

WHEREAS, in the opinion of the County Auditor, the public interests required that the Lake County Council, should be called to meet in special session at this time, for the purpose of providing information, a written notice was sent to each member of the Council, and proper advertisement made, and all other acts performed in accordance with the laws governing such matters.

And now in obedience to such call, come Will A. Smith, Jr., President, Donald Potrebic, Ron Tabaczynski, Elsie Franklin, Christine Cid, Thomas O'Donnell, and Larry Blanchard, County Councilpersons, together with Ray Szarmach, County Council Attorney.

Smith said that this meeting is an informational meeting scheduled to inform our County Officials of the potential impact of the various legislations that have just recently passed. In some instances, we are waiting for signatures by the Governor.

Smith also said that information will be shared from our Financial Director to all elected officials. It's not a meeting for public participation, as much as you, the public can hear the same things that our elected officials, who operate County government can have a constitutional law that allows them and directs them to do their services, and their jobs, in terms of the citizens. Smith said this is our direction towards our public, County, Officials, Judges, Department Heads, under the Lake County Government umbrella, not designed for public input. Smith said he can assure you that when this session is over, we will be setting a subsequent meeting, to allow public participation on whatever issues would be germane to you.

Smith said it is important that we inform all of our Elected Officials because it is their job to provide the services that you are expecting, and they need to know what the impact of the various legislations would mean to our operations.

Dante said that this meeting is about informational exchange. He encourages it, he believes that the Council and other Elected Officials in the County need to have a clear understanding of what these changes are going to bring about. He said they have done a lot of leg work for the last week or so, and have uncovered some information that he thinks everyone will find enlightening.

He started with the Cost – Related Areas on the agenda. Dante said he put it between cost related and ordinance related because that's how we operate internally here. We look at stuff that has implications, cost wise, and we have stuff that might have a costs to a citizen out there, having ordinance implication overriding ordinance implications, that's pretty much how we make our decisions.

#### Judges, Magistrates, Prosecutor, and Sheriff's Salaries (SB 363)

##### Discussion

Smith said one of the things that's on our agenda is the impact of Senate Bill 363, which is for the Judicial side and we do have Judge Pera here representing the Judges, and he has a jury trial going on, so Smith asked that we accommodate him and allow him to speak from his perspective on this piece of legislation.

Judge Pera said it is his understanding of Senate Bill 363 that it has no impact on County government on the fiscal side, with respect to Judge' salaries. He said in talking with Dante, it is his understanding that there may be some trickle down with regards to two positions. Those positions would be the Public Defender, and Sheriff, and that's because their salaries are tied to the Prosecutor, who is tied to the Judges. He said that's the way the legislature has addressed the salaries of positions, but beyond that, it has no fiscal impact at all.

O'Donnell said that was the concern of several Judges when they saw this on the agenda, but O'Donnell assured them that we have no intention of making any changes in our supplement and things like that, so it's revenue neutral.

O'Donnell said that the Chief Deputy' job in the Prosecutor' Office is statutorily set out, just as the Prosecutor' job is. The other statute says that the Chief Public Defender' salary has to be the same as the Prosecutor, and the Sheriff has to be the same as the Prosecutor, so there is a revenue impact of about \$20,000 per person, for the Chief Public Defender, and for the Sheriff, and probably a similar one for the Assistant Chief Public Defender. That's about a \$60,000 dollar impact from that bill.

Dante mentioned that Court costs are being increased to cover this entire pay issue from the Judges perspective. Dante said, unfortunately, it goes down state, and it stays downstate. The amount we keep is \$1.7 million dollars.

Judge Bonaventura was present to see what impact any of this is going to have on the way we have to do business here in Lake County.

Dante said one other related impact that the Judges may want to beware of is the issue of their building is being paid for with Riverboat money right now. It will be paid, tentatively from Riverboat money until 2012.

Through the new legislation, it looks like it will be borne by the taxpayer, so there are other fiscal implications to the Riverboat changes here that Dante thinks the Judges should be aware of. Dante said, there is no more Riverboat, there will be no more Riverboat in the next year or two. You can discount it, it's going on the tax base.

Smith said, the legislation that is before us now, and what we have to live with, impacts all of the construction, our bonding, and so on, and that does impact the operations.

#### 2% Circuit Breaker (HB 1001)

##### Discussion

Dante explained the 2% Circuit Breaker which allows the County Council to adopt an ordinance to implement this on an annual basis, but it has to be done by July 1<sup>st</sup>. It allows the County Council to put into the ordinance to extend the 2 % circuit breaker, not only to the residents, but to apartment folks, and the residential rental folks as well.

He said the County can get into the fiscal institution business, it can borrow money to compensate, or they can loan money to the local cities and towns who participate, for their share of the 2% cost, so it allows the County to get into the fiscal institution business as well.

O'Donnell said, the fiscal impact to the County is small as he understands.

