Northwest Indiana Regional Development Authority

Comprehensive Economic Development Plan

February 20, 2007

PolicyAnalytics, LLC

Foreword

In fall 2006, the Northwest Indiana Regional Development Authority [RDA] commenced its planning process for a comprehensive strategic development plan for Lake and Porter counties. Its enabling legislation requires RDA to submit such a plan to the budget committee and office of management and budget by January 1, 2008. RDA issued an RFP for consulting services and selected Policy Analytics, LLC. to lead the strategic planning effort. The scope of the work focused on the mandated project areas: the Gary/Chicago International Airport, the Northern Indiana Commuter Transportation District, the Regional Bus Authority and Shoreline Development [Marquette Greenway Plan].

The creation of the Northwest Indiana Regional Development Authority and prior economic development investments within the project areas testify to the timeframe and perseverance of elected officials, business executives, labor leaders and other stakeholders engaged in the process. We would like to acknowledge U.S. Congressman Peter Visclosky, Governor Mitchell Daniels, State Senator Earline Rogers, State Representative Chet Dobis and the entire northwest Indiana legislative delegation for their leadership and foresight in creating and then passing the legislation which establishes the RDA.

The RDA as a legislative concept was first drafted by State Representative Chet Dobis and he gathered support from many quarters to put the idea on the agenda of decision-makers across the state. Governor Mitch Daniels from the Indiana Statehouse and Congressman Pete Visclosky from Washington provided statesman-like leadership during the period of the 2005 session of the Indiana General Assembly in pushing for a vehicle – the RDA – which could become the catalyst for change in the region. State Senator Earline Rogers and State Representative Chet Dobis provided bi-partisan leadership during the crucial periods of legislative drafting and deal-making ensuring that the RDA became a reality.

We believe the vision of these leaders for the development of northwest Indiana will be implemented through the effective long-term effort of the RDA that is previewed in this report.

We would like to thank the RDA Board Members Chairman John Clark, Harley Snyder, Dr. Howard Cohen, Carmen Fernandez, Lou Martinez, Bill Joiner and Gus Olympidis; Tim Sanders, Executive Director, Sherri Shabaz, Executive Assistant; Mark Lopez of Congressman Visclosky's office, City of Whiting Mayor Joseph Stahura; City of Hammond Mayor Thomas McDermott Jr.; City of East Chicago Mayor George Pabey, Housing Authority Director John Artis, City Planner Richard Morrisroe; City of Gary Mayor Rudy Clay, Deputy Mayor Richard Comer, City Planner Christopher Meyers and Department of Environmental Affairs Director Dorreen Carey; Cities of East Chicago and Gary Consultant Will Woody; City of Portage Mayor Douglas Olson and City Planner A.J. Monroe; Gary/Chicago Airport Executive Director Chris Curry and Consultant Paul Karas; Northern Indiana Commuter Transportation District General Manager Gerald Hanas and Director of Marketing & Planning, John Parsons; Regional Bus Authority Chairman Dr. Dennis Rittenmeyer, RBA Project Director Ken Dallmeyer and RBA TranSystems Consultant Lynn Otte; NIPSCO President Mark Massel; Northwest Indiana Forum Executive Director Vince Galbiati and Environmental Affairs Director Kay Nelson, Northwestern Indiana Regional Planning Commission Executive Director John Swanson, Economic Development Committee members including Chairman Leigh Morris and Graphic Director John Smith; and, staff at U.S. Environmental Protection Agency, U.S. Coast Guard, Indiana Department of Environmental Management and Indiana Finance Authority.

"The sky's the limit for Northwest Indiana"
Governor Mitch Daniels

Policy Analytics attempts to bring the highest quality insight and analysis to public sector issues. We believe this comprehensive economic development planning project fulfilled the RDA's fiduciary responsibility. We are grateful for the opportunity to serve the Authority in its endeavor to be catalyst for economic transformation.

Regional Development Authority

The Northwest Indiana Regional Development Authority is a recently created body corporate and politic serving Lake and Porter counties. The purpose of this regional economic development authority is to strategically direct funding toward four catalytic projects: the Gary/Chicago International Airport, Northern Indiana Commuter Transportation District, Regional Bus Authority and shoreline development [the Marquette Greenway], as well as other qualified projects.

