

Objection Petition to the Gary Sanitary District's proposed budget for 2011:

The following objection petition is properly and timely filed and signed by ten or more taxpayers as is required according to Indiana state law, and also complies with the legal notice published by the Gary Sanitary District of Gary, Indiana. A copy of the legal advertisements are attached herewith.

* Count one of the objection petition: We the undersigned, believe and allege, that the 1.564 billion-dollar net assessed value figure to be grossly inaccurate. Since 2005, the Gary Sanitary District's net assessed valuation has been listed as approximately 1.6 to 1.7 billion dollars. The proposed budget for 2011 is based on a listed net assessed valuation of 1.564 billion. We believe that the only difference represented in the net assessed valuations between 2005 and 2010, are explained by the difference in the areas now served by the GSD.

According to IC 6-1.1-17-0.5, several other adjustments to the total net assessed valuation should have been applied to arrive at a more accurate figure of how much property tax revenue can realistically be expected to be collected in the year which will fund this 2011 budget. We the undersigned believe that few, if any of the adjustments required by law were made to this total net assessed valuation, and therefore, the budget which has been based upon the tax collections supported by this fictitious and unrealistic net assessed valuation, cannot be adequately funded; and this proposed budget should therefore be rejected on these grounds.

* Count two of the objection petition: We the undersigned, believe and allege, that the 1.564 billion dollar net assessed valuation is grossly inaccurate for the following reason: Since 2005, the listed and advertised total net assessed valuation for the Gary Sanitary District has remained relatively static, at or around 1.6 billion dollars. However, in 2008, it was discovered that the Calumet Township Assessor's office had taken it upon themselves to raise USX's assessed value on their real property upwards of 500-million dollars; while State law capped USX's assessed value on their real property at or around 115-million dollars. This discovery was brought to the attention of both the Calumet Township Assessor, the Lake County Assessor, and the City of Gary's Finance department. Therefore, we the undersigned object to this proposed budget because we believe that the net assessed valuation figure that it is based on is grossly inaccurate because it has not been changed to reflect the actual taxable assessed valuation of USX, and is believed to still contain the errant assessed valuation for USX's real property and should therefore be rejected on these grounds.

*Count three of the objection petition: We the undersigned, believe and allege, that the Gary Sanitary District has not adjusted its total net assessed valuation amount to reflect recent changes in laws that affect the taxation of real property in the State of Indiana, and as such, are using a NAV figure that is grossly inaccurate, and therefore believe that this budget proposal should be rejected on these grounds.

* Count four of the objection petition: We the undersigned, believe and allege, based on the admissions of the Calumet Township Assessor's office, that there are still 1000s of properties with appeals pending from the Calumet Township Assessor's office dating back as far as 2006. We believe that once these are successfully prosecuted, there will need to be recalculations of several years of real property tax liabilities to reflect the adjustments. We also believe, that once these appeals are completed, and the total net assessed valuation for the Gary Sanitary District is adjusted to reflect the corrected values, that there will be a substantial difference between the listed net assessed valuation and the true net assessed valuation upon which taxes will actually be collected. We the undersigned believe that the Gary Sanitary District has not taken the portion of the net assessed valuation which are awaiting appeal into consideration; and has instead based the budget on the *total* listed net assessed valuation; and will therefore not yield the expected amount of property tax revenue. We the undersigned, therefore believe that this budget proposal should be rejected on these grounds.

Count five of the objection petition: We the undersigned, believe and allege, that many millions of dollars of false assessed valuation has been added to numerous high-value and other properties. Through the examination of records provided by the Lake County Assessor, we have determined that numerous properties have had the assessed valuations increased by the Calumet Township Assessor's office by millions of dollars under the guise of Trending. However, these assessed valuations which were increased by the Calumet Township Assessor's office, were not done in compliance with guidelines set forth by the laws and regulations of the State of Indiana; and therefore, there is a strong likelihood that any property which underwent a significant increase in assessed valuation that was not supported by the laws and regulations governing the proper determination and subsequent application of Trending ratios, which are then to be used as multipliers in determining a properly "Trended" assessed valuation; will appeal its errant assessed valuation. It should be expected, that if and when the Calumet Township Assessor's office (or their successors) eventually hear the appeals of the errantly assessed properties, which were inflated without just cause, it should be expected that the assessed values of these will be restored to their former values; before they were improperly "Trended"; and as such, the total listed net assessed valuation of the Gary Sanitary District, which now *does* include these assessed values--which were inflated without just cause, either arbitrarily or deliberately--should then be considered to represent assessed valuation that there is not a high probability that any property tax will be collectable therefrom. Because this proposed budget is based on a net assessed valuation which *does* include the assessed valuations of numerous properties whose assessed values have been errantly increased--either arbitrarily or deliberately and without just cause--and now have assessed values which have been included in the aggregate amount which was used to determine the net assessed valuation of the Gary Sanitary District. Since this budget is based on the anticipated collections from the total listed net assessed valuation, and as we believe this listed net assessed valuation is grossly inaccurate for the reasons listed, this proposed budget should be rejected on these grounds.

*It should be noted that the examination of every property were beyond our capacity. We did however check the assessment records of over 2000 properties. If we were to

extrapolate our findings over the total number of properties which are used to comprise the net assessed valuation for the Gary Sanitary District, we would expect that there could be several-hundred million dollars of errantly increased net assessed valuation. In all cases of the addition of this false assessed valuation, the reason listed on the record of the Lake County Assessor is "Trending".

**As many of these significant increases took place over the same period during which the discovery of the error pertaining to USX's errant listed assessed valuation was reported to the Calumet Township Assessor's office and the office of the Lake County Assessor, it is possible that there was a need to supplant the 400-million dollars in net assessed valuation for USX, which had to be removed according to State legislation.

* Count six of the objection petition: We the undersigned, believe and allege, that even if the 1.564 billion dollar figure was in any way accurate, that it would still not be able to fund this budget. If we were to use--for demonstration purpose only--the City's figures; 1.564B NAV, and then multiply it by the highest tax rate of 3% (which we know not to be the case) and then use a 100% collection rate (which we know to be impossible); we still only come up with \$47 million. The pro rata amount due to the GSD based on the gross tax collections will not be enough to fund this budget proposal; when taking into account all of the other local taxing districts which would be funded by the available proceeds from tax collections based on this assessed valuation; on this collection rate; and on this tax rate. We believe that the administration of the Gary Sanitary District still does not take the situation seriously and insists on doing business as usual. We the undersigned, believe that this proposed budget cannot be funded based on even the most optimistic projections; and should therefore be rejected on these grounds.

We the undersigned, believe, that if for these same demonstration purposes, we instead use more realistic figures upon which to base any projections, that the shortfall will be even far greater. If instead of using the highest rate, and the 100% collection rate, we instead used the middle rate of 2%, which could be thought to be an average of the low and the high rates, and then multiply it by the recent historical collection rate for Gary which is around 70%, then we instead get a total projected income from property taxes of closer to 22 million; GSD's pro rata share of this 22 million will not be nearly enough to fund this proposed budget for 2011. And please bear in mind that this is still using the 1.564B NAV figure which is believed to be grossly inaccurate. Therefore, we the undersigned, believe that using these numbers, which reflect more realistic income projections, that this budget cannot be properly funded by the anticipated collections from the actual amount of property tax revenue which is more likely to be collected; and should be rejected on these grounds.

**It should be noted that even though the capped base rates for Lake County are 1.5%, 2.5%, and 3.5%, the extra 1/2% must go to pay down long-term debt and is therefore not available to the various taxing bodies to use to fund general operating expenses. Therefore, all income projections derived from the collection of property taxes should be based on the base rates of 1%, 2%, or 3%.

* Count seven of the objection petition: We the undersigned, believe and allege, that a certain amount of the Gary Sanitary District's listed net assessed valuation may be contained within TIF districts, and therefore the property taxes collected therefrom will not be available to support its general operating fund. This will further affect the shortfall of this proposed budget. We therefore believe that the listed net assessed valuation upon which this budget proposal has been based is inaccurate to such a degree that it cannot be properly funded and should be rejected on these grounds.

* Count eight of the objection petition: We the undersigned, believe and allege, that for the purposes of preparing this 2011 budget, that the anticipated collections should be based upon recent historical collection rates of the past five years for the Gary Sanitary District, which are known to be approximately 70%. Due to the state of the economy in general, and the even worse state of the localized economy, the collection rate for the Gary Sanitary District should not be expected to rise dramatically; and therefore, all income projections should be based upon the estimated collection rate of 70%. We the undersigned, believe that this budget proposal was not based on this 70% figure, but was instead based upon a much higher collection rate that will not likely be achieved. Therefore, we believe that there will not be enough property tax revenue collected to fund this proposed budget and that it should be rejected on these grounds.

**It should also be noted that this 70% number is 70% of properties which are considered to be "on the tax rolls". This would refer to properties that have performed within the last several years. There are certainly many properties in Gary which are not on the tax rolls, yet are still added into the NAV figure; therefore, the true rate of collection factored against the total NAV figure may be even less than 70%.

*** There are approximately 17,000 parcels in Gary that are listed as tax-exempt by the Lake County Auditor.

* Count nine of the objection petition: We the undersigned, believe and allege, that over the course of the last calendar year, that numerous high-valued properties have been shifted from taxable to tax-exempt status; and that no adjustments to reflect these recent changes in taxable status have been made to the total listed net assessed valuation. Additionally, there has been legislation before the city council this year to approve more transfers of high-valued properties from taxable to tax-exempt. The city council *did* approve preliminary legislation to support this action. For these reasons, we then believe that the listed net assessed valuation upon which this proposed budget is based is to be inaccurate to a degree that will it not provide enough revenue from property tax collections to fund it. We the undersigned, believe that it should be rejected on these grounds.

** When the Gary Sanitary District's budget proposal is added to the budget proposals of other taxing units within the same district, the shortfall will be even greater. The Gary Airport, the City of Gary, the Calumet Township Trustee, the GPTC, the Library, the County, the School District, and the Department of Redevelopment will all have to share from this anticipated amount which should be based on the more realistic anticipated

total collection amount; which will likely be nearer 30 million than the 60-70 million that would be needed to fund their budgets as proposed.

* Count ten of the objection petition: We the undersigned, believe and allege, that in November of 2009, several thousand properties in Gary were sold by means of what is known as a "Commissioners' Certificate Sale". As a result, according to law, all outstanding liabilities are to be removed from the tax duplicate. It should be noted that the assessed values of these properties are still included in the listed net assessed valuation figure that the GSD is using in their calculations. The current liabilities from these several thousand properties were included in the calculation of the published net assessed valuation upon which this proposed budget is based, even though they are now uncollectable. Additionally, as the assessed values of these properties which were recently sold by means of this "Commissioners' Certificate Sale" have been included in the listed net assessed valuation for the Gary Sanitary District, there will be a shortfall in the anticipated collections as the taxes for these properties for all prior years are now uncollectable as a matter of law.

In September of this year, the Commissioners held another Certificate Sale at which they sold Commissioners' Certificates on several hundred more properties in Gary. The past and current liabilities for all of these properties sold by this method will be required to have all past liabilities removed from the tax duplicate as a matter of law. Therefore, we the undersigned believe that the sale of these thousands of properties by means of this Commissioners' Sale was not taken into consideration, and that if it was, the total net assessed valuation would need to be adjusted considerably and after making these necessary adjustments, will not provide enough revenue to fund the proposed budget and should be rejected on these grounds.