Dante said on the original agreement, but the potential impact is large.

O'Donnell asked what is the mechanism for us acting as a financial institution?

Dante said the mechanism is in the law, it says right in the law there that you guys can come up and find the "dough", even though everyone is going to participate and they are going to pay for it.

O'Donnell said, or we can say, all the units, in our infinite wisdom, we approved the 2% circuit breaker, but all you units figure out how its going to be paid.

Dante said that's an option too, or you guys can pick up the entire, and find the entire, somewhere in between, but whatever you do, it has to be done by July 1<sup>st</sup>, if you're going to do anything at all.

#### County Earned Income Tax Credit Payment (HB 1001)

##### Discussion

Dante said this should be noted to the Cities of East Chicago, Gary, and Hammond, as well as the County on your income tax form, there is a credit on there, if you make \$18,000 dollars, \$18,600, or less, that's earned income, that includes all kinds of interest, that indeed somebody, maybe the County will pay up to \$300 dollars, well that price tag has been documented and that bill is coming forward, and that bill is going to be for past years, approximately \$6 million dollars per year, all units of government. Each City and Town, Gary, Hammond, and East Chicago will pick up 1/3<sup>rd</sup> and the remaining 50%, or approximately \$1 million, that's for the past old bills, 2001, 2002, 2003, that's \$6 million dollars per year. Dante said, on top of that, the new bill, from the new tax credit that is now accruing, is going to be added in on top of that which may add another \$6 million dollars on to the equation, so basically your equation is somewhere in the area of about \$12 to \$13 million dollars effective this September, 2005, of which we pick up 50% and the Cities of Gary, Hammond, and East Chicago pick up the remaining 50% in 1/3<sup>rd</sup> increments. Your liability right now, effective September is \$6 million dollars, out of Riverboat.

Dante said, according to the State, they're going to be removing this money from our reconciliation check in September. The difficulty in it is, that as we presented it to the State Legislators, we told them that our riverboat for this year is dedicated, of which some of that dedication was for their mandated costs.

Dante said, that's how indifferent and that's how difficult things can be for us. He said that this is a big-ticket item for the county right there, and that's why he made a statement that by all intended purposes, the riverboat is gone.

He said whit the RDA contribution another \$3.5 million dollars, our share starting this year will be \$10 million dollars, minus per year.

O'Donnell, said, of a \$12 million dollar pot.

Dante said, \$17.5, with the Cities and Towns. Dante said again, with all intended purposes, whether it's the RDA, he thinks the Riverboat has been used wisely, but whether it's this year, or next year, it's over, we will go back to the days of pre-1997, where we had no riverboat.

O'Donnell said, the statue doesn't allow for, they capped us in 2001 also, and said we used that money to pay this tax credit, now they've capped it, kept the money, and said now we've got to repay them.

Blanchard said he talked to the State Auditor, and he said that Gary, Hammond, and East Chicago' share is 1/6<sup>th</sup>, 1/6<sup>th</sup>, and 1/6<sup>th</sup> each to make up the other half of the County' total. Blanchard also said it was in HB 1902, the legislation that allows the credit up to \$300 dollars which was effective immediately, so the people who fell in that \$18,600 and below bracket, could take advantage of it in 2002, 2003, and 2004 when they figured their taxes. They hadn't taken any money out of our distribution, due to the fact that they never received certification from Indiana Department of Revenue, actually how much money was paid out. This was one of those Lake County specific laws, no other county in the State of Indiana has such a thing, and why it was put in there in HB 1902, Blanchard said he doesn't think anyone knows, but it's in there and we are going to have to pay for it.

Blanchard said, the State Auditor said, he would notify the County Auditor' Office when he gets certified numbers from the Department of Revenue.

O'Donnell asked what was the mechanism? Are they going to take it out of our Riverboat before we get it?

Blanchard said, it would probably be better for us if to have it taken out of the quarterly distributions, instead of reconciliation, or supplemental, they could do that too. They're going to take it either way.

Dante said needless to say, there will be no additional appropriations in the Riverboat, and he doesn't know if the State just didn't care, but one of these things is we are still paying for CLT, and Arthur Andersen.

#### RBA/RDA/RTA (HB 1120)

##### Discussion

Dante said that the name of the RTA is going to be changed to the Regional Bus Authority. Dante said that Attorney Szarmach is going to have to change the ordinance to reflect the RTA is the RBA, other than that, there he doesn't think there are any other changes to it. Dante said, in terms of financing, the County, and the three Cities, and possibly Porter County have to pay \$3.5 annually starting in January/2006, \$875,000 per quarter. Dante said they are gearing towards the Riverboat again. Dante is assuming that's where the County is going to pay for it from, it doesn't have to be in Riverboat, but Dante said, he believes it's gearing towards Riverboat.

