

Mr. Allen: I couldn't – I know you have a wagering and admissions tax and I think one of every three dollars goes to the County. They get revenue from each of the three gaming facilities, which are Gary, Hammond and East Chicago and then in turn they distribute that money to the non-gaming communities within the County. So the other sixteen cities and towns that don't have a gaming facility within their limits, they receive funding from the County. I believe that the funding that they receive is, it's earmarked. It's not – I shouldn't say earmarked. It's dedicated. It's not discretionary. I think they can primarily use it for infrastructure.

Mr. Babcock: Is that legislated then, or is that through the State? Who requires that? Is that something that could change when you're talking about a land-based casino?

Mr. Allen: I don't think it's going to. I don't think it's going to change. I think that would be legislative. That was something when the boats came we were required, the three gaming communities were required to share their revenue with County government and then they in turn decided to share a portion of their proceeds with the other sixteen cities and towns. So, that's why I have a problem when someone tells me

that we don't want to pass an income tax because we're subsidizing you. Well, we're subsidizing the sixteen other cities and towns.

Mr. Kitchell: There were two t ---

Ms. Raggs [speaks in the background]: Excuse me. Could I... I don't mean to be rude, but when Councilman Allen was talking about the casino shares, that's part of the letter that we sent to Representative Smith and Representative Brown as well. When we talked about keeping 100% of our revenue, court revenue wise, we're also including that segment on gaming. And so I'm finished. I just wanted to iterate that. And thank you so much.

Mr. Kitchell: Thank you. The two things we talked about a year ago with some of you in this hearing. One was staffing levels, at the City, the council level. And the other one, and I don't know the term but there was, there was some discretionary money that each council member gets. Can you just talk about in the last year, what's happened on those two items?

Mr. Scott: Sure. Two positions were pretty much eliminated. One comes from grant – grant funding and one was totally eliminated. And then as far as the – it was brought out by our Controller, Celita Green about the grants and subsidy, the grants and subsidy was totally eliminated off of the other ... [indistinct words].

Mr. Kitchell: Thank you. Any questions?

Mr. GiaQuinta: [indistinct words]... The sense I get from the fiscal monitor is that he's saying – they're saying that Gary – that the choices Gary has are very limited at this point.

Mr. Scott: Right.

Mr. GiaQuinta: If you look at Flint, Michigan or Detroit, some of these other communities that they're saying that you can't continue to be all things to all people. Your comment about the convention center, I mean there's a full recognition that's starting to set in.

Mr. Scott: Right.

Mr. GiaQuinta: And by focusing resources on certain key services, not going out and hoping that you get the Jackson Museum, you know, and that kind of thing, but the airport for example, but you can start over perhaps. If something like the airport would take hold then, then you, you could reinvent this community and start over. But, to start over there has to be something there and if that profound change isn't created almost immediately, like tomorrow, then you will have no choice at all. You'll just keep circling the drain.

Mr. Scott: And, I'm so glad you brought that up, because I don't think what was discussed today, or I didn't hear anything about the land-based situation. Gary, right now is in a unique position; always has been since its inception, because we are intersected by major roadways: 80-94, I-65 and we also have the lakefront. You know when people hear of land-based facilities from a casino aspect, they look at it for gambling. I don't look at it that way. I look at it as an economic engine that would take place. I heard discussed about the tax rate in Gary. Something like a land-based casino along 80-94, I think your major companies, I think they'll make up the difference in the tax rate if they locate along that expressway,

which in turn ties into the City Courts and that would supply the City Courts and the Clerks office with jobs. With the programs that the courts are offering right now with the Drug Court program, with the rehabilitation as far as receiving a GED makes them – the citizens of Gary that pretty much had a downturn in their lives, they actually can turn around and get their education. And, they now can contend for these jobs that have been taking place from economic development, which will employ more people locally in the City of Gary. And, they will become residents of the City of Gary, and they will be paying property taxes, which will at least help out on that end as well. So, now you have two things. You have property taxes, more property tax revenues being generated, as well as businesses coming in from that, and that will actually tie into the airport as well with the economic development standpoint from a land-based casino. You will have more tourism then to come in, utilizing our airport because the runway [renovation] is actually taking place as we speak.

So, all of those things are very important right now. And, I think that land-based [casino] will be something like that instant shot in the arm that will help the situation we're faced with.

Ms. Brown: One of the things that you asked about was could we continue to be all things to all people. I think I understand what you're saying. I mean we, the City recognizes that. We understood that when we privatized our garbage pick-up. We recognized that we could no – that there were some things we could no longer do. The City it just could no longer fund them and so that was one of the things that had to be privatized was garbage collection. We at one time we had started paying for fire hydrant fees. At some point we recognized that we could no longer do that. So we recognize that there are services that we have provided in the past that we can no longer provide, and Mrs. Green when she gave her presentation certainly brought that, brought that out. So we understand that. And we certainly understand that those are some things that we are going to have to do. Those things that we are able to continue to do, we just want to be able to do them the best that we can. You know? And in terms of our streets and in terms of demolition, I mean we have problems with the demolition of abandoned properties. And you know, you saw them when you came to our City. People who live in areas who are willing to maintain their property and continue to pay their taxes, they have houses next door to them and across the street from them that are falling down and they're not insured and so it creates a problem. So, you know what I must say is that certainly we recognize that we cannot be all things and provide all the services that we once did. We want to be able to provide those intangibles. So, you know, we want – [words indistinct...Mr. GiaQuinta speaking simultaneously].

Mr. GiaQuinta: I guess that is what the fiscal monitor is saying that you are past the point where you can cut something out and say, "Oh, you cut this, and it won't hurt." No matter what you – What they're saying is you're going to have to cut things that really are going to hurt people. They recognize that, but it gives you some time to rebuild some one or two things that might ten years down the road you look back and start doing some of those things again. I do want to say before I stop, I think the City of Gary is very fortunate to have three leaders like you. I really do. I've been on a lot of city councils and town councils and you represent your city very well.

Mr. Scott: Thank you.

Mr. Kitchell: Other questions? Thank you for coming.

Mr. Scott: Thank you.

Mr. Kitchell: I want to keep this moving. Who is here from the Gary Sanitary District that can briefly ...

[Indistinct background conversation.]

Mr. Kitchell: Okay. And Storm Water.

[Indistinct background conversation continues.]

Ms. Horton: [Indistinct words.] I'll do the best I can.

[Indistinct background conversation continues.]

Mr. Kitchell: They're going to do sanitary as well.

[Indistinct background conversation continues.]

Mr. Kitchell: If you want to break for lunch we can.

[Indistinct background conversation continues.]

Mr. Kitchell: Nice.

[Indistinct background conversation continues.]

Ms. Horton: [Indistinct words.] ...we have enough.

[Indistinct background conversation continues.]

Mr. Kitchell: Yes.

[Indistinct background conversation continues.]

Ms. Horton: She's supposed to be over here. Doreen? Doreen?

[Indistinct background conversation continues.]

Mr. Kitchell: Ready to go?

Ms. Horton: Yes.

Ms. Horton: Good afternoon.

Mr. Kitchell: Alright, here we go. We're getting started. Let's go. Go ahead.

Ms. Horton: Good afternoon. My name is Luci Horton, the Director for Gary Sanitary District and Gary Storm Water Management District. I have here with me today to my left, Vern Webbs, who is our Deputy Director and Finance Manager. We have Doreen Carey who is our Environmental Specialist and MS-4 Coordinator for GSWMD. Also we have here a back-up person [static], Mr. Karl Cender, who is with Cender and Company, our financial consultant, and also Mr. James [static/indistinct words] ... our Engineering Consultant as well.

Based on expressed time limitations, I am going to defer to Ms. Webbs, at this time, to go through expeditiously our PowerPoint presentation.

Mr. Kitchell: Thank you.

Ms. Webbs: Okay. If you would turn to where you have the agenda and the summary, we are not going to go through everything in its entirety. I would like to start with page three which is our introduction and a short continuation of our sanitary district service to ... [static]. Move on to page four. Okay. Part of our introduction – we are here to comply with the circuit breaker legislation. GSD respectfully requests that the DUAB grant a continuation of the financial plan covering the next three years and to allow GSD to phase in the tax caps [static/indistinct words].

GSD has three funds, an operating fund dedicated to our cave-ins; a solid waste fund in conjunction with user fees pays for garbage collection and disposal costs; and also our debt service fund which pays annual debt ... [static/indistinct words].

Moving on to page five, gives an overview of the fund, first starting with the operating fund. I said before that part of our sewer collection system caved in and we are planning on televising the lines and of course of our operating and maintenance is expensed out of the collection system.

Moving on to page six – solid waste fund is our next property tax fund – was established in [1999]. The landfill closed primarily the cost to dispose of waste to another landfill to assist the City was paying the cost of sanitation workers which was closed at that time. In 2008 GSD amended the contract with Allied Waste provides collection and disposal of waste. Residents pay some fees, which were approved back in 2008.

Moving on to page eight – a brief overview of our debt service fund: this talks about why that was set up. There are twenty-two bonds outstanding, which are due to be paid off in 2013.

Moving on to page nine, our summary, which is why we're here. Primarily in 2009 GSD had foregone circuit breaker relief in property tax based funds. GSD requests the phasing of circuit breaker credits in 2010 and 2011. Without relief in 2010 GSD will not be able to repair lines with significant damage from sewer cave-ins, and garbage collection and disposal services will be in jeopardy and creating serious health and safety issues.

Moving on to page ten to operating fund: we are requesting that the sewer operating fund remain as a tax levy fund in repairing sewer cave-ins. Primarily the GSD collection system, many of the lines are 60 plus years old. There are currently about three hundred emergency cases that are pending. And without property tax support to capital projects would cause GSD to impose impossibly higher sewer rates causing extreme hardship to Gary citizens and system users. The sewer operating fund can function within the property tax caps after 2012.

Moving on to our solid waste fund: the tax levy [is] needed in 2010 and 2011 to fund garbage collection and disposal. So, we do need the tax levy for those two years. Yes we did consider increasing garbage fees during 2010 and 2011. Annual estimated cost of garbage collection and disposal is between seven and a half million and 7.8 million. Due to ongoing litigation over garbage contract and fees the current

fees do not cover the total cost. GSD needs the tax levy in 2010 and 2011 to fund garbage collection and disposal.

GSD experienced in excess of \$1.5 million in revenue shortfall in 2009, due to court-mandated stops to garbage fee billing. GSD's goal is to remove solid waste from property tax funding by 2012.

Moving on to our debt service fund: as indicated before GSD has two outstanding bonds. We anticipate these bonds to be paid off by 2013. We do not anticipate any future bonds, at least they're not planned. However, there are a couple of capital projects if you turn to page 18. Here's supplemental information that we may need assistance with our SRF bonds. And those two projects on page 18 are rehabilitating our Filter building and also our new digesters. We do anticipate that we will need a new SRF loan to complete both of those projects.

Another capital expenditure that would be an unfunded mandate – I'm sorry an unfunded mandate, as you all can see Lagoon, we are under consent decree as indicated and this project may range up to seven million dollars for the District.

Moving on to page 19: our long-term control plan is another initiative that is federally required, and it's due by the end of 2010. That is also an unfunded – unfunded mandate.

The rest of the information is supplemental information background information, so at this time we will entertain any questions that you may have.

Mr. Kitchell: Given the relationship with the Storm Water, did you guys want to cover that as well.

Ms. Webbs: Yes. We can do that.

Mr. Kitchell: Given how close it is...

Ms. Webbs: Okay. Moving on to the Gary Storm Water Management District: Introduction – we're seeking relief and seeking to ensure continuation of storm water management district services to users of the systems.

Page four: again our initiative is to comply with the circuit breaker legislation. GSWMD respectfully requests that the DUAB grant a continuation of the financial plan covering the next three-year period, and allow GSWMD to phase-in the tax caps.