* Count eleven of the objection petition: We the undersigned, believe and allege the following to be true and applicable: Beginning on September 14, 2010, the Lake County Treasurer commenced holding a Treasurer's tax sale. On this particular tax sale, over 10,000 properties were listed for sale that are located within the taxing district of the Gary Sanitary District. It is unlikely that a significant percentage of these properties will be brought current before the sale. Only the properties that are sold will provide any revenue available to the GSD. This list contains properties that are at least two years delinquent. It does not reflect the properties which are less delinquent. Surely there are significant numbers of properties which are only one or two installments behind. As required by IC 6-1.1-17-0.5 (4), any properties that there is a high probability that the taxpayer will not pay taxes in the following year, are to be subtracted prior to determining the total net assessed value for the particular taxing district. We would then contend that properties that are now being offered at a tax sale, and have not been redeemed prior to said tax sale, and have been offered at tax sale and have gone unsold, have a fairly high probability of not being brought current within the next calendar year; which will fund this proposed budget. We the undersigned, believe that this law was not followed when the Lake County Auditor prepared the net assessed valuation for the GSD's taxing district. For this reason, we the undersigned, believe the listed net assessed valuation for the Gary Sanitary District to be grossly inaccurate, and as such, do not believe that there will be enough actual taxable valuation to support this

proposed budget. and that it should be rejected on these grounds.

* Count twelve of the objection petition: We the undersigned, believe and allege, that with a cursory effort, one can see how the Calumet Township Assessor's office has inflated the assessed values of many high-value properties and other properties. It should be expected that these properties will appeal these errant values which were raised significantly under the guise of Trending. There are hundreds of millions of dollars in false assessed value that have been added to these properties. With the correction of these errantly trended properties, the total NAV will be reduced accordingly. As these errantly trended values may go back several years, this will affect any tax anticipations from years gone by. If they were paid, they will be due refunds. If they were not paid, the past collection amount which may still be on the books as a receivable, will need to be either erased or adjusted as necessary. The affect it will have on current finances is obvious. We therefore believe that due to the tremendous number of errors in assessment to properties within the GSD's taxing district, that once any significant number of these errors are corrected, that there will be a shortfall that will then not provide enough revenue to fund this proposed budget, and that it should be rejected on these grounds.

* Count thirteen of the objection petition: We the undersigned, believe and allege, there to be numerous other billing errors and irregularities which will need to be corrected. Once these are corrected, the total anticipated collections will be affected downward. It may also require past billings to be adjusted downward. If the bills which these errors affect have been paid, refunds or credits will need to be issued. If they have not been paid, the liabilities will need to be adjusted downward. Both situations will obviously affect the current finances of the GSD adversely. For these reasons, we believe that the revenue projections upon which this proposed budget was based to be inaccurate to a significant degree, and as such, will not yield enough revenue to fund it and that it should be rejected on these grounds.

* Count fourteen of the objection petition: We the undersigned, believe, that one of the largest taxpayers sited within the taxing district of the Gary Sanitary District, the Majestic Star Casinos, is in Chapter 11 Bankruptcy. The revenues normally anticipated from this revenue source may not be collectable within the near term. It should also be noted that the real property value of the casino complex was increased dramatically within the past several years under the guise of Trending by the Calumet Township Assessor's office. This property is believed to be under appeal and it is likely that the listed real property assessed value will be restored to its value before it was improperly Trended. If this is in fact the case, several years of real property tax liabilities will need to be recalculated. This will affect both the current budget, and the past budgets for which tax anticipation warrants were sold based on this as a collectable amount. Additionally, as required by IC 6-1.1-17-0.5, the total assessed valuation of any property that is part of a bankruptcy estate, which is protected under the federal bankruptcy code, should be subtracted from the net assessed valuation upon which this proposed budget has been based. We the undersigned, do not believe that the proper adjustments as required by law were made to the listed net assessed valuation upon which this proposed budget is based and should be rejected on these grounds.

* Count fifteen of the objection petition: We object to the Gary Sanitary District's proposed budget because in its current form as they have submitted it, there will be an enormous shortfall. And with this shortfall, they may be forced to go before the DUAB to seek relief in an attempt to obtain permission from the DUAB to raise the tax rates of all taxpayers within this taxing district well beyond the statutory limits set by the State Legislature. We believe and allege that they are well aware that there is no possibility of funding this budget as it is proposed; but due to their refusal to reel in their flagrant and extravagant spending practices, and their overall resistance to taking the advice of professional advisors, have essentially submitted a budget which guarantees the GSD's insolvency; and that this budget proposal should be rejected on these grounds. No budget should be submitted that can only be funded *if* the DUAB grants relief to the administration of the GSD, as this relief is not relief at all, but it is instead a greater burden to the taxpayers of the City of Gary. Any budget that forces the administration of the GSD to seek relief from the DUAB should be considered unbalanced on its face and should be summarily rejected on these grounds.

*Count sixteen of the objection petition: We the undersigned, object to the proposed budget because there will simply not be enough income to fund it. If the DLGF approves this budget, we recognize that another branch of the DLGF, the DUAB, may effectively be *forced* to give them relief through the means of the DUAB enabling the GSD to increase the tax rates to all taxpayers within this taxing district. We the undersigned, don't want the DUAB/DLGF to be forced into a position to award "relief" to the administration of the GSD; that comes at direct expense to the taxpayers of the City of Gary. We believe that this administration has not even begun to cut its budget as it could have. We recognize wasteful practices just about everywhere we look within the management of the GSD. We believe that it is high time that incompetence and fiscal irresponsibility are no longer rewarded. Without a significant amount of "relief" to this administration being awarded by the DUAB/DLGF, there will be a significant shortfall and we believe it should be rejected on these grounds.

We object to the GSD's proposed budget in its current form because it ensures that they will be forced to plead before the DUAB for "relief"; (which is just the opposite of relief to taxpayers) and that it should be rejected on these grounds.

*Count seventeen of the objection petition: We the undersigned, believe and allege, that the administration of the City of Gary, in its property inventory, holds title to approximately 8000 parcels of property. When the DUAB and PFM learned of this, they recommended that the City of Gary strive to divest themselves of these properties so that they could hopefully become tax-producing properties instead of tax-consuming properties. They could find no clear strategy upon which the City's ownership of the majority of these properties was based. It should be noted that the administration of the City of Gary has made virtually no effort to divest itself of these extraneous properties; in fact, it should also be noted, that rather than divest itself of this unnecessary portfolio, they have instead been engaged in an aggressive property acquisition initiative over the very same recent years during which they go before the DUAB for relief. The expenses associated with this acquisition initiative continue--up to and through this very day; as the administration of the City of Gary has purchased properties at tax sale as recently

as last month; and has also purchased properties at prior tax sales which have taken place during the same periods of time which the administration of the City of Gary appeared before the DUAB and sought and was granted relief from the State-mandated tax caps by the DUAB. The other costs associated with the acquisition of taxpayers' properties at tax sales will need to be funded from this proposed budget. (Does anyone see anything a little wrong with this picture?) At least there was still a chance of collecting property tax from the taxpayer whose property the City of Gary recently purchased at tax sale; but with the City of Gary as its new owner, there is no possibility whatsoever of collecting property taxes on it--now or in the near future. Because portions of this proposed budget of the GSD may be used to fund this reckless, destructive, and irresponsible behavior by the administration of the City of Gary, it should be rejected on these grounds.

We believe that this real estate acquisition initiative is supported by Mayor Rudy Clay, who is also the Special Administrator of the Gary Sanitary District. We believe that in both his capacity as Mayor and Special Administrator, that he should recognize the damage these activities are causing to the tax base of the various taxing districts upon which these budget proposals are based and order this ridiculous activity to cease forthwith.

* Count eighteen of the objection petition: We the undersigned, believe and allege, that the administration of the Gary Sanitary District intends to pass this budget as proposed with the foreknowledge that it has materially been prepared in error; and that there may be a deliberate effort underway to have it approved by the administration of the GSD to pass this without the proper public vetting. We also believe that this proposed budget is based on so many false presumptions, that there is no possible way that it can be funded by the actual property tax collections that should be anticipated and that it should be rejected on these grounds.

We also believe that there may be a concerted effort underway--involving numerous parties--to artificially prop up the GSD's depleted net assessed valuation. We believe that this effort may be underway for the sole purpose of creating the pretense that there will be enough property tax collected to be able to fund budget proposals such as this one currently under consideration. Later on, when it becomes apparent that this artifice actually cannot support the proposed budget that has been based upon it, the administration will have no alternative except to go before the DUAB--to plead for the DUAB/DLGF to give this administration relief on the backs of the taxpayers of the City of Gary. And we also believe, that at this point, the DUAB will not have any alternative *but* to award relief to the administration of the GSD, as so much time will have elapsed by the time the GSD presents their petition to the DUAB, that the DUAB will actually be forced to grant the relief asked for by the GSD. We therefore believe, that the DLGF must intervene now, before the administration of the GSD has the opportunity to spend money which they will not receive, and reject this proposed budget on the grounds that it can not be balanced by the actual property tax revenue that is likely to be collected in the year that funds the 2011 budget.

Furthermore, we believe and allege that there are plenty of budget cuts which could be

made which could significantly reduce the burden to taxpayers. We believe that this proposed budget is still being used to fund numerous patronage positions. It is believed that there are many employees still on the GSD's payroll that produce no useful function to the day-to-day operations of the GSD; and that they are employed solely for political reasons, or because of the systemic practice of nepotism and cronyism; and as such, there is a strong likelihood that these particular employees are not the most qualified and/or productive in their positions. We also believe that because of the poor work product of many employees of the Gary Sanitary District, that the budget requirements to fund the GSD's payroll are excessive, and that this proposed budget should be rejected on these grounds.

*Count nineteen of the objection petition: We the undersigned, believe and allege, that numerous departments operating within the City of Gary, and under the direct authority of this administration, are operating with gross inefficiencies; and that many of these departments' staffs have been co-opted to do political favors for selected citizens, rather than operate in such a manner that provides services best for the city as a whole. we believe that the Department of Redevelopment, the In-House Demolition Department, and the General Services Department, are being used primarily to support the function of doing politically popular jobs that don't necessarily benefit the city as a whole. Furthermore, it is believed that the methods by which these departments are delivering these politically based favors to certain favored citizens, is being done in the most costly, destructive, inefficient, and most environmentally irresponsible manner possible. Because this proposed budget of the GSD may in part be used to fund these activities of the aforementioned departments in the City of Gary, which we believe are not operating in the best interests of the citizens and city as a whole, we object to this proposed budget which seeks to fund the continued wasteful, irresponsible, and costly actions of these departments and it should be rejected on these grounds.

* Count twenty of the objection petition: We the undersigned, believe and allege, that the Gary Sanitary District is using monies from its "Solid Waste Fund" to subsidize certain activities of the City of Gary's General Services Department, and as such, ratepayers that may live outside of the City of Gary, are paying for services which should be paid for only from the General Fund of the City of Gary.

*Count twenty-one of the objection petition: We the undersigned, believe and allege, that the Gary Sanitary District should never have been allowed to make the 11-million-dollar loan to the City of Gary that was made during the King Administration. We believe, that if the GSD was so awash with discretionary cash, that they should have been able to reduce their rates to the ratepayers. Instead, though, the GSD has recently had to increase their user-fee rates by approximately 87%. We believe that the GSD should not be allowed to continue to operate as a cash-rich piggybank, that is

often used to prop up shortfalls which may occur in other departments of local government. We attest that the GSD is a separate taxing entity and as such, should be required to operate completely independently of the City of Gary and/or any of its departments.

Since the most likely source of this 11-million dollars that the GSD loaned to the City of Gary to use to shore up a shortfall in its operating budget was from user fees, it should be noted that there are many users of the GSD's services that pay for the privilege in the form of the payment of user fees, that live outside of the municipal borders of the City of Gary; therefore, in effect, these users of the GSD's services, that are supporting its operations in the form of payments of user fees, are funding the operations of the City of Gary, and are therefore in effect being taxed to support the general operations of the City of Gary AND also being taxed to support the general operations of the municipality in which their property is actually located. They, in effect, are being taxed by an authority that allows them no possibility of representation and has no ability to provide them with any services which they may or may not provide to actual residents within the City of Gary.