The governing body consists of a seven-member board composed of leadership appointed by the Mayors of Gary, East Chicago and Hammond; by County Executives from Lake and Porter counties; and by the Governor of Indiana. Each city and county contributes $3.5 million for a total of $17.5 million annually. As a result of the "Major Moves" legislation from the 2006 Indiana General Assembly, the RDA will receive $20 million from the state in State Fiscal Year [SFY] 2007. For the next 8 years, the state will distribute $10 million per year, providing a total of $27.5 in annual revenue to be used for both operations and investment in RDA approved projects through SFY 2015.

The board members raise the bar in regional collaboration and a non-partisan commitment to transforming the economic future of northwest Indiana. First and foremost the RDA seeks to be bold, a catalyst, through which equally ambitious and sustainably-balanced projects come to fruition for the benefit of all individuals. Additionally, RDA will instill public confidence through transparency, efficiency and accountability in its the work of guiding resources towards major economic development projects.

Through the RDA, northwest Indiana has been given a significant opportunity to gain control of its economic destiny. The legislation provides both the authority and financial resources to invest in its key assets. One of the ways the legislation seeks to direct that capitalization is to require a process of "due diligence" or planning prior to the making of investment or asset allocation decisions.

IC 36-7.5-3-4(a) states:

Sec. 4. (a) The development authority shall prepare a comprehensive strategic development plan that includes detailed information concerning the following:

(1) The proposed projects to be undertaken or financed by the development authority.

(2) The following information for each project included under subdivision (1):

(A) Timeline and budget.

(B) The return on investment.

(C) The projected or expected need for an ongoing subsidy.

(D) Any projected or expected federal matching funds.

(b) The development authority shall before January 1, 2008, submit the comprehensive strategic development plan for review by the budget committee and approval by the director of the office of management and budget. *As added by P.L.214-2005, SEC.73.*

Northwest Indiana RDA Regional Development Authority

Vision

Be a catalyst for the transformation of the Northwest Indiana economy to robust world class status

Values

Bold Collaborative Transparent Non-partisan Efficient Accountability

Board Members

John Clark
Chairman
Senior Advisor to Gov. Daniels
Dir. Office of Energy and Defense Development

Dr. Howard Cohen
Treasurer
Chancellor
Purdue University Calumet

Harley Snyder
President
HSC, Inc.

Gus Olympidis
President and CEO
Family Express Corporation

Bill Joiner
Retired Banker

Lou Martinez
President
United Way

Carmen Fernandez
Counsel
East Chicago Corporation

Executive Director

Tim Sanders

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Executive Summary

The Northwest Indiana Regional Development Authority [the "RDA"] was created during the 2005 session of the Indiana General Assembly with a unique structure and a challenging mission. Its form brought together local governments, the state and with the right support the federal purse into a regional organization that could be responsive and accountable to its citizens and yet powerful enough to be an agent for change. The mission of the RDA was nothing less than the transformation of the Northwest Indiana regional economy – moving from sputtering engine of jobs and income to become a recognized leader in economic growth with a highly desirable quality of life.

The RDA was entrusted with local resources, $17.5 million in casino and EDIT tax revenues. It was also given state funds, in the amount of $10 million per year – a distribution of monies resulting from the "Major Moves" lease of the Indiana Toll Road. These funds could be put to use in the development of four regional assets identified in the RDA's enabling statutes and which for the purpose of this report are labeled the four "targeted investments." In addition the RDA could direct funds to an "economic development project" if the RDA believes the project fits within the comprehensive strategic development plan for the region – a statutory requirement of which this report constitutes the final step.

This report completes the second and final phase of the comprehensive strategic development plan by presenting the financial parameters within which the RDA must make its investment decisions. The goals toward which the RDA is striving in building the economy and the specific development paths to arrive at those goals was presented in the Phase I report. This report shows the implications of choosing to fund these projects over the planned development timeframes and presents alternatives for achieving the maximum growth possible. These implications are developed through four scenarios – not a series of recommendations but a line of reasoning which if followed will assist in understanding the options available.