The storm water fund is funded from property taxes. Operation and maintenance in terms of Storm Water Management District, MS-4 expenses, and capital improvements of storm water system.

Our next page, page five, and I would like to defer that [portion] to Ms. Carey, ... [static/indistinct words] to go over the MS-4, because this does do into detail about the MS-4.

Ms. Carey: I think that most people are aware the USEPA Storm Water Phase II Final Ruling regarding separate storm sewer systems was published in the Federal Register in December of 1999 and it required that states adopt rules requiring other municipalities, other government entities with non-CSO, separate storm sewer system populations under 100,000 and institutions of higher learning to comply with the

Rule's provisions. And, just to basically skip over the fact that we did comply with that requirement and set up an MS-4 and a storm water district in the City of Gary.

[Our program] mission is to limit storm water run-off to the extent reasonably possible, to clean up run-off as much as possible before it discharges to streams and rivers, to improve drainage in areas that flood and to maintain the existing storm water infrastructure. Under our NPDES permit, which is overseen by the IDEM, we're required to fulfill six minimum control measures, which have to do with public outreach and education, public participation and involvement, illicit discharge detection and elimination, construction site storm water run-off, post-construction site storm water run-off control, pollution prevention and municipal good housekeeping.

Ms. Webbs: We'll go to the summary while we're here, if you would like us to – if you would help us to. In 2009, GSWMD had to foregone circuit breaker relief to property tax based funds. GSWMD requests to phase-in the circuit breaker credits in 2010 and 2011. Without relief in 2010 and 2011, GSWMD will not be able to implement its federal and state mandated MS-4 program requirements and maintain and improve its storm water system. GSWMD is considering implementing a storm water user fee in 2011. However, due to recent increases in sewer user fees and garbage fees, additional time is needed for implementing storm water fees to prevent further hardship on Gary residents. Storm water fees may be more difficult to collect because GSWMD does not have good reports to collect on non-payment and the IURC may not allow water shut offs for delinquencies. Property tax has been a more reliable source of revenue for GSWMD. We'll entertain any questions at this time regarding this.

Mr. Kitchell: Questions? Yep, Paul.

Mr. Wyman: Do you have a budget [indistinct words]?

Ms. Webbs: Yes we do for storm water as well... [indistinct words]

Mr. Wyman: [Posed question. Inaudible.]

Ms. Webbs: It's about \$175,000.

Mr. Wyman: Do you think that will get you in compliance with the audit ... [indistinct words]?

Ms. Carey: We have recently been through an audit with the State of Indiana in October. And, my understanding is, although I am not allowed to go ahead and say, but... [indistinct words]

Mr. Wyman: [inaudible response]

Mr. GiaQuinta: Have you looked at the – I guess I am really surprised that you have storm water fees. You've got to be in a very small minority of entities that charge storm water fees based on impermeable space. I mean has that analysis been done?

Ms. Horton: We had –

Mr. GiaQuinta: Your bigger industries up there, do they – that would be a huge shot in the arm I would think.

Ms. Horton: To answer your question an analysis has not been completed, but is in the process through Cender and Company.

Mr. GiaQuinta: Okay, well, I don't think you have the luxury of time. I really ... [indistinct words]

Ms. Horton: That is true.

Ms. Webbs: We've had that question before... [indistinct words]. An analysis has not been done. But due to the recent increase in the user fees, which occurred in 08, so we are considering that that would be an additional hardship on the residents.

Mr. GiaQuinta: It would be, but –

Ms. Webbs: So you understand... [indistinct words].

Mr. GiaQuinta: You're right about the water shut-off. That's questionable. Some communities have that... [indistinct words].

Mr. Kitchell: Bruce.

Mr. Hartman: Kind of a spin-off on that particular question there? And you may not be able to answer the question, because you said you're just looking into it right now. You haven't completed the analysis yet. But, roughly – and the same question for both – roughly what kind of rate increase, if no relief was granted, what kind of rate increase would you be talking say in the sanitary user fees? And, what would your storm water be roughly, if you don't get this relief? You don't – You're saying you think it would be a hardship on the community; do you have any idea what that would be? My town just implemented a storm rate, and I pay six dollars a month. Okay? Now I don't like necessarily paying six dollars a month, but that wasn't going to create an undue hardship for our community at that rate. So, I was just wondering if you have any idea what kind of rates you're even talking about here.

Mr. Cender: At this point no... No, not at presently, today.

Mr. Hartman: Like I said you may not be able to answer the question because you're not far enough into it yet.

Mr. Cender: But, as I mentioned, we do have three million dollars of contracts and projects waiting... [indistinct words] for funding at the end of last year ... [indistinct words] ... projects for this year. So they're really counting on the property tax revenues to fix those problems. But you know, we're probably talking in the budget of, anywhere between from three to four million dollars just for the cave-in's. And also as was mentioned we do have current SRF loan, but we still have about eight or nine million dollars for funding of projects that are in the works that can at least address that. But those are out of the current revenue bond issue and the SRF – State Revolving Fund and IDEM folks have given us until end of this June to finish those projects [indistinct words] time. But in addition to that we also have the Filter building and the digester project and that's going to be probably upwards cost of eighteen to twenty-five million dollars for those two projects, so, ... [indistinct words] revenue bond issues... some are ... [indistinct words]. So, they're probably going to be looking at what is the full impact of the rates... [indistinct words.]

Mr. Kitchell: Tell me who owes you how much money. You've got a loan to Gary and at least at one point one out to Hobart and Lake Station owed you money. Who owes you what?

Ms. Webbs: Well that is from Gary. Gary owes us... [static]; they have already, you know, explained that at this point. Hobart, I'm going to refer that to Mr. Cender to tell you about –

Mr. Cender: It think it's just capital costs...

[Ms. Webbs and Mr. Cender speaking simultaneously. Conversation is indistinct.]

Mr. Cender: ... It's an insignificant amount. Maybe a million, half million or so...

Ms. Webbs: Insignificant but...

[Ms. Webbs and Mr. Cender speaking simultaneously. Conversation is indistinct.]

Mr. Kitchell: Okay. And then last year we had five units from Gary file petition. Four of those received relief. Gary Sanitary District received no relief for 2009. You're back now asking for 100% relief. The petitioning districts from Gary, they're asking for some relief, but not 100%. Can you talk about what you did in 2009 with no relief and why you're back asking for 100% relief now?

Ms. Webbs: [static/indistinct words] ... We had to – There were some things going on with it regarding property acquisitions that we did not budget for. And so, but, I am going to defer to Karl for some of the others [indistinct words].

Mr. Cender: [Static/indistinct words.] There are two items, maybe even three items. First being sewer cave-ins a substantial... [indistinct words] ... That's really... [static/indistinct words]. The second item would be solid waste, garbage disposal... [static]. In January, there were some courts – in the litigation that occurred last year was for contract... [static] for a period of time the courts... [indistinct words].

Mr. Kitchell: Are those now back in effect?

Mr. Cender: They are.

Ms. Webbs: They weren't back in effect as of October however during the interim GSD had to supplement those costs to pay [indistinct words] so that also had not been budgeted, that we did not anticipate, so there were costs that we did not anticipate for 2009 that would have put the district...[indistinct words].

Ms. Horton: And one of the ways that we did manage was through the use of inter-fund emergency loans, one fund to another and that helped us to get by. But of course those have to be repaid amongst the various funds. But, that's how we were able to make do.

Mr. Cender: [Indistinct words] ... fuller, more substantial ... for 2010... Our goal is to keep working ... [Speaks indistinctly through static] ... through a data process ... [static] pending further review and analysis [indistinct words] ... loan... And then also planning to eliminate the garbage and solid waste as a tax-based fund. And then the last item which is debt service. We've got two bond issues ... [indistinct words/static.]

Mr. Kitchell: Any other questions? Yeah, Mark.

Mr. GiaQuinta: Have you pursued insurance on your ... [inaudible]?

Ms. Horton: Yes we have pursued insurance, but so far it has not been approvable, but yes it has been investigated. We have not been able to recoup any –

Mr. GiaQuinta: I would suggest you... [indistinct words] call [inaudible]... involved in that area... [indistinct words] covered by your policy ... [indistinct words]. Mr. GiaQuinta offers name of someone who has expertise in this area].

Ms. Horton: We will certainly follow-up. We have had attorneys investigate it, but we will certainly follow-up with this person as well.

[Mr. GiaQuinta comments. Words are indistinct.]

Ms. Horton: Thank you.

[Background conversation – indistinct]

Mr. Wyman: ... [indistinct words] what are some of the things you are doing to consolidate services?

Ms. Webbs: Some of the things that we do do to consolidate services [indistinct words]...we have not talked really about ... [indistinct words]...pay into a [indistinct words]...

Mr. Kitchell: Any other questions? Okay. Thank you.

Ms. Horton: Thank you.

Mr. Kitchell: We will hear from our last petitioning unit and then get to our very patient folks that are here to testify. I saw Chris Curry here earlier.

Mr. GiaQuinta: Is this the airport? What about the bus company? [paraphrase; indistinct words]

Mr. Kitchell: Yes, This is the airport, yes. The bus company came last year, but did not petition this year. So we won't get that this year.

[Background conversation – indistinct]

Mr. GiaQuinta: If they don't petition, do the recommendations of the fiscal monitor ... [indistinct words]?

Mr. Kitchell: It's hard to – We don't have certainly any... no – The public would – We gave to the public, the media those recommendations so they could have a local discussion, but ...

Mr. GiaQuinta: [Inaudible]... Thank you.

Mr. Kitchell: Chris is this different from the rest of...?

Mr. Curry: It's the same thing.

Mr. GiaQuinta: Is this the same line item?

Mr. Kitchell: It is the same.

Petitioning unit prepares presentation. Background discussion indistinct.

Mr. Kitchell: We're ready.

Mr. Curry: Okay. We're hopeful to get this slide presentation together. Okay. Good afternoon Mr. Chairman and Board members. Nikki Thorn the Financial Manager and I would like to provide a presentation on the Gary-Chicago Airport. We won't spend a lot of time emphasizing a lot of things that you already know, but we'll talk more about things that have happened since the last time we met approximately a year ago. So I will let Nikki Thorn start the presentation and then I'll finish.

Ms. Thorn: Hello everyone. Last year when we were here we made a number of revenue and expense assumptions. And I want to kind of give you an update of how those played out during 2009 based on the plan we had presented last year, which was a four-year plan based on relief from the tax caps at 25% in 2009, 2010 and 2011 and by 2012 to have full implementation. In 2009, we did implement a T-hanger rate of 3% as we said. And, based on economic factors, it wasn't well-received. We actually received less revenue in 2009 than in the previous year just due to economic factors. So for 2010 we are not proposing in our plan an increase in 2010. We will look at it again 2011 and 2012 depending on economic circumstances to see if it will actually be beneficial to the airport.

We did implement a ten cent per 1,000 pound landing fee in 2009. We also implemented two cent per gallon fuel flowage increase. And, we are still as part of our original plan imposing another penny in 2011 and 2012. And the new, in 2009 that we had not factored into any budget or anything prior to that was parking lot revenue. We do not currently have commercial air service, but we do have charter. So when charters come in with passengers, we do pay – we do implement a parking fee per car for every day that it is there. So, that is included in there.

Our expense assumptions were in 2009 that we would not have any raises, and we did not. And proposed for 2010, there's no raises either. Originally we did say that in 2011 and 2012 that we would re-evaluate if there was room for that it would be considered. If not, those would not be. 2010 has no raises included. We said that we had a position in the 2009 budget that was budgeted for, that we did not fill. We had two other positions that were vacant due to leaving were not filled, so we did experience salary savings and likewise benefits savings that go with that. We implemented our cost-cutting initiatives in basically all departments and we also were able to recognize some things that were not originally in our 2009 plan. But, as we went through the year we were able to do some additional things. We signed a three-year telephone contract that reduced our landline costs by about \$800 a month. We also changed cell phone carriers which reduced our bill \$350 a month. Those are not a part of the plan, but we were able to achieve those.