*Count twenty-two of the objection petition: We the undersigned, believe and allege, that the Gary Sanitary District did not have the authority to award the contract for the pickup and disposal of residential garbage to Allied Waste Inc. As this function had been historically handled by the City of Gary, it should have been only the City of Gary that had the authority to decide whether or not the garbage contract was to be offered out for bidding; and if in fact it was offered out for bid, it should have been at the sole discretion of the Common Council of the City of Gary as to whether or not it should be awarded, and to whom it should be awarded; and all normal legal public bidding requirements should have been followed during the bid offering process. We believe that the Gary Sanitary District did not have any authority to involve itself in the decision to outsource the pickup of residential trash. We also believe, that as residential trash pickup has always been one of the key services that has been provided by the City of Gary, that if there is to be any outsourcing of this service; and if any governmental body is to oversee and administrate its function, that it should be the City of Gary, and not the Gary Sanitary District.

*Count twenty-three of the objection petition: We the undersigned, believe and allege, that Mayor Rudy Clay, acting in his authority as the Special Administrator for the GSD, while concurrently acting in his role as the mayor of the City of Gary, may have commingled his authority and as such, exerted undue pressure on the board members of the GSD as it pertained to the award of the residential trash contract to Allied Waste Inc. We believe that it was not possible to get an objective decision regarding this contract nor was it possible to attract competitive bidders due to the way the bid offering was crafted. We believe that if the bid offering for the contract for residential trash pickup were done in a conventional manner, that more bidders would have been attracted and therefore, a lower price may have been possible. But as it was done in the manner which all but excluded any true competitive bidding, we could only presume, that the GSD and/or the City of Gary did *not* receive the lowest and necessarily best or most responsive bid for the contract.

*Count twenty-four of the objection petition: We the undersigned, believe and allege, that the method which the GSD employed by which to enable Allied Waste Inc. to have an advantage in the bidding process was both deceptive and fraudulent. The GSD stated that the reason that Allied Waste Inc. had to be the only place that any would-be bidder could take the residential trash which was to be picked up from households within the City of Gary, was because there was already an existing contract in effect. We believe and allege that this was neither necessarily true and/or applicable in this instance. The only contract (if any) that existed at the time of this bid offering was an annual contract for approximately \$120,000.00 between the GSD and Illiana Disposal Partnership. We believe that this relatively small contract between Illiana Disposal Partnership and the GSD was only intended to be for the removal and disposal of sludge and other solids which are byproducts of the wastewater treatment operations at GSD's plant; and that this contract was never intended to have anything to do with the disposal of household trash from residents within the City of Gary. We also believe that at the time of the decision by the GSD to award the residential trash contract to Allied Waste Inc., that there was no existing contract between Allied Waste Inc. and the GSD. However, it should be noted, that even though the only way that GSD was able to claim that it was necessary for any prospective bidder to haul any residential trash which was to be picked up on the routes upon which they would be bidding to Allied Waste's transfer station on Clay St. in Lake Station, Indiana; and that even though the GSD did ultimately award the contract to Allied Waste Inc., the contract was actually awarded to Illiana Disposal Partnership.

*Count twenty-five of the objection petition: We the undersigned, believe and allege, that the plant operations of the Gary Sanitary District, may not be up to the standards set forth by the USEPA and/or the IDEM, as we believe that there have been numerous events at the facility by which untreated effluent has been discharged into the Grand Calumet River. We believe that there is still an ongoing federal investigation pertaining to these unregulated outflows of untreated wastewater.

We also believe that the necessary capital improvements which should have been made according to a federal consent decree may have not yet been completed, and we believe that the necessary maintenance which is required at this plant has not been done as required.

*Count twenty-six of the objection petition: We the undersigned, are concerned that with the recent dismissal of United Water, that the staff put in place by the GSD administration may not have the experience, expertise, or credentials to operate the plant up to the necessary standards which are in place by the appropriate regulating authorities; and as such, may affect the health of the public at large. We also have concerns that as the particular individuals that have been put in charge of the plant's operations, lack the professional training and experience to operate such a facility up to the standards that are required, and instead appear to be more cronies of Mayor Rudy Clay, we have grave concerns that critical decisions may be influenced by political matters of the day.

We also have concerns that if the budget as proposed did not receive enough tax

revenue to fund it as is alleged in this petition, that the GSD may have the ability to shore up any shortfalls by juggling money from its operating account which is funded by ratepayers. Additionally, the Gary Sanitary District is in a unique position to regulate its costs of operation. There is a direct correlation between the cost of operating the plant and the volume of wastewater which is to be treated. If, the GSD needed to “manufacture” money to fund a shortfall—or for any other reason for that matter—they could do so simply by discharging untreated wastewater into the Grand Calumet River.

As we are aware of a federal investigation that is still ongoing for the very same matter, we feel that our concerns are justified. Without a constant babysitter working on behalf of the citizens and/or the environmental protection agencies that our governments have put in place to protect the interests of the people, we are essentially leaving the administration of the GSD and the managers of GSD’s plant to be the “foxes” which are to guard this henhouse.

We are concerned that the primary criteria which was used to base the decision to cancel the contract with United Water, was reducing the GSD’s budget enough to maintain the current administrative staff levels. We feel that instead of being concerned in the least with the continued employment of staff—that may or may not be productive and useful in their positions—that the service to the citizens and ratepayers should have been first and foremost, and that the decision to retain or dismiss United Water should have been based solely on that.

*Count twenty-seven of the objection petition: We the undersigned, have become aware of certain activities of the General Services Department of the City of Gary. These activities, may include, but not necessarily be limited to, the hauling of organic debris, which in many cases has been obtained from work being done on private property. (It is not known at this time whether or not this work being done on numerous parcels of private property has been authorized by this administration or whether it is being done based solely on the authority of the supervisors or department head of the Department of General Services and/or at the behest of any other department head.) We believe that the disposal of this unnecessarily accumulated organic waste--which quite often consists of freshly cut trees, black dirt, sand, peat, leaves, and many other types of material which other communities recycle or compost--is being disposed of at the transfer station belonging to Allied Waste Inc. on Clay St. in Lake Station, Indiana. We believe that the cost for the disposal of this readily recyclable and/or compostable material to be at least \$34.18 per ton. We also believe that the fees for the disposal of this material are being billed to the Gary Sanitary District. We also believe that the GSD regularly transfers funds from its general operating account to the Solid Waste Fund. We then believe that these newly transferred funds are supporting these questionable operations of the General Services Department and other departments, which may include, but not necessarily be limited to the In-House Demolition Department, and the Department of Redevelopment.

Again, this practice forces ratepayers that may live outside the municipal boundaries which are served by the City of Gary to subsidize activities performed by the City of Gary and/or its subordinate departments.

*Count twenty-eight of the objection petition: We the undersigned, believe and allege, that there existed a clear conflict of interest with certain members of the Common Council of the City of Gary due to their secondary employment at the Gary Sanitary District. We attest that Councilwoman Mary Brown (3rd District) and Councilwoman Shirley Stanford (2nd District) both work for the Gary Sanitary District in addition to their jobs on the Gary Common Council. We also believe that there is a conflict because Mayor Rudy Clay, in his role as Special Administrator of the GSD, may have certain authority by which to influence individuals whose votes and/or approvals were necessary to effect the desired outcome pertaining to the outsourcing and subsequent award of the contract for the hauling and disposal of household waste to Allied Waste Inc. We believe that due to the dual employment roles of several of the key players in the implementation of the trash contract, that there exists the clear possibility that their decisions were not made in any vacuum of objectivity, but may have instead been susceptible to various pressures, political and/or financial, or otherwise, which may or may not have existed.

*It should be noted here that Mayor Rudy Clay was one of the biggest proponents of the initiative to outsource the trash-collection contract. It should also be noted that both Councilwoman Brown and Stanford were "yes" votes when the matter eventually came before the council to have the fee structure approved.

**It should also be noted that there was a situation of a "fake emergency" created and in effect the entire city was held hostage by the decision of the administration to halt garbage pickup. The city and the citizens were basically held hostage while trash piled up. This in effect forced the hand of the GSD board and the Common Council. Besides the health hazard that was created by the uncollected garbage in the heat of summer, the news media was putting tremendous pressure on the city by televising embarrassing reports throughout the Chicagoland area.

In Conclusion: We the undersigned citizens and taxpayers in the City of Gary that are affected by this budget which has been proposed by the Gary Sanitary District, and object to it on all of the grounds which have been listed above. As long as this administration continues to engage in its wasteful and destructive behavior and flagrant fiscal irresponsibility that we now believe to be happening, this city cannot begin on its road to recovery and prosperity. Once the miasma of corruption, nepotism, cronyism, favoritism based on political affiliations, patronage, and incompetence is lifted, and the clear light of day can shine on this city, this healing process can begin.

As long as taxpayer dollars continue to fund the very same behavior and practices which have led to this city's downfall--and continue to keep it down--there is no hope. But once the lifeblood of taxpayer dollars which funds these very same wasteful practices that restrain this city from realizing its deserved prosperity, are no longer allowed to fund this aberrant and undesirable fiscal behavior, but are instead used to provide the most basic services which people need to survive in Gary's urban setting,

the road to recovery can begin--and not until then!

We therefore ask the Administration of the Gary sanitary District to reject this proposed budget on these grounds. We also ask that the DLGF intervene and also ensure that this proposed budget is rejected on any or all of the grounds listed within this Objection Petition to the Gary Sanitary District's proposed budget for 2011.

Under the Clay administration of both the City and of the GSD, they have done absolutely nothing to rein in expenses; despite what the mayor says.

People that choose to live in cities usually do so for a reason: they want and/or need the additional services which are normally made available to them. And as such, people that choose to live in cities are aware that taxes may be higher as the need to provide these additional services costs more money. But here in Gary, taxpayers are required to pay the highest tax rate in the state, yet we get far less in the way of municipally provided services than if we were in some remote area of the county.

As the GSD's income has been reduced, they have not made any real cuts to the payroll; therefore, they still insist on keeping numerous unneeded employees on the payroll. Nearly all of the property tax revenue that the GSD collects goes to fund salaries. Even though the payroll roster remains at or near historic levels, the actual level of services received from the GSD is less than it has been in years past.

It is believed that this administration continues with this practice solely for political reasons. Politics have led to the total destruction of the City of Gary. All that is left to do now is to pick up the pieces and rebuild this city from scratch--from the ground up.

All we want is representation and leadership which looks out for and seeks to protect our best interests. We don't feel that we should be forced or coerced to support systems which do neither. Unfortunately, recent history in Gary has shown that ballot box is not always effective in protecting our desired interests; therefore, we ask that the DLGF exercise its "power of the purse", as it may be applicable and appropriate, to address the concerns laid out in this petition, and reject this proposed budget for 2011 because it cannot be funded based on the tax revenue which is likely to be collected.

****Note about the preparation of this *Objection Petition to the Gary Sanitary District's proposed budget for 2011*: All of the aforementioned allegations are supported by sufficient factual documentation. It should be noted however that when attempting to get certain information from the Lake County Assessor and the administration of the City of Gary, and the administration of the GSD, which may have been helpful to facilitate a more comprehensive petition, these requests were met with a certain amount of resistance. We feel that the preparation of something as critically important to the welfare and well-being of the citizenry as the proposed budget for the Gary Sanitary District for 2011--(which may be a determining factor in the quality of life and budgets of individuals and businesses situated within the limits of the GSD's taxing authority)--should be a far more transparent process than we have observed it to have been.**

Russo, Stephanie

From: AYoung7550@aol.com
Sent: Sunday, October 24, 2010 7:14 PM
To: Russo, Stephanie
Subject: Only in the twilight zone!