Scenario A assumes that the RDA has only $27.5 million per year – its statutorily committed revenues – and that it attempts to fund the entire required local match for each of the targeted investments. Since the nominal value of the revenue stream to the RDA over the

Table 1

RDA Investment Scenario Summary

	Scenario A	Scenario B	Scenario C	Scenario D
Revenue [in thous]				
Casino Rev/EDIT Tax Rev	$17,500	$17,500	$17,500	$17,500
Major Moves Rev to RDA	$10,000	$10,000	$10,000	$10,000
Food and Beverage Tax Rev	none	none	none	$10.7m begins CY 2007 for Lake and Porter Co's
Major Moves Rev to GYY	$20,000	$20,000	$20,000	$20,000
Loc Option Income Tax Rev			$19,500 at .15%	$19,500 at .15%
Development Expenditures				
Gary Chicago Airport	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match
Shoreline Development	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match
NICTD South Shore	All Req'd Local Match Full West Lake Corr	Req'd Match for Munster Leg Only	30% of Req'd Local Match - Full W Lake	30% of Req'd Local Match - Full W Lake Corr
RBA Bus Transit	Annual Capital Req's	Annual Capital Req's	Annual Capital Req's	Annual Capital Req's
Bonding	None	None	Bond for 35% of Project Costs for WLC	Bond for 35% of Project Costs for WLC
Financial Performance				
Annual Operating Balance	negative in 2009	Negative 2009-12	Negative 2009-12	Negative 2009
Cumulative Balance	negative in 2009	Positive by 2015	Positive Throughout	Positive Throughout
Opportunities Missed	WLC not affordable	Commuter Rail to Munster Only	No Convention Center or other Projects	Funds available for Other Projects

period – 2006 through 2015 totals $273.9 million and the total local match required is $661.2 million, with the West Lake Corridor project ["WLC"] comprising $525.4 million of that amount – the available resources in Scenario A simply won't allow for the full funding of all the projects. In fact, if none of the other projects were contemplated, the resource base would not allow the full WLC project to be funded.

Scenario B includes the same revenues as in A above – those statutorily committed to the RDA under current law and already enacted. However in this analysis, the WLC project is funded for the portion of the commuter rail line extension down to Munster, an alternative evaluated by NICTD in its feasibility study on the WLC project. This extension is a required first step for the larger WLC project and would allow NICTD to begin. The entire required local match for the other targeted investments is included in Scenario B. The extension to Munster is approximately $308.4 million [in current dollars] with a local match requirement of $154.2 million. This amount is affordable with the resources defined above and the projects are all able to move forward. However, the extension only to Munster does not meet the expectations of many of the citizens of Lake County and certainly does not assist those in Porter County who are planning for their portion of commuter rail.

Scenario C changes the revenue resource base by assuming the enactment of a local option income tax in both Lake and Porter counties at a rate of 0.15%, which would raise approximately $19.5 million in CY 2008. This revenue would be dedicated to the RDA by the counties for use in debt service on bonds issued to assist in funding the WLC project at its full build-out required local match. This scenario assumes that the RDA would fund 30% of the local match for the WLC in cash and would bond for the other 70% of local match.

This option allows the full development agenda of the RDA to be accommodated with the small addition of $20 million in added revenue through the new tax. It is noted however that there are other tax alternatives which could yield the same $20 million per year. *This scenario does not constitute a recommendation of a local option income tax in Lake and Porter counties,* but simply demonstrates the extent of tax rate needed to complete the RDA's development task.

Scenario D builds on Scenario C continuing the use of the local option income tax at a 0.15% rate to bring in the additional $20 million per year needed to fund the WLC project. However since the Indiana General Assembly made a provision to direct the food and beverage tax revenue – if such tax were adopted in either Lake or Porter counties – to the RDA, this scenario assumes a food and beverage tax in both counties beginning in CY 2008. The added revenue from this tax would provide additional resources which could be used for other development projects or transportation costs. By 2015, the tax has generated an excess balance in the RDA's development account of $167 million.