We were also able to cut some security costs based on coinciding our overnight security with when our staff comes in in the morning. So, we were able to cut back two staff hours per day. That was implemented in the middle of 2009 so the bulk of the saving will be seen in 2010, but there were some savings in 2009. As part of our plan we had proposed and continue to propose cost shifting from our Gary Airport budget to the compact budget which is the compact between the City of Gary and the City of

Chicago. Previously we had used primarily those funds as a marketing type fund and in looking at the tax caps we shifted over approximately \$280,000 of funds and that made it...to help us to fill the gap.

Mr. Curry: On the next slide we thought it was important to show you the organizational chart at the airport. As you see we have about 18 employees, so I consider us to be quite efficient in use of personnel. You will see in a lot of departments that we have that there's only one person in that department. What you don't see is that there's a significant amount of cross-training that has occurred between departments. Therefore like under security, you see one person under security. The same person in security can also do operations and the operational person can do security. Special projects can also do some forms of security. We have one person in marketing and I will also do a part of marketing as well. So, there is a significant cross training within the departments. The only department that has more than one is our financial department which has two and our maintenance department has approximately 10 personnel. And just for example, the maintenance department they do a combination of snow removal, vehicle repair, and grass cutting. What we have done even prior to the fiscal monitor report is that everything that occurs on the land side which is outside the security clearance, we contract out for grass cutting and snow removal. We do not do that with inside the fence. One of the recommendations from the physical monitor is to take a look at the contract and snow operations out on the airside of the airport but there are significant complications that come with that as it relates to safety, training, the Federal aviation rules and that type of thing. We did talk with one of our tenants to see if they were capable of assuming such but they could not do it at a cost that was cheaper than the airport. The average salary of the maintenance department is about \$35,000.

One thing that was mentioned in the earlier report is that we shifted some cost to the Chicago compact. What we did was my position as airport director, deputy airport director and marketing are all salaries that are reimbursed by the City of Chicago.

Ms. Thorn: Some additional assumptions that are in our plan is that the runway project that is currently underway would be completed in 2012. However the railroad, if we moved it, at some point during 2011 so that there would be benefits of having that railroad moved prior to the full runway being expanded. And with the expanded runway and the railroad removed that the airport could have regular airline services in 2012. Along with that though certain revenues would increase as a result of the regular service. You would have fuel blowage and parking lot revenue ... [indistinct words] ... the plan. But you would also have some additional expenses ... salaries, ... terminal ... [static] expenses such as firefighting, marketing ... [static].

The airfield configuration we have two runways, we have a smaller runway that is used to regular airline service as well. Along with that certain revenues would increase as well [static] but you would also have additional expenses and salaries such as firefighting, marketing.

Mr. GiaQuinta: [Indistinct words] ... There was a ditch or something that was in the way of the expansion? Did that all get worked out?

Mr. Curry: Actually that's further into this presentation. But, but the goal of the airport the immediate goal is to extend the runway 7,000 feet to 8,900 feet and again that allows us the flexibility to accommodate a different type of aircraft and a variety of aircraft. Right now if we go out to solicit airlines to utilize the airport we really have to identify certain type aircraft that can operate within the 7,000 feet. The airport configuration we have two runways. We have a smaller runway that is basically used for general aviation and over the last two or three years the airport has purchased approximately 177

acres of additional property associated with the Runway Expansion Program. As you look at the bottom left hand of the slide you will see that funding sources that are provided for the expansion with the FAA for 57.8 million, the State of Indiana for 20 million through the Regional Development Party and the City of Chicago for 9.5 million. So the airport with the two person financing department really has to be able to adequately monitor all these different pieces of money that we have and I'm happy to say that in 2009 we had a Federal and State Audit and the airport received no major or minor discrepancies for fiscal responsibilities.

The next slide is just a comparison to show how much activity that you can generate even with a small amount of property. The Gary Airport has increased its footprint 820 acres. We still have some ability to grow. Although for every area we grow, we also have to deal with the environmental concerns that come with an industrial area. So this slide is just to show the capability and ... [indistinct word] of what you can achieve with a very small piece of real estate.

The next slide talks about the runway expansion project. This is the current configuration that we are working on. As we speak I have the graphed agreement on my desk between the Gary/Chicago Airport and the Canadian Railroad to relocate the track. They've approved the design of the model and the Airport Authority has hired a Washington-based attorney about two months ago with railroad experience to finalize the agreement with the Canadian National. As part of the runway expansion when we were here last year we were working on the power lines relocation project and now that project has been completed. It was completed in January 2009. Originally estimated to be about 16.5 million dollars and came in under budget at 15 million dollars. The next project was to relocate a CISCO storage tank that was in the runway protection zone. This project has been completed as well. Environmental issues as I mentioned before everywhere that you move in the footprint of the airport there are environmental concerns associated with the industrial area. The airport in order to accommodate the environmental issues we were seeking two permits in order to move the railroad expansion. The first permit we received in January 2008, which was for the railroad only construction. The second permit involves the actual runway extension where we impact 37 acres of dune and swill properties. And we have been looking for properties that would compensate for the disturbance. As you guys may be aware part of those properties that we were looking for were owned by the Gary School Board.

At this point we cannot come to negotiation to the price on the property. The airport had an appraisal of \$375,000. The School Board did an independent appraisal that came back at \$375,000 but the expectation of the School Board that the School Board said the property is worth four million dollars. So the airport worked with the City of Gary through the Board of Public Works and the Board of Public Works declared eminent domain on the properties and the matter is in court and we are expecting the court ordered appraisers to come back in April with their estimates. This was clearly an impediment –

Mr. GiaQuinta: ... [indistinct words] the appraisers?

Mr. Curry: Did they?

Mr. GiaQuinta: I assume they did for the trial ... [indistinct words].

Mr. Curry: That was not an option. The judge ... [indistinct words]. Again this was an unexpected impediment that the airport did not foresee in the relocation of the railroad tracks along with the fact that as we were negotiating with the EJ&E they were purchased by the Canadian National which forced us to go back and renegotiate with Canadian National. Other airport related projects are the US Army National Guard facility is completed. There's the Gary Jet Center west hangar that is 38,000 square feet that was completed in 2008. We have some new airport hangars being developed by a private developer that should be completed in the spring of 2010. The airport received about 1.3 million dollars in stimulus

funding and with that we decided or it was recommended that we use that for airport fencing. The airport has had a problem throughout FAA inspections with wildlife and part of this fencing was to not only erect a higher fence but to also have the fence protrude outward underneath the ground to prevent wildlife from burrowing in under, under the fence. So this project if not completed already will be in a matter of weeks.

The next slide just addresses air service at the airport you won't see 2008 and 2009. Both of those years were less the 5,000 passengers and they were associated with an adequate amount of charter activity that we have had at the airport.

The next slide deals with airport planning initiatives. We have partnered with the Regional Development Authority and we are looking at a business and strategic plan for the airport. Prior to this business and strategic plan the airport was formulated by a master plan that was done by 2001 but as you know several, several conditions have changed in the aviation industry since 2001. I think by now we thought that O'Hare Airport and Midway Airport would be at capacity and that airlines would be looking for a third airport because capacity would not be there but with problems in you know, September 2001 also with the high cost of jet fuel Midway and O'Hare have additional capacity. But, that does not stop the airport from building on the vision because the FAA has said and has forecasted once the economy turns that traffic is going to increase significantly. So we see this as an opportunity for the airport. But, the business and strategic plan will identify all the options that the airport can be used. Commercial service, cargo, aviation school, maintenance and repair, helicopter operations – anything that we can do to generate revenue and provide a service to the community is what the Ladlow Brown team is instructed to look at on behalf of the airport. We should have the project completed in May of 2010.

We also had a 1.7 million dollar grant that we obtained in 2005 and it was to look at Gary/Chicago International Airport Southshore Station on Park Road. This station is only about three-quarters of a mile from the airport but it's not a, a very good station. Part of this study is to take a look at do you rehab the particular stop, do you eliminate the stop, do you shift it to another location or do you build another stop in new location. This is a partnership between NCTE [unclear reference] and the airport to determine the best use for this particular stop up at the airport.

Last but not least is the high speed rail initiative. From what I can tell and what I've been told is that this initiative has been gaining ground. One of the key things for the airport has been that we were not so concerned where the destination was whether it be Detroit or whether it be Cleveland. We were more concerned with high speed rail connection to Chicago and I think the airport is being well representative in the fact that we want the stop to be at the Gary/Chicago Airport and I think that is a very important initiative and one that air carriers are always concerned with is how do you connect with Chicago. And I think if we are able to get that that would be a huge benefit.

In conclusion the airport has attempted to present a plan to comply with the mandates of the law, we want to maintain our part 139 certification and which is essential to the long-term growth of the airport, meaning that if you are part 139, you are federally inspected and you can accept commercial airlines. The airport is in the expansion mode. It is our plan to really start construction on the bigger pieces of the railroad sometime this summer as soon as the agreement is finalized with the Canadian National. That concludes the airport's report. Are there any questions?

Mr. Kitchell: Questions? Yes, Kyle.

Mr. Babcock: I have some questions. Two part question – what percentage of your budget is supported by property tax?

Ms. Thorn: Currently it's about 50%.

Mr. Babcock: About 50%? Okay. My question is, because I know in Warsaw ours is about ten to twelve percent – and this has been a marvelous presentation. But, my question is looking at this – in looking at expansion, is this still a pie in the sky type deal – this, that and the other thing? Gary’s talked about getting rid of the golf course. Marvelous! I mean the airport looks like it’s going to be packed. I mean it’s a great place. I am not ... [indistinct words], but you’re sitting asking for 50% of your budget to be approved to go with the people supporting you from the community? But, does the community want to have an airport or their streets paved and plowed? That’s, that’s what I’m wrestling with. I’m not disputing. This will be a very viable presentation, but that’s why I ask how much.

Mr. Curry: Let me say this: the FAA has mandated that all airports by 2015 file with what they call standard runway safety area. The Gary airport does not have that, so this expansion is also for capacity and it is also for safety. As I mentioned, we have 7,000 feet right now, but if we don’t expand the runway the standard runway safety areas come off the existing pavement. So now instead of a 7,000 ft runway you really have one that is about 5,500 feet, which is not suitable at all for any kind of aviation. I think as I look through the fiscal monitor’s report, one of the things about the airport is that it’s always been identified as regional aspect. And one of the recommendations that I have seen is that perhaps the airport could become more county funded or more regionally funded. So the airport is located in Gary and I think as long as Gary is paying the property tax then I think whatever happens to the airport should be totally approved by the City of Gary, but I just want to say that I think the airport is bigger than Gary should be looked at to see if it will benefit the region as opposed to just the city.

Mr. Kitchell: Okay, Chris, remind me of your board composition. I don’t need names, but who appoints the various folks on that board?

Mr. Curry: The board’s composition is a total of seven. There’s four members appointed by the Mayor of Gary, one appointed by Lake County Commissioners, one appointed by Porter County Commissioners and one appointed by the Governor of the State of Indiana.

Mr. Kitchell: So when you say you are for having the property tax being paid by the County rather than exclusively at the City of Gary, are you also saying that you would be supportive of having the board composition represent who’s paying?

Mr. Curry: I think so, because in most places that you go and even when you look at the examples of Ft. Wayne and St. Joe I mean it’s a county funded airport and the representation is split 3 a piece - three by the city and three by the county. And most generally most cities especially small cities and even large cities to some degree have a hard time supporting an airport so I just think that in order for the Gary Airport to be successful that we really need the regional, the regional push to support the airport.

Mr. Kitchell: More questions? Yes, Mark.

Mr. GiaQuinta: I noticed that as of December 22 you didn’t know the extent to which you would be asked to participate in the US Steel settlement. Do you know now?