Dante said the Council' appointment to the RTA board must be made by 9-1-05. He believes the nominations have to be made a couple of weeks before that, but the final gavel has to wrap, on the Council' appointment to the RBA board on 9-1-05, and the Council' appointment to the RBA board, can not reside in the Gary, Hammond, or East Chicago. Dante said once the RBA board is formed, they have to adopt the strategic plan by January 1, 2008.

Smith said that the language in the Legislature clearly states that it's the Council and Commissioners combined, who makes the appointment.

#### Food & Beverage (HB 1120)

##### Discussion

Dennis Rittenmeyer said that he would be sending a letter to the Council, with their recommendations. He said they voted unanimously, with 14 members present yesterday, to recommend to the Council that the appropriate language be changed, either in your minutes, or in the enabling statute authorizing statute, to change our name from an RTA to an RBA, Regional Bus Authority. He said they also voted, which he noticed comes up later in the agenda, but for several years, they have advocated passage of a Food & Beverage Tax, waiting for that to be enabled by the Indiana General Assembly, they did not do that on three previous occasions, but this time they did, as part of this bill, and Mr. Rittenmeyer said, they will recommend to the Council, again as you have in the past, twice passed resolutions endorsing the Food & Beverage Tax as a funding mechanism, that that be done. He said the Food & Beverage Tax revenue, we need to pass that, that money, as with all of the other monies, goes into the Regional Development Authority. The Regional Bus Authority is a subservient organization that would be requesting funding from the Regional Development Authority. He said, that pool of money, is to be made up of various sources such as, toll road, the money that Dante mentioned, County Council, the municipalities have to contribute, but also, in a very significant way, Food & Beverage revenue.

Mr. Rittenmeyer said that the RTA, currently soon to become the RBA, is a creature of the County Council. You have an opportunity to make an appointment to the RBA, and he said they would only recommend that the Council consider persons who have a regional orientation, and can think regionally.

Dante said the Food & Beverage is 1%. It's optional for the County, but it's not optional in terms of where the money goes, wherever it derives, what's generated off the Food & Beverage, must go into the RBA bucket. There was no deadline in the law anywhere that says when we had to adopt that, but Dante said, he knows that the RBA is looking for that money sometime in 2006.

Rittenmeyer said that the RTA doesn't get anything unless the RDA allocates it to them, and as was mentioned, those appointments will be made no later than September, they will get formed and there could be money coming from some sources including County Council money, into the RBA beginning in January, so sometime after January presumably, would be when they could make an appropriation back to the Airport, the railroad, the RBA, the Shoreline Development Commission, and so on. He said, the sooner the County Council acts on that issue and set the date in which those revenues will be collected, the sooner there would be money flowing into the RBA, so they could make those appropriations back out.

Mr. Rittenmeyer said that the three Cities of Gary, Hammond, and East Chicago who currently fund, in the amount of approximately \$3.5 million dollars their existing fixed route services, are looking to have that money replaced by money from the RDA to the RBA, but it's not clear that that could happen by January, 2006. He said that Mayor McDermott said he is putting zero in his operating budget for the Hammond Transit System for 2006. He said he doesn't think the Mayor is going to be able to do that, otherwise the service will come to a halt, so there's going to be a lot of negotiations about these time lines and details to make this work.

O'Donnell asked if the fiscal impact of Food & Beverage is still calculated at \$6 million dollars?

Dante said it's an estimate that came from NIRPC, and he believes it is \$6 to \$6.5 million dollars.

Smith asked the City Controller from Gary, Husan Mahmoud, about the cost of the Gary Transportation Services, the bus services in which the citizens of Gary traditionally pay a tax to help augment that operations, what happens to that?

Mr. Mahmoud said right now, it stays status quo until they find out exactly what the position of the RBA is going to be, with funding. He said when you talk about the Food & Beverage Tax, he doesn't know if anyone realizes, but when you are talking about a Food & Beverage Tax, it is his understanding that if we enact the Food & Beverage Tax, in 2005 the State is going to go through collection on that in 2006, before we see any money. So it's not like we are going to receive any money in 2006 for Food & Beverage Tax in 2006. He said the lead time is always 12 months when you enact a new tax. That tax is going to take at least 12 months before you get any revenues back in from the State; therefore, you're talking about 2007 from the Food & Beverage Tax for the RDA, or any bus system. He said he spoke yesterday at the RTA meeting, and to Mayor McDermott afterwards, and told them that he didn't know if it was a good idea to anticipate having revenues coming from the RDA in January. He said if his first payment isn't coming to you until January, he is quite sure the Board is not going to be ready to operate a system come January 1, and the four of us, (Gary, Hammond, East Chicago, and the County) are just now giving a third of the payment that we are suppose to give come January 1. Mr. Mahmoud said right now he is telling GPTC to stay status quo, we are still going to have to have a tax rate for them. He said the difference between theirs is Hammond' is inside of their operating budget of the City. GPTC is a taxing entity of its' own in Gary. That makes a difference, and he can't tell them to reduce their tax, nor can he reduce the taxes to the taxpayer, which is probably only about 50 cents. He said right now they are going to stay status quo, until they find out what the RDA has in store for the RBA.