Many regions of the country are facing similar challenges in extending and expanding their out-dated or insufficient transportation systems. While an increase in a dedicated tax to fund these investments may seem unlikely to gain voters' approval, over the period from 2002 through 2005, in 77 out of 107 proposals submitted to voters, the ballot issue was approved [Center for Transportation Excellence]. Transportation systems that allow for efficient commuting, are publicly funded and environmentally sound, are more and more a requisite public good in urbanized regions. An increase in some tax may not be the correct pathway for Northwest Indiana, however the RDA must look to its stakeholders and citizens to determine how, on balance, those in Northwest Indiana want to respond this challenge. The goal is to achieve the vision of a world class economy growing and providing jobs and a high quality of life for all its citizens. The Phase I report identified $77 billion in personal income, 158,000 jobs and 160.9 billion in total economic output that would result if the RDA met the challenge of moving the targeted investments forward according to the development paths illustrated there. These returns will require a public investment – the RDA must determine the level and the way to fund that investment.

Findings:

1. The statutory revenue base committed to the RDA will not allow for the financing of all four of the targeted investments identified as key elements for the RDA's development agenda.
2. The West Lake Corridor – even by itself is too large a project for the RDA to fund given its current revenue base. Therefore, if the RDA stays within this resource constraint, the extension to Munster is the only available alternative for a commuter rail project
3. The addition of approximately $20 million per year will provide for the full build-out of the RDA's four targeted investments and will yield $77 billion [NPV] of personal income to residents of the region as a result.
4. The enactment of a food and beverage tax in Lake and Porter counties would enable the RDA to fund not simply the minimum amount of development but would allow for an additional $160 million in projects to be funded over the first decade of the RDA's life.

Methodology

A "strategic plan" may be defined as the method of allocating scarce resources most effectively to achieve the organization's desired outcomes. IC 36-7.5-3-4 and IC 8-14-14-6 define a comprehensive strategic development plan and require the plan to be completed by the Northwest Indiana Regional Development Authority prior to the distribution of funds for development projects. The first phase of this report presented the timelines, budgets, and return on investment calculations for the four projects targeted as investments for the RDA. This Phase 2 report provides the financial information necessary to determine how the RDA may allocate its resources to achieve its development goals.

The RDA was created for the purpose of moving the economy of Northwest Indiana into a growth path that would challenge or exceed that of similar regions around the country and at the same time improve the quality of life for all its citizens. The method chosen to achieve this transformation was the allocation of both state and local revenues to that development and the targeting of specific regional investments: the Gary-Chicago Regional Airport, development of the Lake Michigan shoreline, a regional bus system and the South Shore commuter railroad. Additional projects were possible if qualifying as economic development investments. Additional revenues might be made available to the RDA by the governmental entities benefiting from its development work from any source except property taxes.

Revenue Resources

The RDA receives regular revenue from two primary sources: casino revenues and local option income taxes. On a quarterly basis, the cities of Gary, Hammond, and East Chicago, and Lake County are required to deposit $875,000 in the RDA's account. Porter County provides the same amount from its County Economic Development Income tax. The state of Indiana has committed $10 million per year from the lease proceeds of the Indiana Toll Road ["Major Moves"] through the 2015 fiscal year. In addition, the state appropriated $20 million from Major Moves revenues for the benefit of the Gary Chicago Airport development project but directed the monies to the RDA for distribution to the Airport.

This commitment of revenue from localities and the state results in an annual revenue stream of $27.5 million [excepting the special appropriation to the Gary Chicago Airport] from which the RDA's administrative costs and development investments must come. The RDA's budget for CY 2007 is estimated at $500,000 and projected to grow at slightly more than the rate of inflation during the time horizon of this forecast; resulting in approximately $27 million per year for development projects.

Table 2

RDA Revenue
in millions of constant dollars

Statutory Revenue	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gary	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5
Hammond	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
East Chicago	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Lake County	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Porter County	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Sub-Total	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Major Moves Distribution (RDA)	2.5	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Major Moves Distribution (GYY)		20.0								
Total Development Revenue	**$20.0**	**$37.5**	**$27.5**	**$27.5**	**$27.5**	**$27.5**	**$27.5**	**$27.5**	**$27.5**	**$27.5**

Development Investment Scenarios

In the Phase 1 Report, the costs and timelines for the targeted investments were projected and explained. In each case a development scenario was created reflecting the plans of the targeted investment's management and federal, state or other possible sources of funding. In Phase 2, these sources of funds with requisite match rates have been paired with the RDA's statutory revenue resources and alternative additional funding sources to determine how the RDA might achieve its development goals. *These scenarios do not constitute recommended policy choices for additional revenues* nor do they encompass the entire set of possible revenue or expenditure options. However they do provide the RDA and its stakeholders with a foundation upon which to make decisions both for near term and longer term investment choices.