Ms. Thorn: We do not know the exact dollar figures no. That is not considered anywhere in our presentation. The percentage to the airport is obviously much, much smaller than the City of Gary... [indistinct words].

Mr. GiaQuinta: [Remarks and question. Indistinct words.]

Mr. Curry: Well, we applied for about 60 million dollars of stimulus money. [Ms. Thorn laughs in the background] through all of the avenues that the airport could: through the State, through our US Senator and the congressmen, and through the FAA we applied and we got one point three. And I think in part because the airport still has 57.8 million dollars on the table from intent to spend this money on this runway project. One of the things I did want to add is that last year when the DUAB approved some of the airport I think \$269,000 the airport was involved in litigation with a tenant of the airport. We won but the legal expenses were about \$400,000 so we really had to apply a lot of what you granted in stimulus toward legal even though we won the case.

Mr. GiaQuinta: Finally, you don't pay – You're located inside the city limits and you receive storm water services, sanitary and sewer services from the City of Gary. Is that right?

Mr. Curry: Yes.

Mr. GiaQuinta: You're an example where a user fee would really help them... they don't – you don't pay property tax so they provide a service to you... [indistinct words]. Is that correct?

Ms. Thorn: That is not correct.

Mr. GiaQuinta: It is not?

Ms. Thorn: We pay a sanitary-sewer bill. And that's an entirely other issue... [indistinct words].

Mr. GiaQuinta: On the sanitary side... [indistinct words]?

Ms. Thorn: Yes, we do.

Mr. GiaQuinta: [Indistinct words.]

Ms. Thorn: I think that's true.

Mr. Curry: Yes.

Mr. Kitchell: Other questions?

[Pause for response.]

Mr. Kitchell: I think I read somewhere here about a helicopter, but what – do you guys have a helicopter? Or was that just me looking at ... [indistinct words]?

Mr. Curry: Yes, when we mentioned helicopter it is just one of the many things the Landon Brown study would take a look at.

Mr. Kitchell: You guys don't have a helicopter do you?

Mr. Curry: If we did we wouldn't know what to do with it.

[Laughter]

Mr. Kitchell: Okay. Maybe it was a city ... [indistinct words]. No other questions? Okay. Thank you.

Mr. Curry: Thanks.

Ms. Thorn: Thank you

Mr. Kitchell: Alright, we are now going to start public testimony. We are going to work off the sign up lists. Go in order of those who signed up. Tafrica is going to call your name, 3 minutes per person. At the two minute mark she's going to hold up a yellow something or other and at the three minute mark, red. She's much meaner than she looks [laughter in background] so, see if you can comply with her up here.

Mr. GiaQuinta: Could we also ask that people tell us if they're residents of the City of Gary or ...?

Mr. Kitchell: Yes, that would be helpful. Also if you could tell us your name, just so we can keep track for the record as well, that'd be great.

Woman from audience signals for Mr. Kitchell's attention.

Mr. Kitchell: Yes.

WLTH Representative: I am with WLTH Radio and my station manager called me and asked if I would be willing to get these people directly on the air. Put my cell phone down, if they're willing to and actually get public comment directly on WLTH Radio.

Board members comment in background. Indistinct words.

WLTH Representative: Is that possible?

Mr. Kitchell: At a public meeting I think you can put your mic up there and –

WLTH Representative: Do you mind? Does the public mind – about being directly on the air? Okay, I'm going to go ahead and work this all out, and continue, and then I will just take my phone and put right down in front of you. Okay?

Mr. Kitchell: Yes sir?

[Question from member of the audience about the three minute allowance for public comment. Additional background discussion on the issue.] [Indistinct words.]

Mr. Kitchell: Yes, let's just –

[Audience comments continue. Indistinct words.]

Mr. Kitchell: I think we want to just, I think we want to just hear – when you're speaking you can speak on one or multiple units, but I don't think we want to have each person to come up four times. And so, we're going to try to be as accommodating as we can, but when you come up to speak you can mention if you want to mention if you want, which of the various units you're speaking on, but we are just going to call each person one time not four times. And Tafrica can ... We'll start in the order the unit's petition, which means we'll start with the City of Gary sign up.

Mr. GiaQuinta: Mr. Chairman?

Mr. Kitchell: Yes.

Mr. GiaQuinta: Can we ask that there – and we were pretty good about this last time - but that there not be any personal attacks?

Mr. Kitchell: Yes. Yes.

Mr. GiaQuinta: I mean to comment on the fiscal aspects – Frankly I don't know anyone on the board who's interested in that.

Mr. Kitchell: We are trying to gather information for decision making purposes, so certainly,... [indistinct words.] Tafrica, you want to start?

Tafrica: Douglas Grimes?

Mr. Kitchell: Douglas Grimes?

Mr. Grimes: Thank you Mr. Chairman. Dr. Rich Barnes is with me. ... [indistinct words.]

Mr. Kitchell: Alright.

Mr. Grimes: Thank you Mr. Chairman for the opportunity to speak with the Board today. Again, my name is Douglas Grimes. I live in Gary, Indiana. I practice law. I serve as president of the Millers Citizens' Corporation, which we commonly call the MCC. The MCC is a community organization founded in 1971. And, for almost 40 years the organization has obtained many continuing roles of interest as it has responded to different challenges that have come along in our community. I am here today to represent the more than six hundred MCC families and share our concerns as we face a challenge which threatens the ability of the people of Gary to retain their homes and experience a reasonable quality of life in the city and which threatens the very survival of the city itself.

We take the issue of property tax increases very seriously, because we understand and a continual escalation of our taxes means that we'll be forced out of our homes and our communities. We also understand that the outward migration will reduce the value of our properties. So it should come as no surprise that the MCC strongly and unequivocally opposes the petition filed by the City of Gary with this Board, for relief under the relevant statute.

This has nothing to do with personalities. It is true that the financial condition of the City of Gary has been deteriorating over the years and it started before the airplane arrived. We had a city that received more than 300 million dollars in casino revenue and we wind up owing money and what I analogize this situation to is a situation where our City Council appropriated twenty-five million dollars for a baseball stadium. Someone came back later and said, "Look, it is going to cost more than we thought, and we need another twenty-five million. And, so the rationale was, "We already spent twenty-five million; we don't want to waste that twenty-five million so you pay another twenty-five million. And that is what this process reminds us – me of. For somebody talking about cutting back in 2013 and asking for more we are heading for a cliff. Make no mistake about it; we oppose the petition because as Governor Daniels said at some point we have to clean up our own house. We agree with that because that is a sound principle and that's where you begin. We oppose the petition for one simple reason: the people of Gary, Indiana cannot afford to pay any additional property taxes or income taxes. Dr. Barnes who is the MCC DUAB Committee Chairman will provide the demographics that clearly demonstrate why we cannot pay additional taxes.

The City of Gary is asking this Board to impose a tax on the people of Gary because the local government is committed to spending more than it collects. It is clear to us that the only way the local government is going to make the critical adjustment required to balance revenues and expenses is for the sun to set on this legislation that authorized the establishment of this Board. As things stand now the people of Gary will be subjected to additional tax increases for the foreseeable future. We say this because unwittingly this Board by allowing the city to capture more property tax revenue each year while every other municipality in the State is able to maintain their affairs within the confines of current revenues becomes an enabler of the status quo. The Board must exercise its discretion and impose strict performance-based conditions before granting relief under the tax cap. Any relief must be structured relief. You have the power to do that. You have the discretion, to say – to do something other than say, “Okay.” The Board must insist that the City explore chapter nine bankruptcy – receivership and other options which would allow the City to reset its compass and move forward. As one of the board members indicate, otherwise we are just circling the drain. And at some point we are going to go down the drain. The way to clear the decks is for the Board to require the City of Gary to investigate the bankruptcy option. Nobody wants to hear that. We understand that. But, I would rather hear that, than to go down the drain, coming back here every year and paying more and getting less. With a bankruptcy you clear the decks. It’s like after a war: everything is destroyed and now we have a chance to build a new foundation take advantage of the latest techniques, take advantage of the latest technology. That is an option which should be investigated. However that investigation comes out, fine, we’re good with that. But at least consider it. This is an action that would enhance private investment; it could increase employment and grow the tax base.

[Mrs. Harewood makes comments about the length of time spent speaking.] [Inaudible]

Mr. Nowacki: Well said.

[Clapping.]

Mr. Grimes: I apologize.

Mr. Kitchell: No that’s okay. I thought for your two-fer that you were...

[Clapping.]

Dr. Barnes: That’s okay. I’m Dr. Richard Barnes resident of Gary, IN I grew up in Hammond. I was a former State Legislator in South Dakota representing Minnehaha County, which is the largest county in the state – Sioux Falls, South Dakota, some of you may have been there. For two sessions for four years I sat on joint house finance and [preparations, unclear reference] committees, so I am familiar with both your responsibilities and some of the things you are wrestling with. I have here something dated May 9, or May 10 of ‘09 in which this committee put out, “If this recommendation is adopted, the petitioners should be in much better financial position at the start of 2010, than they were in the start of 09.” And I have to ask you, “Are they?” I don’t think so. If they were, they wouldn’t be back here. They are no better off today than they were a year ago and I think that’s something to take into consideration. Mr. Kitchell you asked, “What effect does higher property taxes have on property values?” Here are three different academic studies one by Charles Thibeau [sp?], who in 1956 issued the Thibeau [sp?] Hypothesis in which he basically says that citizens shop around for services, compare them to property taxes, what they’re paying for, what the costs are and they make a decision to vote with their feet. Here is the reference and look it up and it is pretty sound. It’s not an emotional opinion; it’s fact.

I want you also to consider the report by PFM because they make some assumptions that you have already picked up on. I think Mark picked up on it by saying – questioning the 100% property tax collections. Now folks, that’s not going to happen. They said they didn’t have the information – they had

no way of knowing. But, in this one handout here are two articles from the local newspaper and they didn't contact the county treasurer to see what the county tax is to be received. They didn't do their homework – they simply didn't do their homework. And as they attempt to project the Gary property taxes revenues on this report, you're going, you're going to be down 25, 30 million dollars in shortfalls additional. This does not work. The assumptions are bad, and I hope you have it in your booklet that assumptions are faulty and you don't draw conclusions for a community of 96,000 people based upon faulty assumptions. I don't think it is because they didn't do their work it is because they couldn't do their work. How many times have they admitted here are like twenty-seven instances where they say, "It is assumed it is a conservative estimate." They didn't even know how many cars they have in the City of Gary. They couldn't count them. The establishment of reliable historical information on annual revenues and expenditure is not possible. That's their quote. So here they have all this information and they can't or they don't know what they are talking about because they don't have the numbers and they're attempting to make recommendations to you to take action. Okay. I think that is something you need to take a look at.

The final thing is the demographic data. We have to consider the impact that this is going to have on the people of Gary, not on the City of Gary. And Thomas Paine said it's the duty of every patriot to protect its government – its people from its government. And I think that is what you are here for. You really have to protect the people of Gary from the government of Gary. If you look at the demographics we don't have the money, we have an annual income of \$14,000 – per capita income of \$14,000. The city of Muncie has \$37,000. You know? Yet when you look at our cost of living they're the same. It is not cheaper to live in Gary it cost just as much and yet the income is down. If you give them a chance to take the caps off and require the people to pay more in property taxes, more people are going to leave, they're going to vote with their feet, the population's going to continue to decline, property values are going to continue to go down and it going to become even a greater mess.

Mr. Kitchell: Thank you gentlemen.

Dr. Barnes: Do you have this information? Thank you.

Mr. Kitchell: Anything that anybody wants to share I will more than gladly share it with the other Board members.

Dr. Barnes: I sent this in to the ...

Mr. Kitchell: If you sent it in previously, everyone has it, but I'd be glad to share it again. Who's next?

[Clapping.]

Mrs. Harewood: Nat McKnight?