Calumet Township OKs \$19.8M budget

Comments

October 21, 2010

BY MICHAEL GONZALEZ , POST-TRIBUNE CORRESPONDENT

GARY -- The Calumet Township Board passed its \$19.8 million operating budget for 2011 on a 2-1 vote Wednesday, with Clorius Lay as the sole -- and very vocal -- dissenter.

The tax levy, or the amount of the budget to be picked up by taxpayers, would be more than \$15.16 million, if the budget is approved and depending on how one considers an appeals levy on the proposed budget.

But, after the meeting, Trustee Mary Elgin and staff members said they would "jump for joy" if they received even half of the money they need given property tax caps, the tough economy and plummeting property tax collection rates.

The township trustee is responsible for a number of services, but it may be best known for offering a number of services to indigent residents. For 2011, the trustee requested \$692,000 for medical, hospital and burial expenses and \$8,295,000 for a range of services from help with rent subsidies to utility bills and buying school books.

What the township wants and what it gets are likely to be very different in the final budget that has to be approved by state agencies, said Curtis Whittaker, the township C.P.A.

The property tax cap passed into law two years ago has meant lower property tax bills for homeowners but drastically reduced revenues for all taxing bodies.

Add to that the Nov. 2 referendum giving Indiana voters a chance to make the property tax caps permanent, and you have government agencies changing the way they serve the public.

If the township gets even half of what it's asking, that would be a pleasant surprise, said one staff member. Such declines in revenue hit township clients harshly. Elgin recently announced her office would chop rental assistance for clients from six months to three months a year.

That point partly rankled Lay, who said after the meeting he voted against the budget and the salary portion of the budget, in particular, because "the salaries Elgin is asking for are atrocious, especially when you have people who are getting their rental assistance cut in half.

"Elgin's created the largest homeless group you have, now. Where are these people who need help going to live the other nine months of the year?" Lay also criticized a \$6 million excessive levy appeals item on the budget.

He debated the states Department of Local Government Finance would approve the money, which he said actually amounts to an extra tax levy on tax payers.

The excessive levy appeal is not an additional tax, Elgin said, but it is an amount she's seeking, and would have to pay back, to help offset shortfalls in tax collections.

Russo, Stephanie

From: AYoung7550@aol.com
Sent: Sunday, October 24, 2010 7:25 PM
To: Russo, Stephanie
Subject: More fraud indictments involving City of Gary public officials

To the DUAB Staff:

Several individuals that are featured in this article detailing the latest federal indictment to hit Gary public officials, were among the City of Gary's entourage. Some of the individuals who are central to this latest fraud actually testified on behalf of the City of Gary at the last DUAB hearing.

It should be no mystery why they were so strident in their pleas for the DUAB not to do anything to upset the status quo. Their schemes depended on it!

Grand jury indicts four in complicated fraud scheme

Comments

October 23, 2010
BY JON SEIDEL, (219) 648-3068

Jerry Haymon once said he used cash from the Gary City Council to renovate a house at 4028 Tennessee St. and make "a beautiful home for a family that would have never been a homeowner."

But a federal grand jury said Friday the house was one of four used by Haymon, Gary Community Development Director

Jacquelyn Drago-Hunter, Gary reserve police officer Phillip Rucker and mortgage broker Sheila Chandler to commit a complicated fraud scheme.

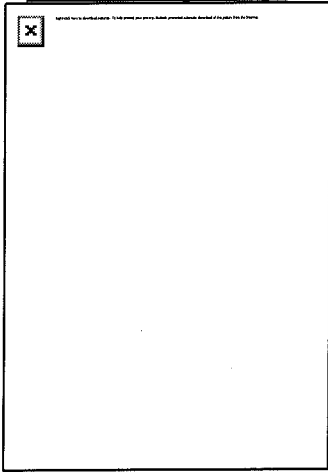
» [Click to enlarge image](#)



Businessman Jerry Haymon, right, gets a hug from a woman after delivering Christmas gifts for her family in December 2004. Haymon was indicted Friday along with three others for his role in a complicated fraud scheme in Gary centered on

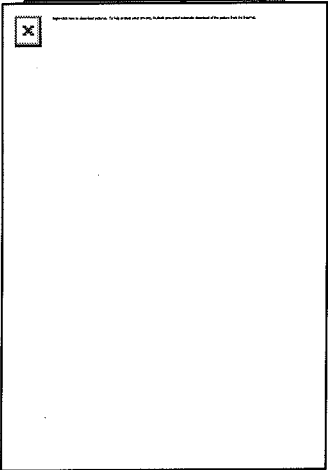
renovating homes in the city's Glen Park neighborhood.
(Post-Tribune photo)

[» Click to enlarge image](#)



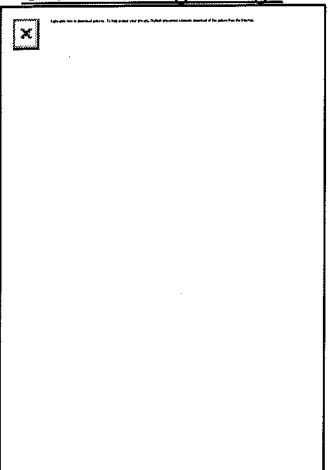
Jerry Haymon

[» Click to enlarge image](#)



Jacquelyn Drago-Hunter

[» Click to enlarge image](#)



Phillip Rucker

Together they illegally pocketed \$301,247, according to a grand jury indictment unsealed Friday. They are all charged with wire fraud, and Drago-Hunter faces two charges of aggravated identity theft.

Haymon surrendered Friday, according to his attorney, and court records show he pleaded not guilty. A Gary police spokesman said Rucker is on leave from his volunteer duties until the case is settled.

The Post-Tribune first reported on Haymon's activities in a 2008 investigation.

The grand jury said the defendants faked documents, made false promises and forged signatures as they executed their scheme between Oct. 1, 2007, and Nov. 5, 2008.

It said Haymon and others convinced people they could help sell their properties. Then they found people to buy them far in excess of their market value.

Haymon and others gave money to the buyers to create the false impression that the buyers were financially secure. That helped them obtain loans.

Chandler prepared false loan applications for the buyers that were submitted to lenders, the grand jury said, and Haymon filed fake mechanics liens to obtain portions of the loans.

Drago-Hunter, who is named as an owner of Maximilian Title, is accused of then preparing false HUD-1 settlement statements and disbursing the loan money. Haymon, Drago-Hunter, Chandler and Rucker shared the illegal cash, according to the indictment.

Versions of this scheme took place at 3829 Connecticut St., 3617 Johnson St., 3758 Buchanan St. and 4028 Tennessee St., the grand jury said. All four are found in Gary's Glen Park area.

Two closings alleged

Haymon used his Priced Right Construction and Management LLC and K&L Consultants LLC businesses to commit part of the crime, the grand jury said. He is also identified as the leader of the not-for-profit Coalition of Concern.

Haymon agreed Priced Right would buy 3829 Connecticut for \$36,000 from "DB and JW," then an associate offered "SH" \$10,000 to pretend to buy the property for \$74,000. Priced Right filed a mechanics lien for \$35,000 on the property even though Priced Right had done no work there.

Drago-Hunter closed the sale twice on Feb. 29, 2008, the grand jury said. First she prepared a false HUD-1 settlement statement that said "DB and JW" sold to "SH." The grand jury said the signatures of "DB and JW" were forged.

That paperwork said the sellers got \$36,237, which the grand jury said was false. Drago-Hunter then sent \$35,000 to Priced Right but didn't note it on the HUD-1.

During the next closing, the grand jury said, Drago-Hunter prepared a second HUD-1 that said Priced Right purchased 3829 Connecticut for \$36,000. She then disbursed additional money to Maximilian but didn't state it on the paperwork.

Finally, Haymon paid a \$13,000 kickback to the unnamed associate who first recruited "SH." The grand jury said there were also kickbacks to a mortgage broker for "SH" and others.

Similar schemes took place at the other addresses, the grand jury said, with Chandler helping with two sales and Rucker helping with one.

Rucker participated by recruiting one buyer to purchase 3758 Buchanan in July 2008, the grand jury said, and accepting a \$5,000 kickback along with Chandler and unnamed others.

Chandler is accused of telling a title company, lender and others she was a loan processor for a mortgage company for the sales at 3758 Buchanan and 4028 Tennessee. The grand jury also said she prepared false documents and accepted a \$3,000 kickback along with unnamed others.

Chandler faces nine charges in a separate but similar indictment filed in May. She and four others are accused of taking more than \$600,000 in that case, which is set to go to trial Jan. 18.

City Council money used

The Post-Tribune asked Haymon about his activities with the Coalition of Concern, Priced Right Construction and K&L Consultants in 2008.

The Coalition received \$75,000 from the Gary City Council under a 2007 grant agreement with

Councilman Ronier Scott, who represents Glen Park. It was unclear from the terms of the deal what services Haymon was expected to provide.

But Haymon later said that money was used to fix up 4028 Tennessee. In 2008, property records said it was owned by Priced Right Construction.

"Gary was getting ready to put it on the demolition list," Haymon said that year.

Federal agents sent a subpoena to Gary City Hall in November 2009 seeking copies of the grant agreement, a city attorney said at the time.

Scott also directed at least \$103,500 to the Coalition of Concern between 2004 and 2006, records show. Haymon originally denied receiving it but later acknowledged the money.

He also provided a letter that said K&L was under the scrutiny of the Indiana Attorney General's consumer protection division until May 2008, when the office took no action against it.

Scott said he was surprised to hear about Friday's indictment, even though he's been contacted by federal agents about the case in the past.

The document references "others known and unknown to the grand jury" while outlining the scheme, but Scott said agents gave him no reason to think he's targeted.

"They're just coming to me for information," Scott said.

Clay mum on Drago-Hunter

Gary Mayor Rudy Clay failed to return several calls seeking comment about Drago-Hunter, who manages millions in federal dollars while running his city's community development office.

Darnail Lyles, Chandler's attorney, said he had yet to see the indictment. Haymon's attorney, John R. Cantrell, said he had not yet given it a close read and declined to comment.

An attorney listed in court records for Drago-Hunter said he no longer represents her. No attorney was listed for Rucker.

Lt. Samuel Roberts, a spokesman for the Gary Police Department, said Rucker finished his most recent volunteer shift for the GPD at 8 a.m. Friday.

He said Rucker told Police Chief Gary Carter about the indictment, and Carter put Rucker on leave.

Roberts said, "one is innocent until proven otherwise."

Post-Tribune Staff writer Teresa Auch Schultz contributed to this report.

Russo, Stephanie

From: AYoung7550@aol.com
Sent: Tuesday, October 26, 2010 11:06 AM
To: Russo, Stephanie
Subject: Now here's a big surprise!

Mayor stands behind indicted city official

Community development chief tied to \$300,000 scam

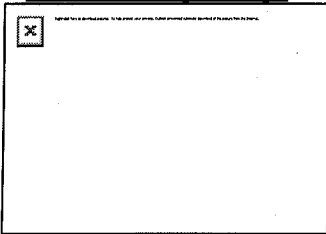
[Comments](#)

October 26, 2010
[BY JON SEIDEL, \(219\) 648-3068](#)

GARY -- Mayor Rudy Clay praised his director of community development Monday, commenting publicly for the first time since a federal grand jury said she participated in a \$301,247 mortgage fraud scheme.

Jacquelyn Drago-Hunter is charged with two counts of wire fraud and aggravated identity theft. Jerry Haymon, Gary reserve police officer Phillip Rucker and mortgage broker Sheila Chandler also face wire fraud counts.