Scenario A

Revenues In this scenario only the statutorily provided revenues are included – yielding $27.5 million per year with the exception of 2006 and 2007. The "pass-through" $20 million to the Gary Chicago Airport is in addition to the regular annual revenue [$27.5 million] committed to the RDA for discretionary development investment. It should be noted that the $10 million per year provided to the RDA from the Major Moves lease revenues ends in 2015. Therefore in the presentation below, each scenario ends in 2015, however in the Appendix the entire 30 year period is shown.

Investments The investment costs come from the Phase 1 analysis [released January 9, 2007] and except where noted follow the timelines presented in that report. Scenario A assumes that the costs [needed local matching funds] would be "cash funded" for the entire period.

Gary Chicago Airport The RDA is assumed to provide the funding needed for the Airport to match federal funds and to meet the local match requirements to complete the Airport's Phase 1 projects contained in its application to the RDA.

Regional Bus Authority The RBA has declared its intention to request from the RDA only those monies which are needed to fund its capital budget. Because several federal programs are available to provide resources for local transit agencies' capital needs, only the local

Table 3

Scenario A: RDA Revenues and Uses

Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Sources and Uses by Category										
Statutory Revenue										
Casino Revs and EDIT tax Rev	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Major Moves Distribution [RDA]	2.5	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Food and Bev Tax Rev	-	-	-	-	-	-	-	-	-	-
Major Moves Distribution [GYY]	-	20.0	-	-	-	-	-	-	-	-
Sub-Total	20.0	57.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Less: Estimated Admin Expenditures	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Total Development Revenue	19.7	57.2	27.2	27.2	27.2	27.1	27.1	27.1	27.1	27.1
Development Exp's / Investments	-	-	-	-	-	-	-	-	-	-
Budgeted Development Exp's	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Planning Expenditures	0.5	-	-	-	-	-	-	-	-	-
Gary Chicago Airport	-	4.7	15.4	9.8	1.0	-	-	0.3	0.3	1.7
MGP/Shoreline	-	3.0	11.8	26.3	17.6	7.9	3.3	1.4	-	-
NICTD at 100% of Local Match Cost	-	17.5	-	59.8	74.2	76.1	92.7	72.3	74.2	76.1
RBA	-	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7
Total Development Exp's	0.5	26.6	28.7	97.4	94.2	85.6	97.6	75.5	76.2	79.5
Balance of Development Resources	19.2	30.6	(1.5)	(70.2)	(67.0)	(58.5)	(70.5)	(48.4)	(49.1)	(52.4)
Cumulative Balance Devel. [in mill's]	19.2	51.8	51.6	(20.8)	(91.8)	(155.4)	(233.3)	(290.0)	(348.8)	(412.5)

matching funds are shown. The estimate of the local match needed is projected in accordance with the TranSystems analysis provided to the RBA on November 14, 2006.

NICTD / South Shore The West Lake Corridor Project, constituting commuter rail extensions to Lowell and to Valparaiso and requiring $902.2 million [2006 dollars] in total project costs is included in this scenario. NICTD has stated that in the most optimistic case, federal funding with the necessary environmental and engineering studies, could not be obtained before 2009. Therefore a start date of 2009 with an appropriate adjustment to account for inflation is proposed. The match rate for federal funding under the New Starts Program is 50% federal and 50% local. The necessary 50% local match is shown.

Marquette Plan / Shoreline Development There are eleven projects areas defined for this targeted investment spread along the lakefront from the Illinois state line to [and including] the City of Portage. The total nominal development costs for this project are estimated at $139.1 million over an aggressive fourteen year development schedule. The Shoreline development costs for this scenario only include the needed local match estimated when the appropriate federal programs are taken into account.

Analysis of Scenario A The local match cost [in nominal terms] of the West Lake Corridor project over the period of 2009 through 2015 is $525.4 million, while the local match needed for the other three targeted investments is $135.8 million. Unfortunately, the revenues flowing to the RDA during this first 10 year period only come to a total of $273.9 million. This analysis demonstrates that the West Lake Corridor project cannot be effectively financed even if all three of the other projects were not funded.