Smith said he wanted that point to be brought out clear because that's important in terms of the differences between some of the transportation centers.

Dante said, it's always better to be conservative, put this in place, let this operate for at least a year, if you need it, it will take care of a lot of needs, but you don't want to get into another capital situation, you will never get yourself out of it, never.

#### PTRC Reduction (HB 1001)

##### Discussion

Dante said this is an issue that he would prefer Treasurer Peggy Katona to speak about.

Dante said that the taxpayers don't pay 100 per cent of the bill, directly from property taxes. He said 80% of our budgets are paid by the property taxes directly, 20%, or the PTRC credit, from the State through sales taxes, which comes through the State, and then to us. He said the State is either capping, and/or reducing your contributions statewide to the counties by as much as 7% in 2006, and 10 or 11% in 2007. He said that represents about \$170 million dollars statewide in 2006, \$261 million dollars statewide in 2007, which will show a deficit down there.

He said what happens is that when that PTRC, either goes away, or starts shrinking. This entire shrinkage will be compensated by a larger share of the sales tax, income, so these reductions aren't going to be, these are gross reductions, these are not net reductions, but if you get some kind of reduction on PTRC, obviously that cost is either going to be borne by the taxpayers who won't have as large a credit, or it's going to be borne by the units of government, who has to make up that difference between what we used to get, and what we now get.

Dante said he is not quite sure how that PTRC evolves into some additional tax either for us, or for the taxpayer.

Treasurer Katona said it helps both, it helps the taxpayer, and it helps the PTRC. She said, if they cut our PTRC, if you shut this entire administrative end of County government down, tax bills could still possibly go up because that's a big percentage of money, it's quite a bit, it could be \$200 to \$400 dollars off of the tax bill, so that will be that much more that either the County will not get back to subsidize the balance, or it will go to the taxpayer ultimately. She said she doesn't understand why they've chosen in this time in a tax crisis, to take care of the State deficit by putting it back on taxes. She said it's going to affect tax bills, she think ultimately, local tax bills will go up because of it. She said, she doesn't understand the reasoning behind it, no matter what you do to cut, because of that, like she said before, you could shut us down, and the bills will still go up because it's that much money on each tax bill.

Dante said, unless there is some big "blockbuster" increase in AV, this PTRC is going to have upward pressure on your net tax rate.

O'Donnell asked, what billing cycle will that be on?

Peggy said, 2005/2006, next years'.

Smith said he would like for them to capitalize that, and that impact because that's the huge one, that was discussed, absence of that, the only way to probably, at all significantly impact would be if the State took Welfare and the \$100 million dollars off our backs, that would be the only way.

Peggy said that would put us back to where we are now, it would just replace one with another, is what they're doing.

Dante said that \$430 million dollars from the fiscal impact statement is going to be shifted to the County and local, in the next two years, throughout the State. He said that impact is going to be borne by the taxpayers.

Katona said it's going to affect Lake County the most because of the situation we're in right now

Dante said statewide, that represents 7.8% in 2006, and 11% in 2007, but there is suppose to be some kind of offset, or some more "doe" coming in from the Sales Tax to offset this. He said it's not going to be as catastrophic with 7.8%, or 11%, but there is going to be some "upward" pressure, due to this action, on the tax bills next year.

Smith asked Dante if he had figures of what this impact would be to Lake County?

Dante said he did not have that information.

Blanchard gave an example, by saying, for the City of East Chicago, for a \$70,000 dollar gross AV, the tax bill is now, \$1,591, with the change in the property tax relief, it would go to \$1,642, an increase of \$51 dollars, or 3.2%. He said, that's just an example. He said, there was a reference in the sales tax, where some of that was going to be used to soften this blow somewhat, and Blanchard said he thinks from what he got out of that bill was that the schools are going to be the ones that are going to have to suffer quite a bit because the PTRC was picking up 60% of their general fund, and they are going to have an option of whether or not, they can put that on the tax rolls, and go back to the taxpayers, as well as what Blanchard said he would imagine, is what we are trying to find out would happen here too because the rates are going to go up automatically.

Dante said, it would be 7% of the 20%, or next year 10% of the 20%, but 2% here, or 1.5%, it's pressure.

#### HCI (HB 1001)

##### Discussion

Dante said it's the cost related area to an extenuation of a cost on HCI. He said HCI is a component of the Welfare bill. The County pays in here, and next year approximately \$23 million dollars. The cost for indigent care for people who are taken care of here in Lake County is below \$1 million dollars, so there is a subsidy of about \$22 million dollars a year due to a snafu at the end of the hospitals who could not get their paperwork together, this corrupt formula is going to be extended for another two years, through 2008. Dante said the taxpayers are going to have to absorb \$22 million dollars, plus, per year for two more years as a result of this.