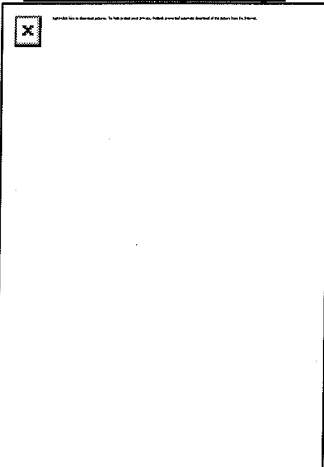
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Gary Mayor Rudy Clay praised indicted community development director Jacquelyn Drago-Hunter saying she is "a great God-fearing person from a great God-fearing family, and she's done a good job as community development block grant director."

(Post-Tribune photo)

» [Click to enlarge image](#)



Drago-Hunter

Russo, Stephanie

From: KRISeKRIS00@aol.com
Sent: Friday, November 12, 2010 12:04 PM
To: Russo, Stephanie
Subject: Two week's worth of articles of interest regarding Gary officials

Clay defends visits by convicted friend

Comments

November 9, 2010
BY JON SEIDEL, (219) 648-3068

GARY -- Mayor Rudy Clay defends frequent visits by convicted businessman Roosevelt Powell to City Hall's executive offices, saying the red carpet is out "for anybody who wants to visit me."

"I'm certainly not going to turn away my friend," Clay said.

A federal jury convicted Powell, a former Lake County tax collector, in 2007 for his role in a fraudulent scheme to use the Gary Historical Society's tax-exempt status to pocket \$150,000. Also convicted were Lake County Councilman Will Smith and attorney Willie Harris.

He was released from prison in May after serving his sentence, and since then has been seen repeatedly in City Hall's mayoral suite. Attempts to reach him since Clay made his comments have been unsuccessful. The mayor said Powell is helping him with his 2011 re-election campaign.

Clay also said anyone can visit him in his City Hall offices.

"I'm not a fair-weather friend," Clay said. "He's not on the city payroll. He does not influence city policy, and he does not have a city contract."

Clay has been steadfast in his defense of Powell ever since Powell's indictment four years ago, saying the businessman "is one of my two closest friends in the world."

But he's not the only person around City Hall Clay finds himself defending these days. City attorney Carl Jones was convicted last week of trafficking with an inmate, a Class A misdemeanor. Jones said during his trial a vendetta by a Lake County deputy prosecutor led to the charges.

Clay likened the crime last week to running a red light.

"It doesn't mean anything as far as his job is concerned," Clay said. "All it is is a misdemeanor."

And Community Development Director Jacquelyn Drago-Hunter was indicted by a federal grand jury last month on charges of wire fraud and aggravated identity theft. The grand jury didn't say she mismanaged tax money, and Clay said he's keeping her in charge of millions in stimulus dollars handled by her department.

Drago-Hunter pleaded not guilty, but she has declined to comment otherwise. After the indictment was unsealed, Clay said she "is a great God-fearing person from a great God-fearing family."

"She's keeping her job," he said.

City attorney found guilty of trafficking with inmate

Jones calls misdemeanor conviction a vendetta

Comments

November 6, 2010

BY RUTH ANN KRAUSE, POST-TRIBUNE CORRESPONDENT

Lake Superior Court jurors convicted Gary City Attorney Carl Jones of trafficking with an inmate.

Jurors in the courtroom of Judge Sheila Moss deliberated about 45 minutes Thursday before returning the guilty verdict on the misdemeanor charge, which is punishable by a maximum one-year sentence. A sentencing hearing is set for 9:30 a.m. Nov. 18.

Special Prosecutor J. Edward Barce, the outgoing Newton County prosecutor, introduced as evidence the padded manila envelope containing contraband -- nine cigarettes -- along with liquid makeup, letters and stamps that Jones gave to inmate Jeffrey Perez, who later was convicted of murder. The visit where Jones delivered the envelope to Perez was caught on videotape.

Jones, 42, said a vendetta by Lake County deputy prosecutor John Burke led to the case against him after Jones said he refused to have one of his clients, Luciana Yzaguirre, testify against Perez, her boyfriend and co-defendant. Jones represented the two co-defendants in the 2006 strangulation murder of Ruben Rodriguez, 55, of Lake Station. Perez, 36, is serving a 55-year sentence for murder in perpetration of a robbery.

Gary Mayor Rudy Clay likened Jones' conviction to running a red light.

"It doesn't mean anything as far as his job is concerned," Clay said. "All it is is a misdemeanor."

Jones' visit with Perez at the Lake County Jail was on Jan. 26, 2007, three days before Perez's murder trial began.

Questioned by Barce, Jones angrily denied he was paid anything to carry in the envelope, which Jones said contained "letters of encouragement" from Perez's mother. "I got a bunch of embarrassment because my name has been dragged through the mud by your office and the press," Jones said.

Defense attorney Jerome Taylor said in his closing argument that his client had no idea what was in the envelope, which former correctional officer Jason Gonzalez said he saw Jones slide across the table. Perez put it under some of his legal papers. Correctional officer Alfonso Rodriguez said after Jones and Perez were through with their meeting, he searched Perez's paperwork and found the sealed envelope addressed to "Jeff."

In fact, a letter in the packet was from Yzaguirre, who offered to perjure herself for Perez during his trial. "I already told Carl I would. I will lie under oath for you because I love you and I want you home, but I have to know when you go home and I stay in jail for the next 7 months are you gonna wait for me?" the letter states.

Yzaguirre's jury trial for felony murder ended in mistrial. She pleaded guilty to assisting a criminal and was sentenced to two years in prison.

Barce said the fact that Jones testified he gave the envelope to Perez without knowing its contents makes it even worse because it could have contained a razor blade or drugs.

Burke said he had spoken with Yzaguirre in the presence of her former attorney, Lemuel Stigler. After Jones began representing Yzaguirre, he accused Burke of threatening her with her children being taken away, but Stigler testified that never happened. "All I wanted was for Luciana to tell the truth," Burke said.

Grand jury indicts four in complicated fraud scheme

Comments

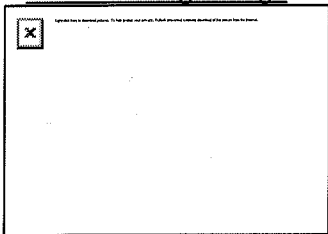
October 23, 2010

BY JON SEIDEL, (219) 648-3068

Jerry Haymon once said he used cash from the Gary City Council to renovate a house at 4028 Tennessee St. and make "a beautiful home for a family that would have never been a homeowner."

But a federal grand jury said Friday the house was one of four used by Haymon, Gary Community Development Director Jacquelyn Drago-Hunter, Gary reserve police officer Phillip Rucker and mortgage broker Sheila Chandler to commit a complicated fraud scheme.

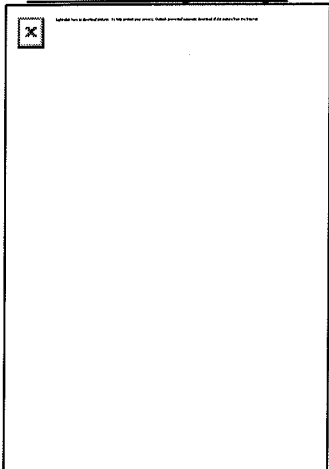
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Businessman Jerry Haymon, right, gets a hug from a woman after delivering Christmas gifts for her family in December 2004. Haymon was indicted Friday along with three others for his role in a complicated fraud scheme in Gary centered on renovating homes in the city's Glen Park neighborhood.

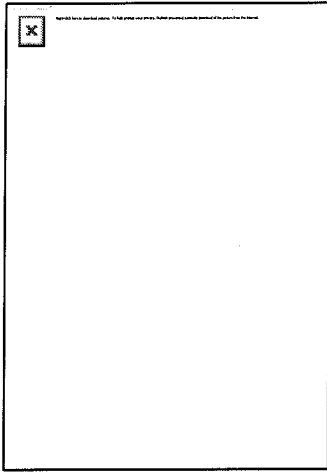
(Post-Tribune photo)

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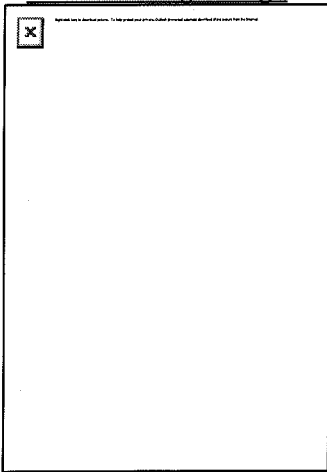
Jerry Haymon

» Click to enlarge image



Jacquelyn Drago-Hunter

» [Click to enlarge image](#)



Phillip Rucker

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Haymon surrendered Friday, according to his attorney, and court records show he pleaded not guilty. A Gary police spokesman said Rucker is on leave from his volunteer duties until the case is settled.

The Post-Tribune first reported on Haymon's activities in a 2008 investigation.

The grand jury said the defendants faked documents, made false promises and forged signatures as they executed their scheme between Oct. 1, 2007, and Nov. 5, 2008.

It said Haymon and others convinced people they could help sell their properties. Then they found people to buy them far in excess of their market value.

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He also provided a letter that said K&L was under the scrutiny of the Indiana Attorney General's consumer protection division until May 2008, when the office took no action against it.

Scott said he was surprised to hear about Friday's indictment, even though he's been contacted by federal agents about the case in the past.

The document references "others known and unknown to the grand jury" while outlining the scheme, but Scott said agents gave him no reason to think he's targeted.

"They're just coming to me for information," Scott said.

Clay mum on Drago-Hunter

Gary Mayor Rudy Clay failed to return several calls seeking comment about Drago-Hunter, who manages millions in federal dollars while running his city's community development office.

Darnail Lyles, Chandler's attorney, said he had yet to see the indictment. Haymon's attorney, John R. Cantrell, said he had not yet given it a close read and declined to comment.

An attorney listed in court records for Drago-Hunter said he no longer represents her. No attorney was listed for Rucker.

Lt. Samuel Roberts, a spokesman for the Gary Police Department, said Rucker finished his most recent volunteer shift for the GPD at 8 a.m. Friday.

He said Rucker told Police Chief Gary Carter about the indictment, and Carter put Rucker on leave.

Roberts said, "one is innocent until proven otherwise."

Post-Tribune Staff writer Teresa Auch Schultz contributed to this report.

Mayor stands behind indicted city official

Community development chief tied to \$300,000 scam

Comments

October 26, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- Mayor Rudy Clay praised his director of community development Monday, commenting publicly for the first time since a federal grand jury said she participated in a \$301,247 mortgage fraud scheme.

Jacquelyn Drago-Hunter is charged with two counts of wire fraud and aggravated identity theft. Jerry Haymon, Gary reserve police officer Phillip Rucker and mortgage broker Sheila Chandler also face wire fraud counts.

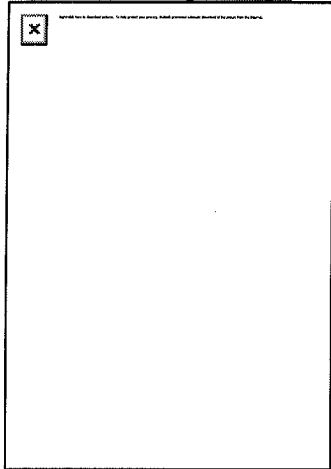
» [Click to enlarge image](#)



Gary Mayor Rudy Clay praised indicted community development director Jacquelyn Drago-Hunter saying she is "a great God-fearing person from a great God-fearing family, and she's done a good job as community development block grant director."

(Post-Tribune photo)

» [Click to enlarge image](#)



Drago-Hunter

A grand jury said Drago-Hunter forged paperwork and possibly signatures during private transactions to illegally divert money into bank accounts controlled by her and the co-defendants.