Mr. McKnight: Matt McKnight. I'm a resident of the City of Gary. It is with a heavy heart that we come to the board again same as last year. And, my observations over the course of last year I think this board has good intentions but I think the end result is really not in the best interest of the City of Gary or its residents and the taxpayers. To put it simply I really believe that PFM is a good-hearted operation and I think their intentions are good but if you get right down to it they've got Lake County hoodwinked. And during that presentation here – I counted over a dozen times of mention of beggars. This is a financial bore. It's supposed to be concise, accurate, to the point. They did not provide that information to this board adequately, but I would be acceptable if I was a board member sitting there in your chairs. The situation is dire in here; there is no doubt. And the discussion of a Chapter 9 is probably the only solution. Ultimately it will happen, because there is nothing to stop the spiral outside of a Chapter 9. It is going to

hurt. I live there. I know. I am in the process of losing my house because of high taxes. I am being proactive so that I am not out on the street and I am moving, so that is just a reality. I am staying in Gary, because I'm going to see this one out.

The thing is, is that we look at – I live there. I'm on the street. I see positions that are not personnel. The same people are there day-in and day-out. Realities are is that the courts and the councils exercise nepotism and the only way things in Gary will straighten out is if the funding is put into parity with the rest of the State of Indiana. Therefore it will be mandatory through attrition that the City operates in a modern fashion. The amount of revenue is tremendous, it may not be enough now but in the future with drastic and the painful measures that we must endure we and the State and the DLGF. About 18 months ago I sent a letter to Mr. Rushenberg concerning the issues in Calumet Township, involving the assessors and the auditors. Now does all this has all come to fruition and as an end result it is responsibility of the State, the county, the citizens of Gary to straighten this issue out. Thank you gentlemen.

[Clapping.]

Mrs. Harewood: Attorney Karen Pulliam?

Ms. Pulliam: Thank you and good afternoon Mr. Chairman and members of the Board. My name is Attorney Karen Pulliam and I am president of the Gary NAACP which is a 91 year old organization in the City of Gary. I represents over 1100 individuals who are members. And, in the past year I had to go before the Indiana Regulatory Commission and ask them to disapprove a raise in the rates for the electric fees in the City of Gary. I went before them again and asked them not to raise the rates for the water company and now I am before you asking you not to give relief from these caps, because, while these units of government are distressed, the citizens are on life support. We cannot tolerate any additional property taxes. We have got to have our government live within its means. I do not support the idea of a bankruptcy because I don't believe courts are well-endowed with the capability to make the necessary changes, but I do support citizens' involvement with government in solving this problem, perhaps guided by the public monitor because they make a number of tangible suggestions which we as the community with our elected officials could see things brought more in line. Thank you very much.

[Clapping.]

Mr. Kitchell: Thank you.

Mrs. Harewood: Amara Wright-Terry?

WLTH Representative: WLTH Radio. WLTH Radio. WLTH.com.

Mrs. Terry: My name is Amara Wright-Terry; I am an EMS medic for the City of Gary. Good afternoon Mr. Chairman and members of the Board. I understand the financial crisis and that there are major changes that need to be made. As I was listening today, EMS services were not separately addressed in detail. Although we are associated with the Gary Fire Department, we are a separate entity.

In the report it states there's about a two million dollar deficit... Yet it only accounts for about fifty percent of our non-reverting fund in that report. Each year we generate revenue. They showed the fifty percent we keep, but they did not account for the fifty percent that goes into the general fund for the City.

Although we are separate from EMS – although we are separate from fire we do work with them. They come out on our 911 calls. They do respond to lift with us ... [indistinct words]; they stand by until we get there, which means they use their fuel; they use their manpower and also we are housed with them, so

we do share a financial responsibility with fire. Fire also gets money from our non-reverting fund and they also get money from our 911 and EMS.

The report suggests privatization of part of the City due to failed negotiations with “Prop” one of the largest transport company – they suggested they do a partial privatization. This is base – biased whereas it asked the City to outsource the paying portion of the citizens to a private company, leaving the City of Gary to generate revenue from the less fortunate. This would still create a budget crisis for the City and private services require eighty percent collection rates through which the City would still have to tough it out. As shown recently by private ambulance companies in other parts of northwest Indiana when they did not receive adequate money they pulled out of that area, leaving those cities with no EMS services.

The citizens of Gary are already suffering: EMS response to traumas, heart attacks, strokes and non emergency calls. As of to date EMS – as of October 09 EMS has collected 1.9 million dollars in revenue. That does not include the amount that we pay back... [static/indistinct words.]

If current administration implemented collecting for our past due amounts, collecting better for the amount that we charge and also looking at the amounts that we can charge the private ambulance companies to make up for the money we do not get from our non-insured patients and our Medicaid patients, we could collect more revenue and money could be saved. Also if they looked at rescheduling our staffing to make sure that we do not have overtime. We have scheduled overtime that is there because of the hours we work. We have unscheduled overtime that is there because we do not have manpower. And, that happens because we work a twenty-four hour shift. And unfortunately we take fifteen to twenty [hours(?) static] a shift and we are not allowed to eat more than one meal a day or get adequate sleep, which accounts for the problems.

So, to make this brief the one suggestion that I suggested is that we look into making more money for EMS... [static] Give us the fifty percent back that we give to the City that they're not accountable for so that we can support our own services, and merge us with fire so that as we do come out of EMS worker we replace the firefighter and that means also... [static]... so that the citizens do not suffer. It's not about us keeping our jobs necessarily, but that ... [static].

[Clapping.]

Mrs. Harewood: William Cary?

WLTH Representative: WLTH Radio.

Mr. Cary: Good afternoon members of the Distress Board. I am William Cary. I am also an EMS paramedic and also have lived in Gary my entire life. I never thought that I would have to sit in front of you guys and explain the importance of human life. Human life being privatized and being sent out to companies without the experience is not fair to me or my family or any other citizens of Gary. Due to the situation that we have our Medical Director we have Nicholas T. Johnson, who sees the private ambulance services who is also their medical director sent the letter to you guys and I am going to read that first.

“To Whom It May Concern: I am associate director of Emergency Medical Services of Methodist Hospitals in Gary, Indiana. I have spent the past few years working closely with the men and women of Gary EMS System. Throughout my career I have interacted with many different EMS systems and urban and rural areas of Indiana and Illinois. Starting as a ... [indistinct words] EMT, I have some intimate knowledge of difficulties that Emergency personnel face on a daily basis. I am continually amazed with the dedication, expertise, and bravery of Gary EMS personnel. Gary, Indiana is a unique urban area with

no lack of medical or traumatic emergencies. The large population of the city, the high traffic through the area and large industries supplies the system with extraordinary amount of medical acuity. Gary, Indiana can efficiently make twenty to thirty patient runs per 24 hour shift which exceeds the patient load of a busy ambulance in Chicago. The high percentage of traumatic injuries in this area helps to make Gary EMS experts in the treatment and quick transport of trauma victims. Experience with penetrating trauma, i.e. gunshot 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 the area that receives relatively sparse police coverage, Gary requires hard and brave civil service. The men and women of Gary EMS will frequently put themselves in harm's way to retrieve both medical and trauma patients from hostile environments. Proper judgment and experience combined 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 can be transported. I can verify the many patients that lived only because Gary EMS got to them before police were able to secure the scene.

Much of the compassion and dedication of the Gary EMS system is the result of 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 common to have a Gary paramedic or EMT to bring in a patient that was a former classmate. And it is extremely helpful when EMS can help tell me the patient's medical history from past years' interactions. I believe that the people that make up Gary EMS are invaluable and tangible assets to the community. Numbers cannot explain the benefit to my patients. The city of Gary will suffer if they lose EMTs and paramedics of Gary EMS. Thank you for your consideration. Please let me know how I can be of any further services. Respectfully,
Nicholas T. Johnson

As we work close at hand with Fire EMS we are a separate entity, but I can count on the fire side just as well as they can count on me. A private ambulance is all about making money. Their mission is to make a dollar. So what they will do is they sector an ambulance. They will set their ambulance in your city and if they get a private transport out of Methodist Hospital they will pull that ambulance while another ambulance is coming in with a patient on it. And if we get a call that ambulance will be in the hospital in five minutes. And they will have to unload their patient and that will take another three to five minutes. We could send the fire service which we still pay for and use the fuel and here to that call for a quicker response. Most of our firefighters are EMTs and first responders, but they do not have the necessary equipment that a mobile intensive care unit has as we do as Gary EMS. So this way you are taking more time off lives which everyone knows, and have heard of the Golden Hour. If you play with that it is not a probability of bringing a citizen back.

My main purpose is to serve the citizens of Gary. Losing a job is not what we hear about, but it is my family, my mother, my kids all the people in the community that I know that I love that I care about. I know that Gary EMS has the expertise and also knows how to do the job well. The fire department –

[Mr. GiaQuinta expresses to Mr. Cary that the Board appreciates his passion on the matter, but his time is up.]

Mr. Cary: I do apologize.

Mr. Kitchell: Thank you.

[Clapping.]

[WLTH Radio Representative speaks in the background. Indistinct words.]

Mrs. Harewood: Jim Nowacki?

Mr. Nowacki: Thank you Board Members. My name is Jim Nowacki. I am a resident of Gary, Indiana. Unfortunately, with the three minutes it's not nearly enough to explain all that I'd need to make a proper decision on the city's application, but I will tell you that I am a passionate man, committed and dedicated to my city. I love my city.

I have a friend that is also very passionate that I am affectionate of. Unfortunately she is a drug addict. And just as much as you would like to help a drug addict and you realize that any help you give that drug addict is going to go number one to drugs and not to other necessary things. So every time she needs some money and explores for money for something that she might need. Never once does it occur to her to stop using drugs. Instead she looks for more money and as much as much – and she probably earns more than many of the people that are sitting in this room. But you don't see that reflected in the conditions of her day-to-day life. So, I say that to say this: that money is not the solution when the problem is the abuse that's endemic – whether it's an individual or whether it's the City of Gary.

This board does the City of Gary no favors by giving the city money at this point. At this point it takes a true intervention. You've heard some people talk about bankruptcy – that may be the solution. With all respect to this ample report done by the fiscal monitors, it goes half the way. It doesn't go all the way – it doesn't treat the City as a dynamic entity, it doesn't address the City in any type of holistic fashion. It makes some cuts but still leaves the problem intact that the City of Gary does not spend the money they're using effectively, prudently without using it for the benefit of the City uses it only to feed an almost insatiable habit that is not new under this administration but it has been a long time coming. They will do everything to get the little bit of cash except treat their City decently by encouraging people to come into the City, working to build businesses, or any of the other things that we would do with an individual. You need, you need, you need healthy food. You need a clean place to sleep. You need comfort of your friends and neighbors. Gary doesn't give any of that. Any short shift instead what they are looking for is money. And that is what they are asking you for: money, not help money, and you'd be foolish to give them money at this point instead act responsibly, put the City on intervention and let's hold them to the same standard that we hold every community in this State to live within their means, within their abilities. Thank you.

[Clapping.]

Mrs. Harewood: Robert Leonard?

Mr. Leonard: Good afternoon, my name is Robert Leonard. I am a citizen of Gary. I'm also on the Board of the Miller Improvement Group. And we do community clean up's and picking up the tires and quite often it seems there are a lot of things the City either can't do or doesn't really want to do. Today we sat here and we listened to a lot of people from the City who are getting paychecks tell you why they need more money again, as if they didn't see this coming years ago. They knew it was coming. We all knew it was coming but nothing changes where we're at. My street does not get plowed. There's no salt. There's ice everywhere. You call the City Maintenance Department, they tell you they are going to come out, they don't come out. But they were all here today but they are not here now and the reason they are not here now is that they don't care. They don't care about what we have to say. They want, as Jim said, they just want the money. That is all they want. They don't provide any services for us. If you guys don't give them anymore money, we are not going to notice any difference. I am sorry, but it is true. [Clapping.] And you guys are also quite lucky that you didn't have this meeting in Gary because I assure you there are hundreds if not thousands of people in the City of Gary that if they didn't have to be at work today to pay the taxes that we have to pay, they'd be here to tell you what we are here to tell you which is don't give them anymore money.

