

# CITY OF GARY DISTRESSED UNIT APPEAL BOARD PETITION NARRATIVE

## Introduction

The City of Gary, Indiana is seeking assistance from the Distressed Unit Appeal Board pursuant to I.C. 6-1.1-20.3-6 *et. seq.* Relief from the application of the credit against tax liability established under I.C. 6-1.1-20.6 and as also set forth in H.B. 1001 is sought in order to ensure the continuation of, as far as possible, basic services to the citizens of Gary.

Under the provisions of I.C. 6-1.1-20.6, the City of Gary would be required to reduce its tax levy in the amount of \$36 million in 2009 and \$45 million in 2010. According to the analysis performed by Policy Analytics for Lake County, these amounts would be reduced to \$32 million and \$36 million respectively. Using these figures, the City would have to reduce its budget by nearly 55% from its 2007 level. If required to make this cut, the city would have to shut down most operations and would be unable to adequately provide public safety protection. Almost eight hundred (800) employees, 59% of the city's workforce, would be laid off over a two year period causing the highest levels of unemployment in the city since USX had its massive layoffs in the late 1970's and early 1980's. Included in this layoff number would be over 250 policemen and firemen.

Therefore, the City seeks legislative relief from the onerous provisions of I.C. 6-1.1-20.6. In order to comply with the requirements of this law as they are currently promulgated, however, the City hereby supplies the Distressed Unit Appeal Board with a financial plan covering a four (4) year period as a phase-in of the tax caps established in the law. This plan is submitted with the understanding that as long as the entirety of these cuts is required, whether in totality by 2010 or phased in by 2012, the City of Gary faces fiscal devastation that will affect not only its residents, but surrounding communities and the state as well.

## **Gary's Recent Financial History**

The impact of I.C. 6-1.1-20.6 upon the City of Gary should be examined against the backdrop of its most recent fiscal history. Over the past four years, the City has reduced its budget on practically a yearly basis. The greatest reduction in our tax levy, prior to the cuts being proposed herein, was in 2004. That year, the city cut its budget by \$13 million and laid off 140 employees. In 2007, the city cuts its budget by \$11 million by substantially reducing operating expenses, including cell phone costs, gasoline consumption, travel, supplies and professional services. Vacant positions were eliminated from the budget, reductions in public safety overtime were made and a portion of the City's PERF payment was made the responsibility of civilian employees. This year, because of shortfalls in tax collections, the city cut its budget by \$12.5 million. Civilian employees were reduced to a four day work week, which resulted in a 20% reduction in pay, for four months. Already reduced operational budget line items were decreased by an additional fifty (50) percent. A total of 23 policemen and firemen were temporarily laid off, the first time public safety personnel had been laid off in the city's history.

Each year, Gary has been faced with a series of budget challenges which have led to reductions in the dollars available to provide city services. Much like the magician that pulls a rabbit out of a hat, with economies and much ingenuity, basic city services have been maintained. But with the advent of this latest legislation, those services, particularly public safety, are in jeopardy.

### **Consequences of Immediate Implementation of I.C. 6-1.1-20.6**

At its highest level, Gary's police and fire forces were well over 300 persons each. Even in the face of rising crime, however, those numbers have been gradually reduced due to declines in funding. With the reduction in tax funds anticipated under the implementation of the tax credits under I.C. 6-1.1-20.6, more layoffs in the public safety area can be anticipated and vacancies will not be filled. When this occurs, not only will there be an impact on the health and welfare of Gary's citizenry, its economic development potential will be negatively affected as well. In truth, Gary will find itself between the proverbial rock and a hard place. Economic development will spur growth in the city's tax base thereby providing increased tax revenues needed to replace those being eliminated by I.C. 6-1.1-20.6. But economic development, complicated even under current circumstances, will become even more difficult if there is a belief that Gary's police and fire departments are undermanned. Gary could well find itself with the

kind of budget that it had in the early 1990's but faced with 2008 costs – for the citizens of Gary a dismal picture indeed.

In order to meet the reduction requirements of I.C. 6-1.1-20.6, Gary would need an infusion of funds from the passage of a local option income tax of at least \$10 million. Without these dollars, and if still faced with the need to make budget cuts, operation of the city would essentially cease. Cuts at this level would mean:

- A 150 member police force. We are currently budgeted for 277 policemen. While there are no national standards dictating the number of policemen that should man cities by size or circumstance, some cities have adopted a ratio of 1.7 policemen to every 1,000 residents. Using this formula, and based on census numbers from 2000 which indicate that Gary's population was 102,000, a minimum of 173 policemen would be needed in Gary. If Gary's crime rate is factored into this equation, the required level of police officers would rise to at least 190.
- A 151 member firefighter force. We are currently budgeted for 279 firefighters. Like the police area, there are no

national standards for determining the number of firemen per resident there should be in a city. The National Fire Protection Association, however, has set a minimum standard for response times. Based upon these standards we believe that we need a firefighter force of at least 180 persons given our city's size and the density of our population.

- The elimination of the Gary City Court with cases transferred to the county court system.
- A severe downsizing of the Gary City Clerk's Office with files transferred to the county clerk system.
- The elimination of the Gary City Jail with prisoners transferred to Lake County Jail.
- The elimination of the Gary Health Department with services transferred to the Lake County Health Department.
- The elimination of a total of 14 departments.
- The elimination of virtually all funding for the Gary park system. Unless the park properties could be sold, or the system could be privatized, all parks would be closed.

- The elimination of virtually all funding for the Genesis Convention Center.
- There would be 31 employees to care for 50 square miles of streets and roads in the city. This would be a reduction of over half of that employee roster now.
- Transfer communication operators (radio dispatchers) to a centralized 911 Center at Lake County that is currently in the planning stages.