Meanwhile, at least \$5.4 million in federal stimulus grants were awarded to Gary's community development office under her leadership, according to a government website. Drago-Hunter is not accused of mishandling that tax money, but federal officials have stressed a need for public confidence in stimulus spending.

The mayor wouldn't answer Monday when asked if Drago-Hunter would keep her job.

"Jackie (Drago-Hunter) is a great God-fearing person from a great God-fearing family, and she's done a good job as community development block grant director," Clay said. "Right now that's practically all I can say."

Drago-Hunter couldn't be reached for comment. Court records show she and Rucker surrendered Monday. Both asked for a court-appointed attorney. Drago-Hunter has filed for bankruptcy. Haymon surrendered Friday and pleaded not guilty.

Rucker is accused of taking a kickback after recruiting a buyer for one house where a fraudulent transaction took place. Chandler is accused of misrepresenting herself to a title company, lender and others.

Haymon is accused of filing false mechanics liens and distributing kickbacks to his co-defendants and other unidentified associates. One fraudulent transaction identified in the indictment allegedly took place at 4028 Tennessee St.

Haymon has said he used tax money directed to him by City Council President Ronier Scott to renovate that house. Scott has denied being a target of the investigation.

The other addresses involved are 3829 Connecticut St., 3617 Johnson St. and 3758 Buchanan St.

Federal probe continues into Dalton Arms spending

Comments

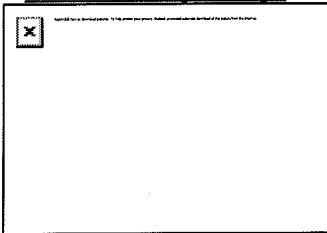
October 28, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- A probe of money spent on Gary's downtown Dalton Arms building continued this week when a federal agent dropped off a subpoena at the Gary-East Chicago-Hammond Empowerment Zone, an official said.

Scott Upshaw, the agency's director, said a Merrillville-based agent delivered the subpoena Monday. Upshaw said it seeks all records related to a \$2.5 million loan from the Empowerment Zone to Gary Progress Development.

» [Click to enlarge image](#)



Work continues recently on the exterior of the Dalton Apartment building in Gary. A federal subpoena regarding the project was delivered this week to the Gary-East Chicago-Hammond Empowerment Zone. (Leslie Adkins/Post-Tribune)

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That loan, Upshaw said, was granted in June 2008.

"We're making sure that we give them everything," Upshaw said.

Gary City Hall received a similar subpoena in late September, its city attorney has said. That request came from agents based in South Bend, who sought records related to a \$2.9 million loan from the city's community development office to Gary Progress Development.

City Attorney Carl Jones said Gary turned over documents dated between 2003 and 2007, when the transaction took place.

The loan preceded the hiring of Jacquelyn Drago-Hunter, Gary's current director of community development. She accepted her job there in 2008 and now faces federal fraud charges in an unrelated case.

Gary Progress Development's Shawn Loyden, who is based in Florida, said last week he didn't know about the subpoena at City Hall until he read about it in the newspaper.

However, he and the Mishawaka-based Sterling Group of Companies said they are continuing their work to renovate the dilapidated high-rise.

Sterling Group partnered with Gary Progress Development this summer under the name Dalton Apartments LLC. It was recruited by a state agency that is directing \$9.4 million in tax credits to fund the project.

Lance Swank, Sterling's chief operating officer, said his company is cooperating with the federal probe.

"We've been assured that this has nothing to do with the current activities," Swank said. "There are no issues concerning future funding."

Developers, including Loyden, have promised to fix up the building since the mid-1990s. The project languished until this summer's deal was struck by Loyden and Sterling Group. Now, crews have been working there on a regular basis.

Plans call for a 57-unit apartment building with retail on the ground floor. The new agreement gives the developers until Sept. 30, 2011, to finish their work. second subpoena delivered

Taxpayers may get Sheraton bill

Developer of stalled renovation hasn't given up, but city has plan to pay for loan

Comments

October 28, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- The city told federal officials last month it would use local tax dollars to repay a loan spent on the crumbling former Sheraton Hotel, but Gary's top attorney said Wednesday no decision had been reached.

Meanwhile, the Illinois-based developer who took out that loan said he hasn't given up on the project.

Gary sent a letter to the U.S. Environmental Protection Agency asking it to extend a brownfield clean-up grant until Dec. 31, 2011. That, the city said, would give it time to strike new deals on two local projects.

One is the Sheraton renovation. That project officially ended this summer when Gary took ownership of the building back from the New Gary Development Group, led by Phillip Kupritz.

Kupritz promised to turn the Sheraton into a senior-citizen high-rise. He and New Gary then took out a \$735,000 EPA loan to fund its asbestos removal.

The Indiana Department of Environmental Management confirmed 98 percent of the asbestos was removed.

However, the agency that administered the loan said a \$728,000 balance remains. It isn't clear who will pay it.

Asked Wednesday if he could promise it won't fall back on Gary taxpayers, Kupritz said, "I don't know the answer to that." He said he's trying to assemble a deal to resurrect the project and repay the loan.

"I'm simply working through things at this point so that, at the end, the building gets developed," Kupritz said.

Gary's letter, meanwhile, asked the EPA to modify the loan agreement, allow the city to assume the debt and enter into a new, no-interest deal.

"The loan will be repaid by the city of Gary using money from TIF that comes from the county," the city wrote.

TIF, or tax increment financing money, is created from property value improvements in designated areas. A Post-Tribune check of TIF records this year showed Gary had at least \$7.8 million in its active TIF accounts.

Finally, the EPA pointed to a clause in New Gary's loan agreement that said it could use the Sheraton as collateral.

Susan Severtson, Gary's corporation counsel, said using TIF money for the loan is "one of a number of options" the city is exploring. She also said New Gary Development Group isn't off the hook.

"We still have legal options against Mr. Kupritz that we are exploring," Severtson said.

The other project mentioned in the letter involves two properties at Buffington Harbor. That work was put on hold because of Majestic Star Casinos' bankruptcy and court battles with the city.

"Those lawsuits and the bankruptcy issue are being resolved," the city wrote.

Grimes wants Clay to suspend Drago-Hunter

Comments

October 28, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- Doug Grimes, Republican candidate for county prosecutor, wants Mayor Rudy Clay to suspend his city's community development director with pay, but Clay is standing behind Jacquelyn Drago-Hunter.

"Right now, she's keeping her job," Clay said.

Drago-Hunter declined to comment when reached by the Post-Tribune Wednesday. A federal grand jury charged her with wire fraud and aggravated identity theft in an indictment unsealed last week.

Jerry Haymon, Phillip Rucker and Sheila Chandler also face fraud charges.

Earlier this week, Clay called Drago-Hunter "a great God-fearing person from a great God-fearing family." He wouldn't say until Wednesday, though, whether she would keep her position.

She manages millions in federal dollars as community development director, including federal stimulus money from the U.S. Department of Housing and Urban Development.

That, Grimes said, is why Drago-Hunter should keep her income but be placed on administrative leave.

"Clay has a responsibility to protect the welfare and assets of the city of Gary," Grimes said in a news release, "and granting her a leave of absence with pay would provide for that protection."

Grimes is a regular critic of Clay's administration. He was one of the leaders behind a lawsuit that last year voided an initial private contract for trash collection. He is on the Nov. 2 ballot opposite Democratic incumbent Bernard Carter.

Drago-Hunter isn't accused of mishandling the money that came through her office. Instead the grand jury said she falsified HUD-1 settlement statements, and possibly signatures, during private transactions to illegally direct money into bank accounts controlled by her and her co-defendants.

Grimes also said he will encourage the Indiana General Assembly to pass a law that would have forced Clay's hand in the matter. He said the law should force public officials charged with a felony to take a paid leave of absence if their alleged crimes involve public funds.

One house where Haymon is accused of committing the scheme is 4028 Tennessee St.

Haymon has previously said he used tax money directed to him by City Councilman Ronier Scott to fix up that house.

Objection Petition to the City of Gary's proposed budget for 2011:

The following objection petition is properly and timely filed and signed by ten or more taxpayers as is required according to Indiana state law, and also complies with the legal notice published by the City of Gary. A copy of this legal advertisement is attached herewith.

* Count one of the objection petition: We the undersigned, believe and allege, that the 1.711 billion-dollar net assessed value figure to be grossly inaccurate. Since 2005, the City of Gary's net assessed valuation has been listed as approximately 1.7 billion dollars. The proposed budget for 2011 is based on a listed net assessed valuation of 1.711 billion. According to IC 6-1.1-17-0.5, several adjustments to the total net assessed valuation should have been applied to arrive at a more accurate figure of how much property tax revenue can realistically be expected to be collected in the year which will fund this 2011 budget. We the undersigned believe that few, if any of the adjustments required by law were made to this total net assessed valuation, and therefore, the budget which has been based upon the tax collections supported by this fictitious and unrealistic net assessed valuation, cannot be adequately funded; and this proposed budget should therefore be rejected on these grounds.

* Count two of the objection petition: We the undersigned, believe and allege, that the 1.711 net assessed valuation is grossly inaccurate for the following reason: Since 2005, the listed and advertised total net assessed valuation for the City of Gary has remained relatively static, at or around 1.7 billion dollars. However, in 2008, it was discovered that the Calumet Township Assessor's office had taken it upon themselves to raise USX's assessed value on their real property upwards of 500-million dollars; while State law capped USX's assessed value on their real property at or around 115-million dollars. This discovery was brought to the attention of both the Calumet Township Assessor, the Lake County Assessor, and the City of Gary's Finance department. Therefore, we the undersigned object to this proposed budget because we believe that the net assessed valuation figure that it is based on is grossly inaccurate because it has not been changed to reflect the actual taxable assessed valuation of USX, and is believed to still contain the errant assessed valuation for USX's real property and should therefore be rejected on these grounds.

* Count three of the objection petition: We the undersigned, believe and allege, based on the admissions of the Calumet Township Assessor's office, that there are still 1000s of properties with appeals pending from the Calumet Township Assessor's office dating back as far as 2006. We believe that once these are successfully prosecuted, there will need to be recalculations of several years of real property tax liabilities to reflect the adjustments. We also believe, that once these appeals are completed, and the total net assessed valuation for the City of Gary is adjusted to reflect the corrected values, that there will be a substantial difference between the listed net assessed valuation and the true net assessed valuation upon which taxes will actually be collected. We the undersigned believe that the City of Gary has not taken the portion of the net assessed valuation which are awaiting appeal into

consideration; and has instead based the budget on the *total* listed net assessed valuation; and will therefore not yield the expected amount of property tax revenue. We the undersigned, therefore believe that this budget proposal should be rejected on these grounds.

Count four of the objection petition: We the undersigned, believe and allege, that many millions of dollars of false assessed valuation has been added to numerous high-value and other properties. Through the examination of records provided by the Lake County Assessor, we have determined that numerous properties have had the assessed valuations increased by the Calumet Township Assessor's office by millions of dollars under the guise of Trending. However, these assessed valuations which were increased by the Calumet Township Assessor's office, were not done in compliance with guidelines set forth by the laws and regulations of the State of Indiana; and therefore, there is a strong likelihood that any property which underwent a significant increase in assessed valuation that was not supported by the laws and regulations governing the proper determination and subsequent application of Trending ratios, which are then to be used as multipliers in determining a properly "Trended" assessed valuation; will appeal its errant assessed valuation. It should be expected, that if and when the Calumet Township Assessor's office (or their successors) eventually hear the appeals of the errantly assessed properties, which were inflated without just cause, it should be expected that the assessed values of these will be restored to their former values; before they were improperly "Trended"; and as such, the total listed net assessed valuation of the City of Gary, which now *does* include these assessed values--which were inflated without just cause, either arbitrarily or deliberately--should then be considered to represent assessed valuation that there is not a high probability that any property tax will be collectable therefrom. Because this proposed budget is based on a net assessed valuation which *does* include the assessed valuations of numerous properties whose assessed values have been errantly increased--either arbitrarily or deliberately and without just cause--and now have assessed values which have been included in the aggregate amount which was used to determine the net assessed valuation of the City of Gary. Since this budget is based on the anticipated collections from the total listed net assessed valuation, and as we believe this listed net assessed valuation is grossly inaccurate for the reasons listed, this proposed budget should be rejected on these grounds.