Attorney Szarmach said that everyone knows the Lake County Council filed a lawsuit several years ago challenging the constitutionality of HCI, which is a State tax imposed on Lake County residents only. It's suppose to go to hospitals to cover the cost of emergency health care for the indigent. He said that cost is around five to six hundred thousand dollars a year, and we are taxed this year, \$23 million dollars. He said, that money is used by the State of Indiana to leverage medicade, and they use it to subsidize other hospitals throughout the State in other Counties. He said Marion County pays into their HCI, less than a million dollars. He said in the lawsuit we won at the trial level in front of Judge Fisher, at the tax court, but on appeal, the Supreme Court basically grabbed the decision and reversed it saying that it was kind of a tax, not a tax, but really didn't explain their position, but refused to allow Judge Fisher' ruling to stand. Attorney Szarmach wanted Dante to explain that it's a subsidy to all other counties in the State of Indiana that's on the back of taxpayers in Lake County. He said, it would have been nice in that lawsuit several years ago, to have the Big 10, or the Big 4, since they are paying part of that tax bill, to back us up, help with the litigation, but they decided not to do anything.

Smith said the reason why this legislation is on our agenda is because this legislation affects us for four more years, and because they were granted an extension, it moves us into another situation where we can't do anything about it. He said in filing a lawsuit challenging it in the Courts, clearly established that it was a disproportionate cost to Lake County to continue to subsidize it, not that we didn't think that it should have been subsidized, but all we wanted to make in our case was, and we did, was that we will pay the tab, but just make sure that it's fair.

Smith said he wanted to make sure that that was on our agenda today. It all comes under Welfare, and Welfare is over \$100 million dollars.

Smith asked Dante if that figure is taken off, what would that represent as a property tax decrease?

Dante said \$100 million dollars over \$800 million dollars, a big drop. Now you're talking relief.

Smith said, that's the relief that all of you want to see, and it's only in that area.

Blanchard said, for clarification, the levy for 2007 for HCI was supposed to equal the average amount of actual HCI claims for the previous three years, and that's was according to H.B. 1813 that was passed two years ago. Blanchard said prior to the passage of H.B. 1813 two years ago, the State had promised in the

previous bill, that spoke to HCI, that we were going to get a reduction in the levy of \$4 million dollars. Well, they removed that when they passed 1813. The levy stayed higher, we didn't get the \$4 million dollar reduction, but they promised us this relief in 2007 levy, which of course everyone knows now, H.B. 1001 has been moved forward and it won't happen until 2009. Blanchard said they also, and read, "this bill repeals any provisions that allows the Division of Family and Social Services that handles this, to pursue repayment of amounts paid by the HCI program from applicants through their legally appointed representatives for an estate". Blanchard said, in other words, any recoveries that might be out there from claims, where there was money available from the individuals, or their estate, they are no longer going to go after those, and they were fairly substantial, although those dollars never went back to the County, they did go back to the State.

Smith said that's why it was important for us to make sure that, not only our colleagues in the operations of County Government, but those of you from the public organizations as well, understand that as we look at how we can augment each other, it's plain to see that the major issue before us, and it's something that we have to band together to deal with, is the unfairness to Lake County citizens, in terms of subsidizing the State.

#### Care of Patients (HB 1001)

##### Discussion

Dante said the children that are incarcerated, either get picked up or get paid through the Welfare process, or incarcerated care, and if that doesn't satisfy the cost, the Commissioners must pay the State DOC, for the rest. Dante said, over the years, \$4 million dollars has accrued against the County and the County Council stepped up there and through the Children's Psychiatric Fund, this year when we receive our settlements, will be able to resolve most of that \$4 million dollars. He said the \$4 million dollar liability is going to go away. He said that money is to be delivered very shortly, and then again in September for the second half.

Attorney Szarmach said the section on the 2%, the Indiana code is I.C. 6-1.1-20.6. He said Section 9 of that chapter says "The fiscal body, Lake County Council can adopt an ordinance to authorize the Treasurer to borrow money repayable over 5 years, to cover, to compensate any political sub-division, city, township, whatever, holding in part, to cover their shortfall by the money they lose, or not collect by implementing the 2%". Attorney Szarmach said, it further states that "each political subdivision, be the City, Town, Township, whatever, then must pass a tax to pay us back, and that tax goes upon the tax bill of the citizens in those entities".

Attorney Szarmach said, you can't increase your levy, the money you levy to pay back to the County, over that 5 year period is within the freeze, you can not get it back.

