

**The Common Council of the City of LaPorte**  
**Special Meeting**  
**March 15, 2010**

The Common Council of the City of LaPorte met in special session on Monday, March 15, 2010 at 6:30 p.m. in the Council Chambers.

Present: Hammons, Renner, Luscomb, Schmitt, Heichel and Pressler  
Absent: Logwood

Mayor Chroback informed the Council the purpose of this meeting is to advise them of the financial situation of the City with regard to the County's inability to collect property taxes. She reported a cash flow chart was provided to each of them outlining the cash flow through the end of 2010 for the General, MVH (Street Department) and Park Funds.

Teresa Ludlow, Clerk-Treasurer, stated the spread sheet provided to them only covers the tax based funds and does not include the bond funds which are also in the red at the end of the year. Mrs. Ludlow reported normally the City collects 97% of the property taxes issued, however, in 2008 the City only collected 69% and in 2009 62%. She stated at this time it is unclear as to whether the shortfall is due to residents not paying because the tax bills are provisional and not a true tax bill or if it is due to delinquencies.

Mayor Chroback stated the last conversations the City had with the County Treasurer; they are anticipating they will be sending out provisional tax bills for 2009 pay 2010 on a normal schedule with bills due on May 10<sup>th</sup> and November 10<sup>th</sup>. This will mean there will be four years of provisional tax bills out there. The Mayor stated if and when the County finally sets a tax rate, she does not know how they will be able to reconcile four years of provisional bills in a timely fashion. The Clerk-Treasurer stated she does not believe the City will realize any additional revenue with regard to the reconciliation of 2006 pay 2007 as the City received 97% collection for that year. She stated the years the City should receive additional property tax revenue will be for 2007 pay 2008 and 2008 pay 2009 if property owners actually pay. The Clerk-Treasurer reminded the Council when they passed the 2010 budget there was a tax levy appeal included for \$2,105,000.00 for 2009. She reported she received documentation from the Department of Local Government Finance (DLGF) advising the appeal cannot be heard until a tax rate for that year is set. Normally a tax appeal is heard the year following the shortfall and if approved, the City would receive the additional property tax revenue the following year. In talking with Paige Gregory from Umbaugh and Associates, she anticipates the DLGF will hear the appeal whenever the tax bills are finalized for 2009.

Mayor Chroback informed the Council the City hired Umbaugh and Associates to prepare financial documents for the sidewalk litigation with a deadline of April 1<sup>st</sup>. She reported the City and litigation attorneys met with Umbaugh last week to review a preliminary document, which is based on projections, and once a final document is received a copy will be provided to the Council.

Don Baugher, City Attorney, reported the Court Order states the City has a legal obligation to maintain sidewalks to be ADA compliant. Mr. Baugher stated the documents being prepared by Umbaugh will be used to show the City's financial situation and whether or not the City can financially maintain the sidewalks. If funds are available, a plan will be formulated outlining the scope of work over a number of years. The Clerk-Treasurer reported Umbaugh's preliminary cash flows show the General Fund with a deficit of \$5.5 million at the end of 2010. Her report shows a deficit of \$5.9 million. She stated the difference between the two is Umbaugh is showing the City receiving excise tax this year and she did not as there is no way to know if that will happen. Mrs. Ludlow advised Umbaugh indicated they were being optimistic. Based on collections around the State, Umbaugh does not expect the City will ever receive 97% collection again, they are anticipating it will be approximately 90%.

The City Attorney stated it is uncertain if the Indiana Bond Bank will be willing to issue Tax Anticipation Warrants to the City for 2011 as we have not been able to pay back the full amount borrowed for 2009.

Based on the collection percentage for 2009 it is unlikely the City will be able to pay the Tax Anticipation Warrants for 2010 as well.

The City Attorney reported another development is the resignation of the DLGF Commissioner, Tim Rushenberg, effective last Friday. He stated Mr. Rushenberg has been very helpful to the City. The Clerk-Treasurer reported two weeks ago she contacted the County Auditors Office to inquire when the City should be receiving CAGIT and CEDIT distributions for January and February as the County should be distributing them on a monthly basis. Last week the Auditors Office informed her the State told them they could not distribute those funds because there wasn't a tax rate. Mrs. Ludlow stated she informed the person from the Auditors Office the City received distributions last year and there wasn't a tax rate. She reported after talking with the Auditors Office she sent an e-mail to Mr. Rushenberg inquiring if he knew of any reason why the County could not distribute these funds. A response was received he would check into and would not leave the City hanging. An e-mail was received the next day from the DLGF stating they had calculated a "provisional" CAGIT and CEDIT distribution report for LaPorte County and would be forwarding same along with directions to the County Auditor by the end of last week.

The Clerk-Treasurer informed the Council during her conversations with the County Auditors Office she inquired when the City would be receiving court docket fees. She reported they had no idea as to what she was talking about or how to determine how much the City was entitled to.