*It should be noted that the examination of every property were beyond our capacity. We did however check the assessment records of over 2000 properties. If we were to extrapolate our findings over the total number of properties which are used to comprise the net assessed valuation for the City of Gary, we would expect that there could be several-hundred million dollars of errantly increased net assessed valuation. In all cases of the addition of this false assessed valuation, the reason listed on the record of the Lake County Assessor is "Trending".

**As many of these significant increases took place over the same period during which the discovery of the error pertaining to USX's errant listed assessed valuation was reported to the Calumet Township Assessor's office and the office of the Lake County Assessor, it is possible that there was a need to supplant the 400-million dollars in net

assessed valuation for USX, which had to be removed according to State legislation.

* Count five of the objection petition: We the undersigned, believe and allege, that even if the 1.711-billion dollar figure was in any way accurate, that it would still not be able to fund this budget. If we were to use--for demonstration purpose only--the City's figures; 1.711B NAV, and then multiply it by the highest tax rate of 3% (which we know not to be the case) and then use a 100% collection rate (which we know to be impossible); we still only come up with \$51 million; still far short of the City's budget proposal, when taking into account all of the other local taxing districts which would be funded by the available proceeds from tax collections based on this assessed valuation; on this collection rate; and on this tax rate. It seems We believe that the administration of the City of Gary still does not take the situation seriously and insists on doing business as usual. We the undersigned, believe that this proposed budget cannot be funded based on even the most optimistic projections; and should therefore be rejected on these grounds.

We the undersigned, believe, that if for these same demonstration purposes, we instead use more realistic figures upon which to base any projections, that the shortfall will be even far greater. If instead of using the highest rate, and the 100% collection rate, we instead used the middle rate of 2%, which could be thought to be an average of the low and the high rates, and then multiply it by the recent historical collection rate for Gary which is around 70%, then we instead get a projected income from property taxes of closer to 24 million. And please bear in mind that this is still using the 1.711B NAV figure which is believed to be grossly inaccurate. Therefore, we the undersigned, believe that using these numbers, which reflect more realistic income projections, that this budget cannot be properly funded by the anticipated collections from the actual amount of property tax revenue which is more likely to be collected; and should be rejected on these grounds.

**It should be noted that even though the capped base rates for Lake County are 1.5%, 2.5%, and 3.5%, the extra 1/2% must go to pay down long-term debt and is therefore not available to the various taxing bodies to use to fund general operating expenses. Therefore, all income projections derived from the collection of property taxes should be based on the base rates of 1%, 2%, or 3%.

* Count six of the objection petition: We the undersigned, believe and allege, that a certain amount of the City's listed net assessed valuation may be contained within TIF districts, and therefore the property taxes collected therefrom will not be available to support the General Fund. This will further affect the shortfall of this proposed budget. We therefore believe that the listed net assessed valuation upon which this budget proposal has been based is inaccurate to such a degree that it cannot be properly funded and should be rejected on these grounds.

* Count seven of the objection petition: We the undersigned, believe and allege, that for the purposes of preparing this 2011 budget, that the anticipated collections should be based upon recent historical collection rates of the past five years for the City of Gary, which are known to be approximately 70%. Due to the state of the

economy in general, and the even worse state of the localized economy, the collection rate for the City of Gary should not be expected to rise dramatically; and therefore, all income projections should be based upon the estimated collection rate of 70%. We the undersigned, believe that this budget proposal was not based on this 70% figure, but was instead based upon a much higher collection rate that will not likely be achieved. Therefore, we believe that there will not be enough property tax revenue collected to fund this proposed budget and that it should be rejected on these grounds.

**It should also be noted that this 70% number is 70% of properties which are considered to be "on the tax rolls". This would refer to properties that have performed within the last several years. There are certainly many properties in Gary which are not on the tax rolls, yet are still added into the NAV figure; therefore, the true rate of collection factored against the total NAV figure may be even less than 70%.

*** There are approximately 17,000 parcels in Gary that are listed as tax-exempt by the Lake County Auditor.

* Count eight of the objection petition: We the undersigned, believe and allege, that over the course of the last calendar year, that numerous high-valued properties have been shifted from taxable to tax-exempt status; and that no adjustments to reflect these recent changes in taxable status have been made to the total listed net assessed valuation. Additionally, there has been legislation before the city council this year to approve more transfers of high-valued properties from taxable to tax-exempt. The city council *did* approve preliminary legislation to support this action. For these reasons, we then believe that the listed net assessed valuation upon which this proposed budget is based is to be inaccurate to a degree that will it not provide enough revenue from property tax collections to fund it. We the undersigned, believe that it should be rejected on these grounds.

** When the City's budget proposal is added to the budget proposals of other taxing units within the same district, the shortfall will be even greater. The Gary Airport, the Gary Sanitary District, the Calumet Township Trustee, the GPTC, the Library, the County, the School District, and the Department of Redevelopment will all have to share from this anticipated amount which should be based on the more realistic anticipated total collection amount; which will likely be nearer 30 million than the 60-70 million that would be needed to fund their budgets as proposed.

* Count nine of the objection petition: We the undersigned, believe and allege, that in November of 2009, several thousand properties in Gary were sold by means of what is known as a "Commissioners' Certificate Sale". As a result, according to law, all outstanding liabilities are to be removed from the tax duplicate. It should be noted that the assessed values of these properties are still included in the listed net assessed valuation figure that the City is using in their calculations. It should also be noted that when the City issued and sold tax anticipation warrants, the current liabilities from these several thousand properties were included, even though they are now uncollectable. For this reason, the City of Gary may have to repay these tax anticipation warrants out of its General Fund. Additionally, as the assessed values of these properties which were

recently sold by means of this "Commissioners' Certificate Sale" have been included in the listed net assessed valuation for the City of Gary, there will be a shortfall in the anticipated collections as the taxes for these properties for all prior years are now uncollectable as a matter of law.

In September of this year, the Commissioners held another Certificate Sale at which they sold Commissioners' Certificates on several hundred more properties in Gary. The past and current liabilities for all of these properties sold by this method will be required to have all past liabilities removed from the tax duplicate as a matter of law. Therefore, we the undersigned believe that the sale of these thousands of properties by means of this Commissioners' Sale was not taken into consideration, and that if it was, the total net assessed valuation would need to be adjusted considerably and after making these necessary adjustments, will not provide enough revenue to fund the proposed budget and should be rejected on these grounds.

* Count ten of the objection petition: We the undersigned, believe and allege the following to be true and applicable: Beginning on September 14, 2010, the Lake County Treasurer commenced holding a Treasurer's tax sale. On this particular tax sale, over 10,000 properties were listed for sale that are located within the taxing district of the City of Gary. It is unlikely that a significant percentage of these properties will be brought current before the sale. Only the properties that are sold will provide any revenue available to the City. This list contains properties that are at least two years delinquent. It does not reflect the properties which are less delinquent. Surely there are significant numbers of properties which are only one or two installments behind. As required by IC 6-1.1-17-0.5 (4), any properties that there is a high probability that the taxpayer will not pay taxes in the following year, are to be subtracted prior to determining the total net assessed value for the particular taxing district. We would then contend that properties that are now being offered at a tax sale, and have not been redeemed prior to said tax sale, and have been offered at tax sale and have gone unsold, have a fairly high probability of not being brought current within the next calendar year; which will fund this proposed budget. We the undersigned, believe that this law was not followed when the Lake County Auditor prepared the net assessed valuation for the City of Gary's taxing district. For this reason, we the undersigned, believe the listed net assessed valuation for the City of Gary to be grossly inaccurate, and as such, do not believe that there will be enough actual taxable valuation to support this proposed budget. and that it should be rejected on these grounds.

* Count eleven of the objection petition: We the undersigned, believe and allege, that with a cursory effort, one can see how the Calumet Township Assessor's office has inflated the assessed values of many high-value properties and other properties. It should be expected that these properties will appeal these errant values which were raised significantly under the guise of Trending. There are hundreds of millions of dollars in false assessed value that have been added to these properties. With the correction of these errantly trended properties, the total NAV will be reduced accordingly. As these errantly trended values may go back several years, this will affect any tax anticipations from years gone by. If they were paid, they will be due refunds. If they were not paid, the past collection amount which may still be on the books as a

receivable, will need to be either erased or adjusted as necessary. The affect it will have on current finances is obvious. We therefore believe that due to the tremendous number of errors in assessment to properties within the City of Gary's taxing district, that once any significant number of these errors are corrected, that there will be a shortfall that will then not provide enough revenue to fund this proposed budget, and that it should be rejected on these grounds.

* Count twelve of the objection petition: We the undersigned, believe and allege, there to be numerous other billing errors and irregularities which will need to be corrected. Once these are corrected, the total anticipated collections will be affected downward. It may also require past billings to be adjusted downward. If the bills which these errors affect have been paid, refunds or credits will need to be issued. If they have not been paid, the liabilities will need to be adjusted downward. Both situations will obviously affect the current finances of the City adversely. For these reasons, we believe that the revenue projections upon which this proposed budget was based to be inaccurate to a significant degree, and as such, will not yield enough revenue to fund it and that it should be rejected on these grounds.

* Count thirteen of the objection petition: We the undersigned, believe, that one of the City's largest taxpayers, the Majestic Star Casinos, is in Chapter 11 Bankruptcy. The revenues normally anticipated from this revenue source may not be collectable within the near term. It should also be noted that the real property value of the casino complex was increased dramatically within the past several years under the guise of Trending by the Calumet Township Assessor's office. This property is believed to be under appeal and it is likely that the listed real property assessed value will be restored to its value before it was improperly Trended. If this is in fact the case, several years of real property tax liabilities will need to be recalculated. This will affect both the current budget, and the past budgets for which tax anticipation warrants were sold based on this as a collectable amount. Additionally, as required by IC 6-1.1-17-0.5, the total assessed valuation of any property that is part of a bankruptcy estate, which is protected under the federal bankruptcy code, should be subtracted from the net assessed valuation upon which this proposed budget has been based. We the undersigned, do not believe that the proper adjustments as required by law were made to the listed net assessed valuation upon which this proposed budget is based and should be rejected on these grounds.

** Additionally, with the casino in Chapter 11, the normal payments which it makes to the City may be on hold for an indefinite period. As the City had been shoring up general operating expenses with this casino revenue (even though it was originally intended for use only on capital improvements) they will no longer be able to tap this fund as a fallback. And as a reversal of fortune, as it were, they may now need to shore up the few capital project budgets (if any are in process) which the casino money was funding from the General Fund.

* Count fourteen of the objection petition: We the undersigned, believe and allege, that the City of Gary is obligated to pay dues to the RDA in the annual amount of 3.5-million dollars. We also believe that these dues have not been paid for at least two

years. We also believe that there was no provision made in the proposed budget for the payment of either these current or any payment of any delinquency of these dues. If these are meant to be paid from casino revenues, it should be then noted that the City of Gary recently took out a loan from Fifth/Third Bank for several million dollars, which was securitized by future soon-to-be-unencumbered casino revenues; which to use for general operating expenses for the 2010 calendar year. Since we do not see a line item for the payment of these dues to the RDA listed in this proposed budget, yet knowing that the City is in fact obligated by an agreement to pay these dues, we believe this proposed budget to have been prepared in error and it should be rejected on these grounds.