Mr. Mahmoud said that in what they are saying, that means that he is taking money from "left" taxpayers, to pay for "right" taxpayers' break. If he put in against his levy and push it back, and also, under the new law he is getting no PTRC money, with that increase, so not only is he not subsidizing anything I'm increasing people's actual tax rate without being able to reduce their tax rate with the PTRC money that was coming in from additional money that he is trying to pay the County back for the 2% Circuit breaker. He said, that's why there has to be some type of additional revenue coming in to cover the Circuit breaker. He said, to his understanding, what we're under right now, is going to last much longer than any settlement money that's out there, or any other cash money that you guys are looking at, under the same auspices that you're talking about, your Casino money, that's obligated and going to be committed to a zero point. The other three Cities are getting that way also because when we started doing capital projects, then he said he hasn't done a capital budget in his general fund, in 9 years. He said in the 9 years, they had the Casino funds, all that capital spending has been taken off of the taxpayers in Gary, and put towards the Casino. He said we are talking about now we have no increases that we can get PTRC money for, we are talking about doing a 2% cap, in which not every taxpayer gets a part of that 2%, but we're going to use every taxpayer to pay it back, so basically, if we put it back in our levy, you're paying yourself your own 2%, if you are looking at it that way. O'Donnell said that's the way it's got to be, and Mr. Mahmoud said no, it could be a new revenue.

O'Donnell said, it could be a 1% income tax that Dyer pays to supplement Gary, and he doesn't think they are going to be in favor of that.

Mr. Mahmoud said, at this particular time, Gary supplements Dyer from the industries up there helping the money that's being spread around throughout all of Lake County. Our percentage that comes out of North Lake County, is a higher percentage coming from those industries up there that's coming from any of the service industries down here in the Southern part the State.

#### Inn Tax (HB 574)

##### Discussion

Dante said that this is hotel, motel, 5% every time you check into places around here. 5% goes to some "bucket". That "bucket" is going to be removed, the appropriation ability is going to be removed, the County Council will no longer have come here effective July 1<sup>st</sup>.

O'Donnell said, the short version of this is we don't do the Convention & Visitor's Bureau anymore.

CAGIT& CEDIT (HB 1120 and SB 609, SB 496)Discussion

Dante said COIT is the super council, the 150 member super council, and it goes under your jurisdiction. The County Council has CAGIT & CEDIT, which is either the Income Tax Council or the County Council, whoever does it first. The CEDIT is a 5% cap, you can put it stand alone, or you can couple it and supplement it on top of the other two taxes where everybody adopts it first, the half of one percent.

Dante said the interesting thing about it is that whoever adopts the CEDIT, the first \$3.5 million has to go to the RDA. Of the two bodies that are going to adopt the CEDIT, the County Council, and exclusively the County Council has the ability to adopt this by 7-1-05. He said there used to be a restriction where you could only adopt this tax along with the other income taxes, in the window between January 1<sup>st</sup> and April 1<sup>st</sup>. That window has been extended for the County Council only, to July 1, 2005.

He said that about 6 years ago, 1% used to generate about \$60 to \$65 million dollars, so estimating each percent would generate around \$80 million dollars probably, or somewhere in that vicinity.

Dante said that CAGIT and CEDIT has some language in there that shows how they will be distributed. He said there is an extension of CEDIT for the Council to adopt CEDIT by July 1, 2005. They did not provide that extension to the Super Council. Dante said it could be adopted as stand alone, or a combination of COIT or CAGIT.

16 Non-gaming Communities Riverboat (HB 1120)Discussion

Dante said that the Riverboat Non-gaming is super-defined what infrastructure is for the 16 Non-gaming Cities and Towns. He said it is in the ordinance what that is. There is a 30-day deadline payment for checks to the 16 Cities and Towns. We with the exception of the recent past month, because we are waiting for the amortization schedule, have been well within those 30 days, Dante said he doesn't know why they put that in there, obviously, they want to make sure that we are within those 30 days.

Dante said they have some census language in there as well.

Dante said that is essentially it on the Non-gaming 16 Cities & Towns Riverboat.

USX Settlement SB 496)Discussion

Dante said that the USX settlement is here, and the issues are, there are two options. He said prior to Senate Bill 496 it was supposed to go into the settlement boxes, it was supposed to flush through that way. Senate Bill 496 allowed it to go through the credit process. Each City or municipality elects by September 1, 2005 to adopt an ordinance that says "I don't want to flush out through the Settlement process, I want a credit to be assigned, and in lieu of the settlement process, they can do so by ordinance, by 9-1-05.

Smith said, the taxing units in Calumet Township.

Dante said, the taxing units, right. The fiscal bodies and taxing units each have the ability to go the credit route, instead of meshing it in with the distribution route.

O'Donnell asked if that would have an impact on the maximum levy then? The thought process behind this we wouldn't have a problem with the surplus.

Dante said, yes, that would affect your collections, and it's going to affect your credit, that's correct. It's going to, the latter, affect and insure that that dollar per dollar, goes to the taxpayers as a credit. Under the "flushing out" system, it goes through the taxing units, and it holsters their collections.