I moved to Miller, which is a rather nice part of Gary five years ago. And contrary to the City's plan which is to demolish every single house that they can possibly get their bulldozers to and the reason is they contracted out to their friends, their families, their uncles, their brother, whatever. Point is: they're making money on it. Instead, I came into the City of Gary I bought run down abandoned HUD houses with boarded up windows, rotted-out doors, all the copper had been stripped out of them, everything. I put those houses back together to the tune of probably ten or fifteen, and I am sorry to tell you that I don't own any of them anymore. And part of the reason that I don't own them anymore is because I buy a house for \$20,000 and my tax bill was five or six thousand dollars. It was a City of Chicago sales tax rate every year.

Look, I was so stressed out last night that I never got to sleep. Okay, I stayed up until four o'clock in the morning. We left at five o'clock in the morning and drove here to beg you as they beg you for more money. I am sorry the Mayor has two jobs. Mary Brown, City Council, she has a job with the sanitary district, one with the City – highest paid City Council in the State of Indiana. You know Shirley Stanford was here. There were five City Council members that weren't here. Four showed up; five did not. Please, for God's sake don't give them anymore money. Let them make do with what every other city in the State has to make do with the CAPS. The City of Gary is no different. Please, just...

[Clapping.]

Mrs. Harewood: Carol Barnes?

Ms. Barnes: ... [inaudible words] I just want to say that I can't believe they are giving a presentation with no numbers. How can they not give you their expenses? That's just basic. That is just how ... [indistinct words] just really it's...

[Man in the background: We know. What is your name?]

Ms. Barnes: Carol Barnes

Tafrica Harewood: Eric Karlisle?

Mr. Karlisle: Hi, I am Eric Karlisle. Have worked as a business man in the City for about twenty-five year, so I run KFC Restaurants and just wanted to come and share the perspective of the business people and some of the struggles that they're having.

There's kind of three numbers I'd like you to think about as we initially, as you initially listen and those numbers are five, fifty-eight and three. A few years ago there were five KFC restaurants servicing the citizens of Gary. Fifty-eight percent is the number why by which our property taxes have risen in the last few years from 2007 to 2009. Today there are three restaurants that serve the city of Gary. We closed one of them. Another branch AZ closed one and left the city completely. And we're not alone. There are...there are many, many businesses that have closed their doors in the city. We're in the situation of having to consider whether or not we can continue business at other locations because of the exorbitant property taxes.

You know [pause] I can understand the city's plight and, and certainly anybody who, who is finding themselves in such a difficult situation is going to do everything they can to, to try and generate revenue to try and help out their situation. But we are only speaking about a financial matter here and...and the city is going to have to face and the taxing units are going to have to face these financial matters whether it be this year or whether it be next year or 2014. The question is, is this board going to allow many, many

more businesses many many more residences to lose businesses, to lose homes over the next three years...before...before the city has to face the financial realities of what they're dealing with. Reality is if, if these taxing extensions are granted, if the exemptions are granted to the caps, the tax base will do nothing but shrink between now and 2014. And allowing the exceptions to the caps, the caps will exasperate, exasperate the situation. That is going to make the pain more difficult in 2014 than it would be if they had to deal with the situation today. It's going to be a painful situation and the question is are we going to put it off and make it worse or are we going to deal with it today. Thank you.

[Clapping. Noise in background.]

Mrs. Harewood: Bill Kosarch?

Mr. Kosarch: Greetings from an impoverished Garyite. My grandfather come here 1914 and my grandmother come here 1923. Needless to say I've lived here all my life. U.S. Steel created Gary, Indiana in 1903. It was the result of the purchase of Carnegie Steel Companies. Marshall Field, Gene Buffington, El Gary, Charlie Schwab, not the one the stockbroker, the titan steel Charlie Schwab, they got together and they chose this spot of land over here and Marshall Field made the comment, he said I can't tell where the Illinois boundary ends and the Indiana one begins. The thing is we're an economic unit here. We're a suburb of Chicago economically. Geographically we're more in attuned to Chicagoland than Indianapolisland. We treat ourselves as isolated kingdoms in Lake County. We have layer on layer of duplication of services, layer on layer of duplication of assessments. Which is disastrous because the king assessor of Calumet Township does not agree with the king assessor of Lake County. So we go through all this stuff. Now I was a union rep at U.S. Steel in their early 80's when the downsizing began. We had 19,500 employees there in 1980. By 1985 we had 7,200 employees. I had as my oath had to fight to retain as many of my employees as possible but in fairness to the company, what they said, we are going are going to close most domestic U.S. plants who bought Marathon Oil Texas Oil and Gas. We are in a struggle for survival against foreign competition so our casualties will be heavy. We are going to not duplicate services; we will no longer be a supermarket of steel. We are going to only impact certain markets. So when they come into Gary, and how they did it, like your distress board, they got experts from Pittsburgh that didn't know anybody in Gary and they interviewed their top managers and they figured they'd cut 80% of them. So on the cuts what they basically interviewed them is one thing we're losing a million dollars a day in Gary, how do you contribute to turning this around and the second part of it was, why shouldn't you be terminated immediately? Well out of the 2,800, 2,000 unfortunately didn't pass the test. So they left and 9,200 hourly were eliminated. And then they shut the plant down for about 8 months and reorganized it and come back stronger. Their stock went from \$15 a share to \$200 a share. About 15 months ago then it crashed back to \$16 during the stock market crash. Now it's up in the 50s.

We're used to going up and down in Gary. That's the nature of the beast over here. And the thing is we're going to survive our downsizing. We...they're going to close all post offices in Gary but one. We're going to close most of our libraries. Our library budget is dropping from 5.7 million to 2.4 million. Lots of changes are going to impact us and all I can tell you is we're going to weather the storm. But don't let these highly paid bureaucrats all these folks that are administrators from Gary that make between 60 and 150,000 a year legally that testified before you. I'm going to be kicked out of my house because my landlord pays \$6,800 for two apartments. I have one of them. I'm thinking about Ft. Wayne. I like you. Thank you for your time.

[Clapping. Noise in background.]

[Conversation in background...]

Mr. GiaQuinta: [indistinct words] This might also be the right time to suggest the sequel to that is something new...

Mr. Kitchell: ...Something new, yeah...yeah, her comment. So now that we've heard some things...

Mr. Gallagher: So you're going to cut me?

Mr. Kitchell: No. We're not cutting anybody, but to the extent you can emphasize a new point it would certainly help the board as we consider making a decision.

Mr. 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 past few of which have been in the city of Gary. My wife and I have undertaken what is likely the largest single privately funded residential real estate development in Gary probably 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 abatements, utility infrastructure, and landscaping. We have built just six of the planned forty-four residences which will eventually produce hundreds of thousands of dollars in additional tax revenues. With our partners we have invested several million dollars. By the time we're finished we expect just about a 12.5 million dollar project. 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 we have cleaner water and we're surrounded by the Indiana Dunes national lakeshore. 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? What are the local eateries and shopping? And of course, what are the taxes. In the few years since we started development, the questions are not getting easier to answer but more difficult. It's not easy to dance around the facts: high crime, poor schools, terrible city services, minimal restaurants and shopping, and we pay higher taxes than the rest of the state. We've got two million dollars in real estate, you know of course for sale right now, and we can't even get a garbage team for them. For two years we've been trying to get a garbage team. 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 of their fair share of the cost to run this city because of its disparate demographic makeup... demographic makeup excuse me, but to hold the administration responsible for living within its 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 grandiose ideas for development put forward by the city that are economically infeasible. They're tired of paying more and getting less and they're moving out. The very lifeblood that could begin to sustain and eventually re-build Gary into the vibrant city that it once was is going away. Please don't allow this appeal to go forward because in reality it's not helping Gary it's just ...[indistinct words]...the problem.

[Clapping.]

[Conversation in background, indistinct words.]

Mrs. Harewood: Ann Gallagher?

Mrs. Gallagher: Hello. My name is Ann Gallagher and I've been a resident of Gary for ten years. I'm the co-owner and developer of East Edge Residential Real Estate Development in Miller with my husband you just met. He's my business partner as well. In 2009, I rode a bicycle for four months across the continent of Africa to 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, this book, "Why Aid Is Not Working and How There is a Better Way for Africa" by 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 cycle 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 some understanding of the culture of dependency in developing countries like Ethiopia. Instead, between the lines on every page I was reading I actually found that I was reading about my own third world county, Gary, Indiana. The aid to Gary is of course in the form of continually increased tax dollars.

The fact of the matter is government...governments need cash. Perhaps nowhere in the world...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 of Gary. For the early stages of development the private sector is simply not large enough to assume essential 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 has contributed economic growth there are three compelling reasons why Gary should seek alternative...alternatives to finance its development. Number one: Taxpayers have grown weary, are facing their own financial pressures, and have options to live and do business elsewhere. Lenders will increase tax escrows, owners will be unable to pay for them, and go into foreclosure. Number two: the Gary leadership does not possess the ability or knowledge to perform the crucial role as strategist, coordinator or financier. I think that's obvious to you. Number three: As in many aid recipient countries, corruption is a way of life in Gary...in the Gary government. The list of corruption in Gary is lengthy but the point is not that it is...it exists, the point is that increasing the aid, via increasing taxes, is one of corruption's greatest catalysts.

Surely the DUA board knows in your heart of hearts that Gary, like many third-world dependent nations, with third-world developing nations without any hope of becoming self-sustaining as a result of the lack of effective economic development initiative, is a dying city. Throwing good money at bad is only prolonging the inevitable death. Extorting more from the few remaining taxpayers is not the answer.

[Clapping.]

[Conversation in background...]

Mr. Leonard: I would like to interject. I think that if you guys have any questions...

[Member of audience:...You got it...]

[Multiple voices overlapping:]

"We're here to answer."

"You heard a lot of lies."

[Other indistinct remarks.]

Mrs. Harewood: John Vinzant?

Mr. Vinzant: Hi. My name is John Vinzant. I live in Gary and I have for quite awhile. Thanks for taking the time to do this again. ... [static]. You, I wanted to tell you something new, I actually do like this report. I really, I've been impressed with Mr. Kaplan and his team. They put together a very revealing document and if you wanted to get to a point where Gary could survive under the caps this is about as good of a map as I've seen. Now, I don't...I don't like the idea that it was going to cost me my tax dollars, nobody...nobody does. Until last year when I was here I'd never been in a room where someone said to me [laugh] you're going to pay more taxes. But that was the decision and that's the way they moved forward. The other thing I don't really much care for about the report is that at the end of it all you know it's really not a city that's going to be that great to live in. A very marginal place with very limited services, and not what you'd really expect when you say I live in the city somewhere - more kind of a crust of a city. And I dwelled upon that whenever I tried to decide what to tell you all. And what, the conclusion that I've reached is that really the problem that we got isn't what to do with management, or the tax caps, it's really just the issue that we've got is there's not enough assessed valuation in the footprint of the city to run a city. There's just not enough value there. And to come to your point about the...the big place decides what services to render. [Indistinct words]... there's just not enough dough. Unless you all can create value, it's really not going to work. I don't think. I don't see a way out of this. Listen everybody, it's a conundrum. I don't envy your position but I don't see a way out of it that's going to provide anything worth having at the end.

So, I'll ask you for help cause that's why you're here. I think that if you wanted to give us help you'd help us put together a [indistinct words]... of consolidation. What is Gary now into something else that is county...other municipalities. We've got a couple years until the next election which I think would be the point of which that would [indistinct words]... I really don't know what else to do. I just don't see it. And I've got one minute left and I'll leave it for Gene Ayers the next speaker. Unless you have any questions. [Indistinct words]...

Mr. Kitchell: Thank you.

Mrs. Harewood: Gene Ayers?