Overall, almost 800 employees would be laid off from the city from all areas, including public safety leaving behind a fragmented workforce of approximately 550 employees including firemen and policemen. The effect of a layoff of this magnitude on the city's economy would be devastating.

### **City's Four Year Budget Plan**

As an alternative course of action, Gary seeks to make incremental downward adjustments in its tax levy. In 2009, the city is proposing to cut \$8 million from its tax levy. In determining what areas could be reduced and when, we considered among other things:

- The high priority of public safety;

- Whether other units of government are required by law to offer the same service;
- What services the City of Gary is required to offer under the law;
- What services could be consolidated;
- What services could be outsourced at cost representing a reduction from current spending levels; and
- What services could be offered for a reasonable fee to the public.

Accordingly, the \$8 million dollar cut will result in the following changes in Gary government.

- The Sanitary Department of the City of Gary will be outsourced. A total of 47 employees will be removed from Gary's General Fund budget as a result of this move. All street department employees are being moved from the city's General Fund to the Motor Vehicle Highway Fund.
- A garbage collection fee will be charged to Gary residents to cover the cost of collection and disposal. This will bring Gary in line with trends occurring in other communities regarding garbage collection.

- The Gary City Jail will be closed and prisoners will be transferred to Lake County Jail. A total of 12 employees will be removed from Gary's General Fund budget as a result of this move.
- The cost of providing fire hydrants for fire protection services will be passed to the Gary customer base of Indiana American Water Company instead of being paid for by the City of Gary. This change will result in \$1.1 million in savings.
- The Health and Community Services Departments will be consolidated and staff will be reduced.
- The Public Information Office and the Chief of Staff's Office will be consolidated and staff will be reduced.
- The Park Department is halving its tax levy to approximately \$1.2 million from \$2.4 million. Ninety-seven seasonal positions are being eliminated from that department's budget. Also, six of 12 park pavilions will be closed and six of eight swimming pools will be closed in the summer.
- Employees are being transferred to grants where allowable and appropriate.

- Eleven (11) vacant patrolmen positions and one (1) area commander position are being eliminated in the Police Department.
- Twenty-one (21) vacant firefighter positions are being eliminated in the Fire Department.
- Twenty-six (26) additional staff members from other departments are being eliminated bringing the total of filled positions being eliminated to 85 and the total number of positions eliminated in 2009 to 148.

Other measures are being taken to reduce operating costs for which there is not now a definitive dollar figure in savings but for which a savings is anticipated. The City is participating in a Fuel Hedging Program which will reduce the cost of gasoline and diesel fuel substantially. The program, sponsored by IACT, is designed to lock in gasoline and diesel fuel prices at a lower price even while prices escalate. We anticipate saving at least \$300,000.00 in fuel costs in 2009. Also, the City will enter into contract discussions with the policemen and firemen to obtain concessions on items covered by their respective collective bargaining

agreements. The savings that could be obtained would be substantial but it is too early to tell how profitable such discussions will be.

Revenues are being increased through increased fees for most city services, including ambulance fees and general business licenses. Better collection of ambulance fees is anticipated with the engagement of a new EMS billing service.

- In 2010 and 2011 respectively, the city is proposing to cut \$6 million from its tax levy for a total of \$12 million over the two years. During those two years, the following changes will occur in Gary's government. These cuts are being proposed, not because it is believed that these services should be abolished, but, rather, that in order to make the required reduction, services, including essential services and personnel, will have to be eliminated.
- Eliminate the grants and subsidies line item in both the Mayor's Office and the Office of the Gary Common Council.
- Consolidate the Building and Planning Departments, reducing administrative staff and eliminating one department head.

- Transfer the Health Department to the county. A city Community Health Services Department would remain funded only by grants.
- Eliminate the Civil Defense Department. Select a representative from the Police Department to become the city's representative for emergency management matters.
- Consolidate the General Services and In-House Demolition Departments by reducing and cross training staff.
- Move the new Community Health Services Department to Gary City Hall and close the health department building saving maintenance and utility costs.
- Eliminate MIS Department; place Director on contract.
- Eliminate Environmental Affairs Department
- Eliminate all Maintenance II and Park Maintenance positions. Contract out park maintenance services.
- Transfer communication operators (radio dispatchers) to a centralized county operated 911 Center in 2011. Such a facility is currently in the planning stages.

- Eliminate eight (8) patrolmen positions in the Police Department in 2010 and thirty-five (35) positions in 2011.
- Eliminate ten (10) firefighter positions in the Fire Department in 2010 and thirty-five (35) positions in 2011.

The year 2012 would see many of the cuts outlined at the beginning of this narrative.

## **Conclusion**

The City of Gary has attempted to present a plan that complies with the requirements of the law. It is our best effort at re-structuring city government with an eye toward consolidation and economies of service, and elimination of excessive spending while preserving essential services. Alas, the plan spells doom to Gary residents. Most will not be able to understand why firemen will be slow to respond to fires or why their calls for police help are delayed or go unanswered. Most will be unable to understand why the emergency services department took longer than usual to respond to a medical emergency. Most will be unable to understand why that pothole took so long to be fixed or why it is still there after six months. Need to go to the health department? Sorry. Our department is closed and our bus system that could have gotten you to the

county just shut down, too. This is just one of the unanswered questions – and impacts – of I.C. 6-1.1-20.6. The City requests that the Distressed Unit Appeal Board do just what it was established to do – provide relief. And we ask for that relief sooner rather than later.