O'Donnell said we won't have any impact if the collections over 100%, we won't have a problem.

Dante said 100% is immaterial, but say we have collections under 100%, it's certainly going to holster the revenue, and if you go through the credit process, It's going to take that ability away, and put it squarely in the hands of the taxpayers.

O'Donnell asked if that is what the statute says we have to do now?

Dante said, no, it's an option.

Smith asked if the option was to the taxing unit heads?

Dante said, yes.

Mike Wieser, Financial Director in Auditor' Office pointed out that if the taxing units decide to go the credit route, the Council would then have to establish a fund for the County to hold on to that money for and be disbursed the way the language is in the Bill. It says we have to come up with this separate fund, to keep these dollars separate from everything else, to make sure that they do go into that system.

He said if everybody goes along with it as a credit, there won't be a problem. It will be a problem if only one or two decides they want to be a part of that, but if they do the item wanting part of that, then that money goes back in to the collection system for everybody to get, it's pretty much, all or none.

O'Donnell asked does it create an excess levy problem?

Mike said, it could because if you have to take some of that money out, it goes into the collections, like right now, we go into the 03-04 collections for the entire unit, so if for instance, the School says no, we want that back in here, that could potentially throw it into an excess levy.

He said right now, with our system, we would have to make things up to make it work in our system if we split it out.

Smith said then the proposed remedy would probably be if they had a meeting with the taxing units?

Mike said, absolutely. First of all we would have to make sure the Governor signed it, then we would probably have to let the local units find out what the ramifications of this would be, if they did adopt it or if they didn't. Mike said somebody had an agenda to bring it up to get a bill passed, so somebody out there knows what the reasoning behind this was, because this sort of came up from nowhere.

Smith said, the right thing for us to do would be, once the Governor signs it, or it's in Law, then we take it, the Treasurer, and the Auditor, along with our Financial people, and call a meeting with the taxing units in Calumet Township.

Smith said, they could say to the taxing units that once they get a handle on everything, they can have a meeting with all of the taxing units.

Franklin would like to know what impact this would have, or what relief would it have for the citizens in the Cities and Towns, as it relates to the Settlement.

Dante said, if you go the credit route, dollar for dollar, that money is going to go back to the citizens. If you go the other route, unless you hit the excess levy cap, it's going to go to the units of government. It bolts their collection ratio. If they are at 100%, it's all going to go back to the citizens.

Smith said, in fairness, he must say, at this point that Commissioner Clay, Council lady Franklin, and Smith, who represents the bulk of Calumet Township, has been on board with their thoughts of all of those dollars should be funneled back to property tax relief to the property tax payers of Lake County, in Calumet Township, but it would be extremely important that we have a meeting and have all of the taxing unit heads there and present whatever the issues are, before them.

Dante said, there is a September 1, 2005 deadline on that.

Smith said if there are any questions, in terms of what has been presented, he can hear from the Elected Officials now, or they can speak with Dante, or any of the Council later on.

Franklin said that for a long time, it has been a myth that the L.C. Council is doing this, and doing that. She said she is glad that the opportunity has arisen to see what is really going on, and how we are being impacted. She said the blame for all of these high taxes has been put squarely on the shoulders of the County Council. Franklin said that no one has looked at the fact that we did not pass any of these House Bills but were passed by our Legislators. She said every time you pick up the paper, it was related to the County Council. Franklin said she is glad that some of the people were present to hear what is really going on, and where the blame should be, the people who passed the Bills. Franklin said the Council certainly didn't want to impose these taxes on our citizens.

Shawn Pettit, Merrillville Town Councilman said he was present behalf of the 16 plus, Non-gaming revenue communities that entered into an inter-local agreement with this Council. He said when the 2% Circuit Breaker went through, under then Governor Kernan, they agreed, as a group that we would subsidize that Bill with Casino money. Now, he is hearing from the Council Attorney, that in the new legislation, that the locals would have the option, or do they have to pass a tax to make up that 2%?

He asked could they use any fund that they want, locally, the Town of Merrillville, could they use their Casino money to pay the \$12,000 dollars, because they have 54 properties in Merrillville that get the 2%, entitled to \$12,000 dollars. He said that's not a big hit for the Town of Merrillville, but the problem runs into Munster, Griffith, and Crown Point. He said they are in excess, and Griffith is in excess of it's Casino allotment. He said their Casino money is spoken for, for Ridge Road. Munster' got theirs' spoken for, and he said, this is one thing they discussed with the 16 plus. He said they will go for it for one year, and he thinks they financed it for 5 years for the one-time deal. He said they instructed the legislator to come up with something, and it doesn't sound like they have, so he asked do they have the option of doing the local tax, and/or any other fund, Casino, whatever they want to do?

Attorney Szarmach said he hasn't read the Bill with regard to the Casino, but he believes that they do have that option.