Mr. Ayers: I won't need the extra minute. I was here last year. My name is Jean Aires? I'm a real estate broker, lifelong resident of Gary. My business is in Gary and I've been very happy to be there for a number of years. I would like...I'm going to say...I'm not going to say the same things but I am going to add a couple of extra facts I hope will be helpful.

I think the erosion of the tax base by the increasing of taxes it's already happening and I think it will continue to happen and I brought a couple of examples. One is my own tax bill. There is a line on my tax bill that says "adjustment to the cap due to voter approved projects and charges." There were no voter approved charges or projects. There's a little footnote on there, that says 101, and you go down here and it says Lake County and St. Joe County where as you know there are extra charges for the existing bond debt and then there's the action of you folks last year. So the extra bond debt I calculated to be about a thousand dollars. The extra you allowed Gary to charge me. They call it relief up there and relief means I pay more as a citizen. That was about two thousand dollars of relief that you gave my city out of my tax bill. That's a total of thirty-five hundred thirty-one dollars and forty-six cents [\$3,531.46]. So that's just an example. I'm not complaining. I actually still like living there and I want to continue living there. And the 92...nine thousand two hundred seventy-seven dollars and ninety-six cents [9277.96] tax bill I paid on my home in Gary, Indiana is...is tolerable. So...but...it's wrecking havoc with the city.

Here's the facts I wanted to add. The...there were...through our multiple listings service in our 46403 zip code there were 26 pieces of vacant property offered for sale throughout the year of 2009. There was one sale. The...there was a tax certificate sale of Lake County in last month. Last month there were literally thousands of homes offered in tax certificate sale in Lake County and most of them were in Gary and in my zip code again, just referencing that, there were 189 properties that sold. Now one property sold through the multiple listing ... [indistinct words] and 188 sold...188 sold in tax. A hundred and forty-two of them sold for one hundred dollars or less, twenty-five dollars was the minimum starting bid. Thirty sold for a hundred to five hundred and sixteen sold for over five hundred dollars. That's a fact. And access that you all have to that fact is clear. So...it's devastating. You add tax burden to that and it's more abandonment of property more problems.

[Clapping.]

[Background noise.]

Mrs. Harewood: Ray Robinson?

Mr. Robinson: How ya doing? My name is Raynon [sp?] Robinson. I am the president of Local 359 Firemen Union and I'm here with a few other gentlemen.

Mr. Whited: My name is Mike Whited. I am with the State's Fire Fighter's Union.

Mr. Friday: I'm Adam Friday the vice-president of Local 359 Firemen's Association.

Mr. Robinson: Okay. Well we're here today because there's a point we've got to come to on the report that we have. Come to the point of the firefighter and public safety for Gary. The first thing is the report that PFM gave, they kind of run around and they talked to a bunch of citizens. They talked to the mayor and they talked to us. And they went out...and they gathered data and they brung back the data and they put it in this report. The only problem I have with some of the data is its comparison of Gary Fire Department to the surrounding area. Some of the comparison was to surrounding city like Valparaiso, Hammond, East Chicago ... [indistinct words] just to general the surrounding area. And Portage and Hobart. But they...with the study that they put together they compared us to...excuse me...they compared us to population. The population of these cities are much less than the population of Gary and what they didn't do...what he didn't do...think of when he did this putting in the population need to understand that the city of Valparaiso is thirty-three square miles. Only eleven miles of that is actually the city. The rest is the township surrounding. That was the largest city out of all of all those cities he compared us to. Gary is fifty-six square miles. It's...it's not fair to compare me to a city that have less population and less square miles that we have to cover. Someone says he got to understand jis when you...when you do that it's a heavy impact to the city because with all of this comparing of one to another the city of Gary as of today have been on over seven thousand runs. Our EMS service fourteen thousand runs. There's no one even close to us. The closest person to us is South Bend. They got eighteen thousand runs but they run the fire on every ambulance call. And we have went as far as Mishawaka, Bloomington [unclear reference], Ft. Wayne. Ft. Wayne population is large...larger than ours. Their square miles is large...larger than ours. There's seventy-nine square miles to Ft. Wayne. Ft. Wayne and South Bend are the cities they should have been comparing Gary due to the fact of the square miles we've got to cover, it's not always about the population. Compared a population of 40,000 to 96,000 and square miles...Hammond is fourteen square miles. So there's a different impact when you compare us to a city that have less square mileage and less population in total. And some of it is just outside of the department.

Now Gary Fire Department has already given up 43 positions. We don't...we haven't hired anyone in five years. So...so if we go by this report with layoffs you gonna lay off fifty-four of the meatiest part of the fire department. Fifty-four of the youngest guys on the fire department. And what you gonna come out

with is average age on the Gary Fire Department will be forty-three years old. I'm not saying they can't do the job but a forty-three year old is not going to outwork a twenty-three or a thirty-three year old. And with that you gonna raise everything up because you gonna...the health cost for firefighters is going to raise due to the fact that thank God for EMS there's gonna be some heart attacks. You got to rotate our department back. You got to roll back our department. Now you talking about guys who haven't been in a fire in ten twelve years. Some of these guys is gonna be fifty years old. It's, it's gonna cost for more health because of the age and the work that we do. The health costs are going to go up. On top of that our old equipment that we have. We have a lot of old equipment due to the fact of our finances. We got equipment on the street now sixteen and twenty years old. Average age of a fire truck is only about five years to live out. So it...it is some things we can do. And we working with but some of the comparisons they made to Gary, Indiana to other cities I just feel that they're unfair. They also quoted N...NFPA standard and I let Vice President talk on that.

Mr. Whited: I just want to talk about some inconsistencies that in the report with the NFPA. The NFPA is the National Fire Protection Association. That's a standard that some states allow, but Indiana is not an NFPA state. They make recommendations. In the report it talks about the national average of firefighters per population. Then it goes on later in the report talking about how you should not have four firefighters on a fire truck, but you need to have three. Putting four firefighters on a fire truck is a standard with the NFPA, so they talk about it on one hand, but don't on the other hand. And I'd like to go back to the firefighters versus population. That's not a "one size fits all," you have to look at the community. If you've got a community that's thriving, that has newer homes, low unemployment, those people are taking care of their homes; you can probably get away with less firefighters per population. But when you have a community that has high unemployment, people are struggling to keep their homes, they're heating with space heaters; they're having to make the decision whether or not to put food on their table versus take care of their homes. Those people are going to use firefighters more often, along with EMS. They don't have the means of health insurance, you know they take an ambulance to the doctor's office or to the hospital so the standard they talk about in this is not a "one size fits all." They're using that to justify laying off thirty-five or fifty-four firefighters.

Mr. Friday: EMS also – I'm sorry. Adam Friday... [indistinct words] Vice President. PFM report, I thank them for what they've done, but, however, ... they have not done their homework. They talked about the insurance premium and compared us to private vendors, a private entity versus the municipalities that will share in premium cost. Another thing too that they did not consider in this report as far as ISO rating. The ISO rating decreased during the ... [indistinct words] laying off of firemen [indistinct words] ... that means the insurance costs decrease for the taxpayers in City of Gary, creating more revenue that they have to come up to cover insurance ... [indistinct words] with the more cost they have to pay out so... Our public safety, I will stand them against anybody. I don't want to see anybody cut from public safety. I've already had fifty-one firemen laid off in Indiana, and going with the PFM recommendation another fifty-seven causing another one hundred eight people from public safety, including firefighters in Indiana to be laid off. We really need to keep our firemen.

Mr. Robinson: And so that will put Gary at half of what the whole State has laid off in one layoff. And the last one we're gone share, the one number that they never put on this report after talking to everybody. They didn't put what the death total is going to be if you reduce public safety. They need to consider that. Thank you.

Mr. Kitchell: Thank you.

[Clapping.]

Mrs. Harewood: Lisa Robinson? Is there a Lisa Robinson? Michelle Washington? Michelle Washington? Lori Peterson?

Clapping.

Ms. Peterson: Hello. My name is Lori Peterson, and I'm with the Central District Organizing Project, the neighborhood organization in the Midtown neighborhood of Gary. I came specifically to tell a story – tell the story of one of our newest neighbors in the Midtown neighborhood. He's a young artist actually from DeMotte, Indiana, who actually may have discovered Gary through a new trend, not sure if you have heard of it. It's called "ghetto-gawking." Young artists, bloggers, they come into Gary and they take pictures of the blight; they post them. They take pictures of our abandoned buildings, they post them on the Internet, and lay some eerie music behind it. And while it is admittedly a very fine line between finding inspiration from a dark place and exploitation, he found the place by accident primarily. And, fell in love with it accidentally. He fell in love with the city; bought a small Tudor house at 26th and Harrison in the Midtown neighborhood for a very small price he bought the home. But, a year later was hit with a three thousand dollar property tax bill.

However, and this is the good part of the story, consistent with the resilience and the genuine good nature of Gary's residents, his neighbors – there's a very strong block club between the 2400 and the 2600 blocks of Midtown – offered to pay his property tax bill, offered to come up with three thousand dollars to help him pay his property tax bill, saying we want you on this block. We need people like you moving into our community. We don't need another abandoned building on this block. And while of course that's very noble, I mean he was just shocked and in awe that that offer was even made, you have to wonder why something like that is even necessary.

The State legislature has acted to protect Indiana's residents from these property taxes. So, why neighbors would feel the need to come together to pay another neighbors property taxes, just to keep them on the block I think it illustrates how desperate folks are to remain a community – a strong and vibrant community. And, I understand that all of us – and it's not an "us" against "them". Right? It's "us"- Is that one minute?

Mr. Kitchell: Yes.

Ms. Peterson: It's not an "us" against "we." We're all suffering and in dire straits. We're between a rock and a hard place right?- a devil and a witch. We don't want cuts, but at the same time we don't want to necessarily see these property taxes go up. However, relief from the property tax caps is not the beginning to a solution. It's not how you attract new artists, like our new neighbor or anyone to a new community. And, it's not how you retain residents, like even my own parents, who were born, worked and served this community for over 65 years before being taxed out of their home in 2006.

One step closer to the solution might be for our elected officials and representatives to listen to their residents. What happened today with all of the elected officials walking out at the time of public comment is not inconsistent with any city council meeting. Instead it representative of the attitude elected officials have toward their residents. Thank you.

[Clapping.]

WLTH Representative: Again we want to thank the DUAB Board for remaining. [Laughter]. No I'm serious. They could have left too. We don't have a gun to their heads. Thank you.

[Multiple voices from the audience simultaneously.]

“Questions? Questions?”

Mrs. Harewood: Karl Cender?

Mr. Cender: Good afternoon. I’m Karl Cender, financial consultant to the petitioning entities. I just wanted to respond to one of the board members comments on the USX settlement refund, the eight million dollars. One option we could discuss or were discussing to move forward is whether or not the entities should apply for an excess levy appeal under the provision under the statute for correction of error and refund, so that by the time the county does refund money to USX [this would give time] [indistinct words]for excess levy appeal. Now this would be short lived we’re pulling from [indistinct words]... it must go through in 2012 [indistinct words]...But it would require approval from the DLGF and the Distressed Unit Board ... [indistinct words] one of the benefits of the excess levy appeals for 2010 and 11 we’d have to have your approval for those caps... [indistinct words]. I just thought I’d point that out because it was brought up this morning about if there was anything that could be done ... such as refund...[indistinct words].

Mr. Kitchell: Karl, while you’re up here, I’m just going to try to take notes on kind of open questions that need resolve before we make a decision.

Mr. Cender: Sure.

Mr. Kitchell: I think I heard a couple time and asked for, if we provided no relief, what would happen from a user rate standpoint both for that sanitary and storm water, and so I think some answers on that -

Mr. Cender: Okay, if there is no relief or even partial relief?

Mr. Kitchell: I think the question – and I would like board members to speak for themselves – but I think I heard it from Kyle and maybe it was Paul, but asking about user rates. We just – I didn’t see any numbers, so answers on those.