The Mayor stated the County needs to set an assessed value and they haven't done so for the past four years. The Clerk-Treasurer stated as soon as the County settles their lawsuits, everyone can move forward.

Councilman Pressler inquired about the repayment of the loans. The Clerk-Treasurer stated currently the City is in debt \$8.2 million, which includes \$1.5 million to the Major Moves Fund and the remainder is the amount owed to the Indiana Bond Bank, part of which is from 2009. She stated normally the County issues tax bills with a due date of May 10<sup>th</sup>. Once the payments are received and balanced, the City normally receives a distribution by the end of June. At that time the City is required to fax a copy of the Form 22 from the County indicating how much the City collected to the Indiana Bond Bank. The Indiana Bond Bank in turn sends a letter back to the City indicating how much needs to be paid to them with the interest owed. All of this is done within three days of receiving the tax distribution.

Mayor Chroback read a press release she had prepared. (attached)

The Mayor informed the Council she met with department heads this morning and told them if something doesn't happen with the next three to four months the City will be shutting its' doors. She stated the City will have to prioritize which are essential services.

Councilman Schmitt asked if there were any steps the Council could take to stop the bleeding. The Mayor reported the City Attorney, Clerk-Treasurer and herself will be meeting with the DLGF on Wednesday to discuss the situation. Hopefully they will have some suggestions on what, if anything, the City can do at this point. If nothing else, the DLGF will be made aware of the dire straits the City is in.

Councilman Schmitt inquired if the Council needs to set emergency meetings to discuss the situation further. Mayor Chroback stated she will keep the Council informed.

There being no further business, the Mayor adjourned the meeting. She stated they would take a five minute break before the regular Council meeting.

**Signatures**

APPROVED: \_\_\_\_\_  
Kathleen A. Chroback, Mayor

ATTEST: \_\_\_\_\_  
Teresa L. Ludlow, Clerk-Treasurer

Approved: April 5, 2010

## PRESS RELEASE

The failure of La Porte County officials to properly bill and collect taxes is about to have devastating results in the City of La Porte. The unending battle amongst County officials, Nexus, DLGF and certain elite citizens has delayed tax collection to the point that critical services are about to evaporate in La Porte.

It is beyond comprehension that in the year 2010 La Porte County has not completed its 2006 reassessment and has not issued a final tax bill since taxable year 2005. There does not appear to be an end in sight. Rumors abound that the assessed valuation issue is soon to be resolved before the tax court. However, in fact, nothing has happened.

A recent news article trumpeting resolution of the tax issues through mediation appears at first reading to offer hope, but closer reading discloses further delays are to be expected. The article reflects that the mediator has yet to be appointed by the Court, and at least one of the parties is already calculating its options in the event of failure of the mediation. The article actually reflects that there will be further delay and that at least one of the parties has developed the wrong attitude.

During all this delay, tax collections have significantly dropped. La Porte's general tax revenue dropped by 31% in 2008 and by 38% in 2009. Further, unnecessary costs have been incurred. The delay in distributing tax dollars has caused La Porte and other taxing units to borrow funds at a significant cost. In La Porte's case, hundreds of thousands of dollars in unneeded interest expenses have been paid out by the City taxpayers.

The continued delay and ineptitude has put the City's ability to borrow at risk. Because the unpredictability of tax collection in La Porte County, the Indiana Bond Bank is now reluctant to loan the City of La Porte the cash it needs to operate.

It's not that the County officials don't have sympathy for La Porte or wish us well, they do both. However, you can't run a city on sympathy and good wishes – it takes cash.

It is a fact that the City of La Porte is running out of operating cash. All departments have significantly cut back in expenditures. This effort is not going to be enough. Within the next three to four months, the City of La Porte is going to start shutting down departments. Hard decisions are now being made that will result in the loss of services in areas that had previously been considered critical

and untouchable. It is all a shame and absolutely unnecessary. Action needs to be taken and needs to be taken now.

What needs to be done at this point is a minimum of two things. First, the parties and attorneys involved in the tax court litigation need to quickly resolve the issue of the

2006 assessed valuation. This is going to take compromise and leadership. Egos and the need to assign blame need to be set aside so as to advance the greater good. Further delay cannot be justified.

If these issues can be resolved in mediation, they can be resolved more quickly through good faith negotiations between the parties on an intense day-to-day basis until the issues are resolved. There is no need to wait for further Court dates, action should be taken now.

Secondly, the County officials must recognize that the reconciliation of past tax years and getting the tax system back on track is going to require monumental effort. It is likely that there is not adequate staff in terms of numbers and training in either the Auditor's Office or the Treasurer's Office to move matters along on a timely basis. It appears likely that the County is going to have to hire outside assistance to get these matters back on course.

In the end, few will remember whose numbers were right and whose numbers were wrong. What will be remembered is that the arrogance and ineptitude of elected county officials is grinding the City of La Porte to a complete stop.