Dante said, it says, " It shall appropriate it for each year in which the loan is being repaid

Mr. Pettit said basically we are going to be in a loan situation with this group for now until who knows when. Basically, until they resolve something, or come up with another funding option for the 2% circuit breaker downstate.

O'Donnell asked wouldn't another option be just for the Council to approve it and then say individual units pay for it. He said the Civil Town of Merrillville would be great because they could pay the \$12,000 bucks out of Casino.

Pettit said they don't have a problem with it, again what you end up with is Griffith, and some of the larger ones in Munster not being able to, and we as a group of 16 have agreed, we want to spread it out, well now he has the Town of Schererville with 4 properties with over \$240 dollars, and he has to go back to that Council of 5 members and say "hey, subsidize it", and that was the discussion that Blanchard experienced with that group of 16. He asked how can individuals go back and subsidize, unless that's something the 16 will have to decide on our own with the Casino money.

Blanchard said, a word of caution is in order for all of the 16-plus and it's been said already today, we have gone through all these and have not digested everything in it's entirety yet, but your distribution is going to be cut, maybe by a third?

Pettit said their Clerk-Treasurer in Merrillville, Mr. Petalas was told by Representative Dobis that in that legislation the 16-Non gaming revenue percentage, can not be touched, and Pettit said he thinks the Council needs to research that Bill closely, that our distribution under the inter-local agreement would not be a threat.

Blanchard agreed with Pettit, and said it can't be touched, a percentage of distribution. Blanchard said he understands why they codified that and that's because he thinks they figured after what they did to us, as far as our Casino revenue distribution is concerned, might cause us to think twice about the inter-local agreement we have, and about keeping it intact because we basically have no Casino revenue left.

He said we don't have, hardly have the discretion to say where that money goes because the State is telling us where it's going to go, but we are talking about the Income Tax credit that we owe for the next three years, at least we will be paying out approximately \$6.5 million dollars a year, and then on the \$3.5 million dollars, for the, and that \$6.5 million by the way, is going to come off the top, before we get our distribution. Instead of \$17.5 million we are down to \$11.5 million. Blanchard said the supplemental distribution that's \$5 or \$6 million dollars, in August, or September they may keep that whole amount. Blanchard said so instead of us sending 25% of that supplemental distribution to the 16-plus, there is not going to be anything, and that's nearly a third of the total distribution, the Casino revenue that the County receives, that's where Blanchard got that figure of a third.

Attorney Szarmach said he took a look at 1120, which is the House Bill with regards to the group of 16. Szarmach said, looking at 1001, there were no restrictions on what you could use to pay back to cover your 2% costs. He said that one option was to impose a bond tax on your levy to pay it back to the county, but he said Dante just showed him 1120, which is the 16-non gaming communities, and under what you can use the money for, paying back 2% is not on there, you've got construction mainly, engineering payment and principle on funds for finance roads, and Szarmach said, he is looking at, and he will give the sight. It's 4-33-12-6, Section 8, and it lists seven things you can use the money for basically it mirrors what our ordinance has.

Smith said they are going to look at the study and hopefully get some figures, related to the rental issue, that was raised, and that impact.

Smith said that they have to think about the bond debt that we have to pay out of the Casino.

Dante said for the first time in its history, we will have to borrow money from discretionary money which we have been totally adverse to pay for our bond payments in January.

Tabaczynski said that since the legislature ended, and we've kind of gone through today, he was trying to keep a running total of what these legislative changes would mean, and Tabaczynski said he sees it anywhere, over the next three years, conservatively shifting, or either creating a shifting between \$21.5 million to \$42 million on property taxes. He said, by the time they kind of compromise our use of riverboat money, without the PTRC, or any of that, and John eluded to the bond, that certainly is going to directly impact, HCI, there was the opportunity to reduce things, which we can't, so even if we take the most conservatively, say \$18 or \$19 million, if we made \$18 or \$19 million dollars worth of cuts, our budget, it's been eaten up by these shifts. Tabaczynski said, he hopes these people understand what the legislature has done here. Tabaczynski said this is an incredible box that they are putting us in.

Tabaczynski said they've granted us the ability, or they've extended for us, the opportunity to adopt the CEDIT up to July 1<sup>st</sup>. Tabaczynski said that's a set-up. That's not an option, and that's where we are being headed. He said what the newspapers, the legislators, and those advocating this tax are asking us to do, is asking this body who has no spending control over the schools, no spending control over the Towns, or the Cities, or the Libraries, with the exception of our own library system, to adopt a tax to allow them to continue to overspend, and as a way to repay.

There being no further business to come before the Council, it was moved and seconded that the Council does now adjourn to meet again.

ATTEST:

\_\_\_\_\_  
President, Lake County Council

\_\_\_\_\_  
Stephen R. Stiglich,  
Lake County Auditor