Mr. Cender: I’d be glad to provide those.

Mr. Kitchell: Does that capture what [you think we’ll need] [indistinct words]?

Mr. Cender: Okay. Thank you.

Mr. Kitchell: Anybody that missed that sign-up or that we missed your name somehow that was here to testify that we’ve not heard from?

Laughter. Conversation in the background.

Mr. Kitchell: Okay, with that we will conclude our public testimony. I’m seeing offers for any questions that Board members have; if anybody’s got any questions for anybody who testified I can still hear...

Mr. Ruhl: I’d just be curious, ... talk [indistinct words] of all of the recommendations from the financial monitor, I didn’t hear anybody speak to these. Should these be implemented? I mean, the City’s trying to do some of these things. I mean it may not be enough for everybody, but what are the other ideas that you guys have that’s not in the report, that should have been.

[Background comment, indistinct words from audience member.]

Mr. Leonard: Lower the taxes. Lower the taxes; put us in line with the rest of the State. The citizens of Gary will step up to the plate. And people will come to the City of Gary with they're not being raped, robbed and plundered. ... [Indistinct words]... he probably only paid five thousand dollars for the house, I mean that's the value of these houses and he gets a three thousand dollar tax bill. Business – we lost ten businesses last year in one district, and it was in the Millers section of Gary. We lost ten businesses. We have to assume, and we are making a lot of assumptions here, that those businesses couldn't survive with the taxes. They just couldn't survive. People are leaving the City because they can't pay their taxes. People want to live in Gary. People love Gary. There a lot of people who love Gary, but they just cannot justify paying these exorbitant tax rates for no services and just at some point you have to throw your hands up and just walk away, because when I, when I came to Miller there was rumor that this was all going to be resolved in 2007. Here we are in 2010 and we're still talking about it. It's either now or we'll suffer for another year or two or three and it's gonna happen then. The difference is, is “What's going to be left two or three years from now?” And, the answer may very well be, not a whole hell of a lot.

Businesses are leaving; their closing. People are leaving... [indistinct words]. [Mr. GiaQuinta speaking simultaneously.]

Mr. GiaQuinta: ... I feel like I just heard the same thing five different ways. I own three different businesses. And you close your business when you don't make any money. And, you don't make any money when your revenue, what you're bringing in, doesn't match what you're paying out. So, you either have to decrease your revenue or decrease your cost. One of your costs are increasing property taxes, but I grant you any amount of money that if you talk to those eleven people they also left because their revenue was going down. So trying to – I thought the most really fair comment, because we have people living in “la-la land” on both sides of this issue – but, the best comment that I heard was the one made where Mr. Vinzant said there just isn't enough value here to support a community. That's the conundrum. There is a certain amount of service, a fixed cost, every business and every government have to allow. The report said that if the City moves immediately to the full caps, it would have to lay off police, fire, and EMS workers, and – and that's the important part – and there would be no one to do pay checks or process health benefits claims for those who remain. I add: equals it is impossible for Gary to live within its means, because if it does that – it is the only city in Indiana where when the caps were imposed it exposed the already depressed assessed value. That's why we're here. We did expect to be here this year; forget the notion that we didn't. The notion that Gary should just live within its means given the fact that living within its means, means a reduction in half its budget means essentially that, you are cutting into public safety with the rest of government already gone.

No, no, bankruptcy isn't a solution because the very next year you're out of bankruptcy, you would still have the very same situation you had going in. It's just that you start with a smaller deficit; it's just – It's just a number of years before you are right back where you were. That's kind of why I respect those who said, just take a gun, pull the trigger and there's no more Gary, because you're just prolonging the inevitable, which is the death of a city. So, I respect that, because at least those people are acknowledging that you can't live within your means, because you have as Mr. Vinzant said, not enough property tax base to support even the bare minimum government was – Ben Franklin and others created government to provide. That is public safety, EMS, in a city that, as the consultant pointed out, that is top heavy with the very type of person that needs those services – those government was created to serve – the elderly, the poor, [those with] homes that are fire hazards. So it is a conundrum. So, I have to say that the notion that you Gary should be treated like every other city Guess what? There is no city in the State of Indiana like Gary; there was no city in the State of Indiana that when the caps were imposed their revenue dropped by half.

Mr. Kichell: Other questions, board members?

[Audience speaking; indistinct words.]

Mr. Grimes: That was after the shift.

Mr. GiaQuinta: Correct.

Mr. Grimes: I would agree with that, but it went from 60% industry to 60% residential and 40%...

Mr. GiaQuinta: But the caps exposed what had transpired.

Mr. Grimes: Well, that's true. That's true, but they exposed it after the shift.

Mr. GiaQuinta: Well if it hadn't been after, there would have been nothing to expose, so I don't...

Mr. Grimes: Well, that's true, but the fact is that that would not have happened without the shift, because the assessed value of the industrial property, plus what was being paid by the residential owners was sufficient to support the [city].

Mr. Kitchell: Any other comments from the Board? Questions? One thing I want to make sure we all get out, to the extent that there are things that you would like to have in order to make a decision, a question that wasn't answered, another piece of data, anything like that, I want to make sure that Cris and his team back there that are doing all the hard work, get that down and make sure that we get that before we come back.

[Mr. GiaQuinta makes a comment in the background. Indistinct words.]

Mr. Kitchell: Before we get there, is there anybody that has anything that they don't feel like they heard today other than the couple things that I mentioned, that you'd like to have before you make a decision. Yes sure, Phil.

Mr. Bane: I heard a lot about EMS, but didn't hear about call centers. Are each of these call centers, are each of these EMS have their own... [indistinct words.]

Mr. Kitchell: We will figure that out and get you information on that.

Mr. GiaQuinta: I don't think... [indistinct words]

Mr. Bane: I didn't hear anything on that.

Mann: [The police section of the report addresses the call centers.] [?... static] There is some...

Mr. Bane: ... [indistinct words] the cost of the centers?

Mr. Mann: The cost of the dispatch centers for the City of Gary... [indistinct words]... to do a merger with County dispatch... how easy that is depends on... [indistinct words/static].

Mr. Bane: I guess the other question I had ... We had similar situation with ... [indistinct words/static]. We gave them a credit... they take in less money, but... [indistinct words/static].

Mr. Ruhl: I thought that's what they were doing. The settlement agreement was credits over a period of time against future... [indistinct words]

Multiple board members comment simultaneously.

Mr. Kitchell: We'll get that for everybody. Does anyone else at the Board – any other information that you'd like? I know Mark you had something else you wanted.

Mr. GiaQuinta: Yes, I, I was concerned a little bit about the fire department ... Last year... [indistinct words] they described a really unique geographical situation for Gary wherein the City was carved up by a number of railroad tracks. If they were had their druthers, and there were no dissection of the City they could allocate their service more efficiently, but they're kind of caught betwixt and between with half of their fire houses situated in places where they perhaps may not otherwise be and the danger of getting caught on the wrong side of tracks or a train that's coming. Did you look into that in your survey?

Mr. Kaplan: We did to some degree. I think our evaluation overall of that was that that's an area that would argue for regionalization of services ... our recommendation was for the City to ... [Mr. Kaplan responds, words are indistinct. He indicates that the situation. And, he states that the fire chief can take a look at the issues and come up with creative solutions.] A lot of our thinking on this... led by the fire chief... [indistinct words].

Mr. GiaQuinta: Sticking with fire, we tend to agree with the suggestion that comparison in fire is really a question of response time, just as it is with EMS... [indistinct words/static]. But on the fire side, it does need to be compared more directly based on response time... [indistinct words.]

[Mr. GiaQuinta suggests the fiscal monitors to look at response times as the primary factor and secondarily at population. He asks for their response to that suggestion.]

[Mr. Kaplan responds, but due to static, indistinct words.]

Mr. Kaplan: [There is very poor data in terms of response times. One of our suggestions was to have data gathered and have a professional evaluate it. For a city the size of Gary, they have far more fire service than most other cities their size.]

Mr. GiaQuinta: With mutual aids we're talking about a big piece... [indistinct words/static]. But when you talk about mutual aids, did you actually go into that with an eye for who... would they volunteer?... [indistinct words/static]. Most already have some kind of agreement, they just don't require anything – for a community to come to the aid of a first responder, you're talking about ...

Mr. Kaplan: More of a regional compact.

Mr. GiaQuinta: Right. Right.

Mr. Kaplan: What we're saying is that ... [indistinct words/static] with a temporary obstruction such as the train... [indistinct words/static]. With an actual fire department you should be able to structure the system so that obstructions can be avoided... [indistinct words/static]

Mr. GiaQuinta: [indistinct words/static]... What about the City Court? With a ten mile trip to lock-up, that's twenty miles both ways, you're going to lose that ... [indistinct words/static] What – did you analyze what that would do to police man power going ten miles each way throughout the day? ... [indistinct words/static]. I almost think they'd be better off... Excuse me?

[Person speaking in the background. Inaudible.]

Mr. GiaQuinta: There is a county courthouse... [indistinct words] does that have a jail in it? But, does the court have a jail cell a holding cell? I didn't hear that. You don't know?

Mr. Kaplan: We are not sure.

Mr. Kitchell: I thought we saw it on the tour.

[Inaudible remarks from the audience.]

Mr. GiaQuinta: Which court? Which court?

Mr. Mann: The City Court.

[Inaudible comments from the audience.]

Ms. Raggs: The city court has a holding cell.

Mr. GiaQuinta: So the county court does have a holding cell?

[Persons speaking in the background. Inaudible.]

Mr. GiaQuinta: Well I knew the City Court did, but we're going to eliminate the City Court. [Laughs.] I'm asking about the town...

[Inaudible comment.]

Mr. GiaQuinta: That's my point. I wonder if they wouldn't be better off to eliminate if they're going to be without these officers anyway throughout the day – fifteen miles up and fifteen miles back... to put some facility in Gary – What I'm trying to get my hands around is if they wouldn't be better off to get rid of some of the officers and keeping the City Court with the holding cell?... [indistinct words/static]

Mr. Kaplan: I think that's a very good example of [indistinct words/static]... [This is one of the things that we though should be considered. Revenue collections are not outstanding. There are now over 200,000 court cases that are open and they could do a better job of collections on those. Some may be uncollectible.] They might actually end up with better services... [indistinct words/static].

Mr. GiaQuinta: Thank you.

Mr. Kaplan: Because the number was so big... [indistinct words].

Mr. Kitchell: Anything else from the Board standpoint?

Mr. Whited signals from the audience.

Mr. Kitchell: Very briefly.

Mr. Whited: ... [Indistinct words.] The City could get... [indistinct words]... A GIS study is similar to what cities and towns use for ... Studies can be very expensive. A study could be done for free to evaluate the data for the fire department... It is not a biased study, and it takes a look at all the information: response times...railroad crossings...high rises, high density population... [indistinct words]... utilize the manpower from one station to another...[indistinct words]...

Mr. GiaQuinta: You're just saying that you're willing to provide that?

Mr. Whited: Yes.

Mr. Kitchell: Very good. Thank you.

Mr. Kaplan: A lot of stations are... You're really operating with nine or ten... [indistinct words/static]

Mr. Whited: ... [indistinct words]... strategically place the stations... [indistinct words/no microphone].

Mr. Kitchell: I told you I would call on you and – we'd be here all night probably.

Ms. Pulliam: ...[indistinct words/static] There are some things that could be done to get revenue. There should be also effort to get USX to pay their part... [indistinct words/static].

Mr. Kitchell: Thank you members of the community. It's been a long day. I appreciate you driving down here and providing testimonies. It certainly did help. To the extent you have something to say and think of it late, didn't get to it today, you can continue to send us communication. We will share with all board members. We will reconvene, make a decision and we will get the word out to our media friends of when that is and so that folks can come back if they want to. I thank you very much. We are adjourned.

Meeting adjourned at 3:52 PM