

# PolicyAnalytics, LLC

## Memorandum

To: Distressed Unit Appeal Board

From: William J. Sheldrake, President  
Policy Analytics, LLC

Re: City of Gary Distressed Unit Appeal

Date: December 8, 2008

The City of Gary requested the assistance of Policy Analytics, LLC in preparing its appeal to the Distressed Unit Appeal Board [DUAB]. Policy Analytics has agreed to provide results from its HEA 1001 impact model for a number of scenarios to assist with the appeal. Policy Analytics is providing professional services related to this appeal on a non-paid contractual basis with the City of Gary. This letter serves as a description of those scenarios modeled in this analysis.

Policy Analytics has developed a simulation model to estimate the impacts of the policy changes embodied in HEA 1001-2008 on local governmental revenues. The model is used by governmental units to anticipate future budget constraints and to quantify the effects of various policy options. Given a set of input assumptions, the model calculates circuit breaker impacts on the parcel level.

The following assumptions apply to all scenarios in this analysis:

1. Estimated AV growth rates are applied by property type based on past growth and expected future trends.
2. AV assumptions are based on certified property assessments from the 2006 pay 2007 tax year.
3. Certified levies are used in the analysis for all units in the analysis through 2008.
4. Levy estimates, as supplied by non-petitioning units, are incorporated into the model for 2009.

The following levy scenarios for petitioning units were included in the analysis:

1. Baseline Scenario – Controlled levies remain frozen at the certified 2008 level. Debt service levies are held constant. Cumulative fund levies increase by 1% annually.
2. DUAB Appeal– Levies for all appealing units are set to levels specified in the DUAB appeal documentation, excluding the 2009 Excess levy appeal.

The attached tables present the results of the circuit breaker analysis, Table 1 shows the estimated circuit breaker impact and resulting net revenue for Gary taxing units under the baseline scenario – that is the revenue impact of the circuit breakers given no budget reductions and/or tax rate cap changes.

Table 2 shows the estimated adjustment to the tax rate caps that would be required to generate the DUAB Appeal revenue levels, without changes to the revenues of non-appealing units under two scenarios. In the first scenario, the rate caps for the three circuit breaker classes are each adjusted by a uniform amount. In the second scenario, only the Non Residential and Personal Property (3.5% in 2009, 3% in subsequent years) circuit breaker class is adjusted. The statutory rate cap for each class is shown for comparison.

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**Table 1**

**Gary Distressed Unit Appeal**

Net Revenue Analysis

Net Revenue by Unit

Baseline Scenario

Unit	Unit Name	2009			2010			2011			2012		
		Certified Levy	Circuit Breaker Credit	Net Revenue	Certified Levy	Circuit Breaker Credit	Net Revenue	Certified Levy	Circuit Breaker Credit	Net Revenue	Certified Levy	Circuit Breaker Credit	Net Revenue
0000	STATE	-	-	-	-	-	-	-	-	-	-	-	-
0000	LAKE COUNTY	131,999,516	9,607,497	122,392,019	132,047,173	13,246,794	118,800,379	132,095,307	12,546,951	119,548,356	132,143,922	11,531,265	120,612,657
0001	CALUMET TOWNSHIP	16,178,163	5,545,943	10,632,220	16,178,163	6,778,859	9,399,304	16,178,163	6,636,450	9,541,713	16,178,163	6,380,455	9,797,708
0101	GARY CIVIL CITY	62,899,806	29,172,518	33,727,288	62,907,574	34,822,272	28,085,302	62,915,419	34,060,651	28,854,768	62,923,343	32,890,537	30,032,806
4690	GARY COMMUNITY SCHOOL CORPORATION	34,507,996	13,863,635	20,644,361	36,036,994	17,385,175	18,651,819	36,942,794	17,498,050	19,444,744	37,902,941	17,398,982	20,503,959
0125	GARY PUBLIC LIBRARY	6,885,720	3,189,746	3,695,974	6,885,720	3,805,556	3,080,164	6,885,720	3,723,058	3,162,662	6,885,720	3,595,311	3,290,409
0809	GARY SANITARY	9,855,202	3,727,228	6,127,974	9,855,202	4,448,580	5,406,622	9,855,202	4,350,377	5,504,825	9,855,202	4,200,194	5,655,008
0813	GARY AIRPORT	1,672,079	775,499	896,580	1,674,660	927,002	747,658	1,677,267	908,025	769,242	1,679,900	878,097	801,803
0814	GARY REDEVELOPMENT	272,283	126,283	146,000	272,283	150,721	121,562	272,283	147,406	124,877	272,283	142,325	129,958
0816	GARY PUBLIC TRANSPORTATION	4,079,462	1,242,889	2,836,573	4,079,462	1,483,413	2,596,049	4,079,462	1,450,787	2,628,675	4,079,462	1,400,771	2,678,691
1058	LAKE COUNTY SOLID WASTE MANAGEMENT DISTR	4,718,500	388,435	4,330,065	4,718,500	535,089	4,183,411	4,718,500	506,661	4,211,839	4,718,500	465,561	4,252,939
1100	GARY STORM WATER MANAGEMENT	1,096,296	508,455	587,841	1,096,296	606,851	489,445	1,096,296	593,504	502,792	1,096,296	573,043	523,253

Table 2

**Gary Distressed Unit Appeal**  
**Estimated Tax Rate Caps Per Scenario**

	2009	2010	2011
<b>Property Tax Class - Rate Cap Groupings</b>			
Homestead Property			
Baseline [Statutory Cap]	0.015000	0.010000	0.010000
Uniform Distribution of Circuit Breaker Impact	0.029105	0.021985	0.019212
Non-Res Only [no adjustment needed]	0.015000	0.010000	0.010000
Other Residential Property (Ag. Land, Long-Term Care)			
Baseline [Statutory Cap]	0.025000	0.020000	0.020000
Uniform Distribution of Circuit Breaker Impact	0.039105	0.031985	0.029212
Non-Res Only [no adjustment needed]	0.025000	0.020000	0.020000
Non-Residential and Personal Property [All Other]			
Baseline [Statutory Cap]	0.035000	0.030000	0.030000
Uniform Distribution of Circuit Breaker Impact	0.049105	0.041985	0.039212
Non-Res Only [no adjustment needed]	0.053930	0.049353	0.045181