* Count fifteen of the objection petition: We the undersigned, believe and allege, that the City of Gary may be commingling regular tax revenues and the extra .5% added to the local tax rates in Lake County that is specifically designated to pay down long-term debt. It is believed that this practice may be occurring primarily due to the fact that there is no separate listing for this debt service listed on the detail of the distribution of tax proceeds on the tax bill breakdown.

It is also believed and alleged that the additional percentage of approximately .4% which was added to the tax rate, above and beyond the increased rate that the DUAB had approved, may also be getting commingled with the other regular tax revenues. The DLGF has previously stated that this additional percentage of tax-rate increase, was to pay down some other class of exempt debt. (although they could not explain exactly what this meant with specificity) As we believe the City of Gary may be commingling the extra .5% and the extra .4%; which are to be specifically directed towards the payment of these two separate classifications of debt, with monies in the General Fund. We also believe that if the income projections were properly based without the inclusion of these extra .5% and .4% amounts, that there would not be enough projected revenue to fund this proposed budget and that it should therefore be rejected on these grounds.

** The City still owes the Gary Sanitary District millions of dollars from an inter-agency loan they made to the City under the King administration. It has already been shown by the Federal government through numerous indictments that much of the money from the proceeds of this inter-agency loan was misappropriated by both individuals that have been indicted and are currently serving prison sentences in Federal prison. It has also been shown that others were involved and were listed as unindicted co-conspirators. Some of these individuals are still employed by the City; others have resigned. Yet, the taxpayers of Gary are still expected to support the repayment of this loan which was made by insiders to fund the very same conspiracy which they took part in and received direct proceeds from.

*** The City of Gary just recently borrowed millions from Fifth/Third Bank for general operating expenses just to make it through this year. To do so, they obligated casino revenues five years out. What will they do next year?

* Count sixteen of the objection petition: We object to the City of Gary's proposed budget because in its current form as they have submitted it, there will be an

enormous shortfall. And with this shortfall, they will be forced to go before the DUAB to seek relief in an attempt to obtain permission from the DUAB to raise the tax rates of all taxpayers within this taxing district well beyond the statutory limits set by the State Legislature. We believe and allege that they are well aware that there is no possibility of funding this budget as it is proposed; but due to their refusal to reel in their flagrant and extravagant spending practices, and their overall resistance to taking the advice of professional advisors, have essentially submitted a budget which guarantees the City's insolvency; and that this budget proposal should be rejected on these grounds. No budget should be submitted that can only be funded if the DUAB grants relief to the administration of the City of Gary, as this relief is not relief at all, but it is instead a greater burden to the taxpayers of the City of Gary. Any budget that forces the administration of the City of Gary to seek relief from the DUAB should be considered unbalanced on its face and should be summarily rejected on these grounds.

*Count seventeen of the objection petition: We the undersigned, object to the proposed budget because there will simply not be enough income to fund it. If the DLGF approves this budget, we recognize that another branch of the DLGF, the DUAB, will effectively be forced to give them relief through the means of the DUAB enabling the City to increase the tax rates to all taxpayers within this taxing district. We the undersigned, don't want the DUAB/DLGF to be forced into a position to award "relief" to the administration of the City of Gary; that comes at direct expense to the taxpayers of the City of Gary. We believe that this administration has not even begun to cut its budget as it could have. We recognize wasteful practices just about everywhere we look within the management of this city. We believe that it is high time that incompetence and fiscal irresponsibility are no longer rewarded. Without a significant amount of "relief" to this administration being awarded by the DUAB/DLGF, there will be a significant shortfall and we believe it should be rejected on these grounds.

We object to the City of Gary's proposed budget in its current form because it ensures that they will be forced to plead before the DUAB for another year of "relief"; (which is just the opposite of relief to taxpayers) and that it should be rejected on these grounds.

*Count eighteen of the objection petition: We the undersigned, believe and allege, that the City of Gary has not implemented most of the recommendations of the fiscal monitor, PFM, and has disregarded many of the other recommendations and suggestions that were discussed both privately with officials of the DUAB, and in open public forum at several public meetings with the DUAB. The City effectively is refusing to significantly alter their way of doing business as usual. The Mayor has publicly rebuffed and rebuked the DUAB's and PFM's intrusion into local Gary matters on several occasions. It is believed to be the City's plan to use stall tactics in regards to implementing the necessary changes long enough until this State oversight goes away. We believe that this administration has no intention of voluntarily complying with the fiscal restraints foisted upon it by current budgetary limitations. We believe that since this administration has shown no good-faith effort to reduce its profligate spending, that this budget proposal should be rejected.

*Count nineteen of the objection petition: We the undersigned, believe and

allege, that the administration of the City of Gary, in its property inventory, holds title to approximately 8000 parcels of property. When the DUAB and PFM learned of this, they recommended that the City of Gary strive to divest themselves of these properties so that they could hopefully become tax-producing properties instead of tax-consuming properties. They could find no clear strategy upon which the City's ownership of the majority of these properties was based. It should be noted that the administration of the City of Gary has made virtually no effort to divest itself of these extraneous properties; in fact, it should also be noted, that rather than divest itself of this unnecessary portfolio, they have instead been engaged in an aggressive property acquisition initiative over the very same recent years during which they go before the DUAB for relief. The expenses associated with this acquisition initiative continue--up to and through this very day; as the administration of the City of Gary has purchased properties at tax sale as recently as last month; and has also purchased properties at prior tax sales which have taken place during the same periods of time which the administration of the City of Gary appeared before the DUAB and sought and was granted relief from the State-mandated tax caps by the DUAB. The other costs associated with the acquisition of taxpayers' properties at tax sales will need to be funded from this proposed budget. (Does anyone see anything a little wrong with this picture?) At least there was still a chance of collecting property tax from the taxpayer whose property the City of Gary recently purchased at tax sale; but with the City of Gary as its new owner, there is no possibility whatsoever of collecting property taxes on it--now or in the near future. Because portions of this proposed budget will be used to fund this reckless, destructive, and irresponsible behavior by the administration of the City of Gary, it should be rejected on these grounds.

* Count twenty of the objection petition: We the undersigned, believe and allege, that the administration of the City of Gary intends to pass this budget as proposed with the foreknowledge that it has materially been prepared in error; and that there may be a deliberate effort underway to have it approved by the Common Council without the proper public vetting. We also believe that this proposed budget is based on so many false presumptions, that there is no possible way that it can be funded by the actual property tax collections that should be anticipated and that it should be rejected on these grounds.

We also believe that there may be a concerted effort underway--involving numerous parties--to artificially prop up the City's depleted net assessed valuation. We believe that this effort may be underway for the sole purpose of creating the pretense that there will be enough property tax collected to be able to fund budget proposals such as this one currently under consideration. Later on, when it becomes apparent that this artifice actually cannot support the proposed budget that has been based upon it, the administration will have no alternative except to go before the DUAB again--for the third year in a row--to plead for the DUAB/DLGF to give this administration relief on the backs of the taxpayers of the City of Gary. And we also believe, that at this point, the DUAB will not have any alternative *but* to award relief to the administration, as so much time will have elapsed by the time the City presents their petition to the DUAB, that the DUAB will actually be forced to grant the relief asked for by the City. We therefore believe, that the DLGF must intervene now, before this administration has the

opportunity to spend money which they will not receive, and reject this proposed budget on the grounds that it can not be balanced by the actual property tax revenue that is likely to be collected in the year that funds the 2011 budget.

Furthermore, we believe and allege that there are plenty of budget cuts which could be made which could significantly reduce the burden to taxpayers. We believe that this proposed budget is still being used to fund numerous patronage positions. It is believed that there are many employees still on the City's payroll that produce no useful function to the day-to-day operations of the City; and that they are employed solely for political reasons, or because of the systemic practice of nepotism and cronyism; and as such, there is a strong likelihood that these particular employees are not the most qualified and/or productive in their positions. We also believe that because of the poor work product of many employees of the City of Gary, that the budget requirements to fund the City's payroll are excessive, and that this proposed budget should be rejected on these grounds.

*Count twenty-one of the objection petition: We the undersigned, believe and allege, that numerous departments operating within the City of Gary, and under the direct authority of this administration, are operating with gross inefficiencies; and that many of these departments' staffs have been co-opted to do political favors for selected citizens, rather than operate in such a manner that provides services best for the city as a whole. we believe that the Department of Redevelopment, the In-House Demolition Department, and the General Services Department, are being used primarily to support the function of doing politically popular jobs that don't necessarily benefit the city as a whole. Furthermore, it is believed that the methods by which these departments are delivering these politically based favors to certain favored citizens, is being done in the most costly, destructive, inefficient, and most environmentally irresponsible manner possible. Because this proposed budget provides funding to these departments which we believe are not operating in the best interests of the citizens and city as a whole, we object to this proposed budget which seeks to fund the continued wasteful, irresponsible, and costly actions of these departments and it should be rejected on these grounds.

In Conclusion: We the undersigned citizens and taxpayers in the City of Gary, are ready and willing to pitch in and help to fix this city and restore her to her former glory of not so long ago; however, we are not willing to do so as long as this administration continues to engage in its wasteful and destructive behavior and flagrant fiscal irresponsibility. Once the miasma of corruption, nepotism, cronyism, favoritism based on political affiliations, patronage, and incompetence is lifted, and the clear light of day can shine on this city, this healing process can begin.

As long as taxpayer dollars continue to fund the very same behavior and practices

which have led to this city's downfall--and continue to keep it down--there is no hope. But once the lifeblood of taxpayer dollars which funds these very same wasteful practices that restrain this city from realizing its deserved prosperity, are no longer allowed to fund this aberrant and undesirable fiscal behavior, but are instead used to provide the most basic services which people need to survive in Gary's urban setting, the road to recovery can begin--and not until then!

We therefore ask the Common Council of the City of Gary to reject this proposed budget on these grounds. We also ask that the DLGF intervene and also ensure that this proposed budget is rejected on any or all of the grounds listed within this Objection Petition to the City of Gary's proposed budget for 2011.

This is much worse than just a perfect storm. This is an oil spill and a train wreck in a perfect storm.

The City is way beyond insolvency. They need to file for Chapter 9 municipal bankruptcy protection forthwith. And besides this, they need to get their spending under control immediately. Under the Clay administration, they have done absolutely nothing to rein in expenses; despite what the mayor says.

People that choose to live in cities usually do so for a reason: they want and/or need the additional services which are normally made available to them. And as such, people that choose to live in cities are aware that taxes may be higher as the need to provide these additional services costs more money. But here in Gary, taxpayers are required to pay the highest tax rate in the state, yet we get far less in the way of municipally provided services than if we were in some remote area of the county.

As the City's income has been reduced, they have not made any real cuts to the payroll; therefore, they still insist on keeping hundreds of unneeded employees on the payroll, even though they haven't enough money to do anything. Nearly all of the property tax revenue that the City collects goes to fund salaries. Even though the payroll roster remains at or near historic levels, the actual level of services received from the City is down to nothing.

It is believed that this administration continues with this practice solely for political reasons. Politics have led to the total destruction of the City of Gary. All that is left to do now is to pick up the pieces and rebuild this city from scratch--from the ground up.

We're ready when you are!

****Note about the preparation of this *Objection Petition to the City of Gary's proposed budget for 2011*: All of the aforementioned allegations are supported by sufficient factual documentation. It should be noted however that when attempting to get certain information from the Lake County Assessor and the administration of the City of Gary, which may have been helpful to facilitate a more comprehensive petition, these requests were met with a certain amount of resistance. We feel that the preparation of something as critically important to the welfare and well-being of the citizenry as the proposed budget for the City of Gary for 2011--(which may be a determining factor in the quality of life and budgets of individuals and businesses situated within the limits of**

the City of Gary's taxing authority)--should be a far more transparent process than we have observed it to have been.