Scenario B

Revenues In Scenario B, like Scenario A only the statutorily provided revenues are included.

Investments As in Scenario A, in Scenario B it is assumed that the costs [needed local matching funds] would be "cash funded" for the entire period, and that only the local match needed is shown in the "pro forma" schedule below.

Gary Chicago Airport There is no change from Scenario A, the RDA is assumed to provide the funding needed for the Airport to match federal funds and to meet the local match requirements to complete the Airport's Phase 1 projects contained in its application to the RDA.

Regional Bus Authority As in Scenario A, only the RBA's capital costs are included and then only the needed local match.

NICTD / South Shore In contrast to Scenario A, in this Scenario only the cost of extending South Shore service to Munster is included. The local match costs of building commuter rail service to Munster are approximately $300 million [in current dollars] and construction is assumed to begin in 2009 and extend over four years. Again a local match of 50% is assumed to be required in this scenario. Although it is not shown a variant of this scenario would bond for the construction costs and with a 30 year term and a 5% interest rate, the annual payment would be approximately $7.5 million.

Marquette Plan / Shoreline Development The development costs shown in this scenario are exactly the same as in Scenario A.

Analysis of Scenario B With only those revenues statutorily committed to the RDA, Scenario B still allows all of the projects to be funded at the levels needed for full development to take place, with the major exception of the South Shore/West Lake Corridor. Scenario B does provide for the extension of the commuter rail line to Munster, which is a necessary step for the eventual completion of the West Lake project. However, it is insufficient for many of the region's citizens, stakeholders and taxpayers. It also fails to provide the added transportation improvements for the regional economy that are needed. Therefore Scenario B will not be a satisfactory outcome for many.

Table 4

Scenario B: RDA Revenues and Uses

Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Sources and Uses by Category										
Statutory Revenue										
Casino Revs and EDIT tax Rev	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Major Moves Distribution [RDA]	2.5	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Food and Bev Tax Rev	-	-	-	-	-	-	-	-	-	-
Major Moves Distribution [GYY]	-	20.0	-	-	-	-	-	-	-	-
Sub-Total	20.0	57.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Less: Estimated Admin Expenditures	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Total Development Revenue	19.7	57.2	27.2	27.2	27.2	27.1	27.1	27.1	27.1	27.1
Development Exp's / Investments										
Budgeted Development Exp's	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Gary Chicago Airport	-	4.7	15.4	9.8	1.0	-	-	0.3	0.3	1.7
MGP/Shoreline	-	3.0	11.8	26.3	17.6	7.9	3.3	1.4	-	-
NICTD [Munster only]	-	17.5	-	34.2	40.6	42.0	37.4	-	-	-
RBA	-	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7
Total Development Exp's	0.5	26.7	28.8	72.0	60.8	51.7	42.5	3.5	2.3	3.7
Balance of Development Resources	19.2	30.4	(1.7)	(44.8)	(33.7)	(24.5)	(15.4)	23.6	24.8	23.4
Cumulative Devel. Balance	19.2	49.6	48.0	3.1	(30.5)	(55.1)	(70.5)	(46.9)	(22.0)	1.4

Scenario C

Revenues In Scenario C, in addition to the statutorily provided revenues a local option income tax in Lake and Porter counties is assumed at a 0.15% rate [fifteen hundredths of one percent] – which will yield approximately $20 million per year [$19.5 million in 2008]. While this revenue option being included does not constitute a recommendation, it provides an example of the level of additional revenues that would be needed to finance the full set of targeted investments.

Investments In Scenario C it is assumed that the investment costs needed [the local matching funds] would be "cash funded" for the entire period – except for the South Shore. The West Lake Corridor project would be funded partially by a bond and partially on a cash basis.

Gary Chicago Airport There is no change from Scenario A, the RDA is assumed to provide the funding needed for the Airport to match federal funds and to meet the local match requirements to complete the Airport's Phase 1 projects contained in its application to the RDA [in the period through 2015].

Regional Bus Authority As in Scenario A, only the RBA's capital costs are included and then only the needed local match.

NICTD / South Shore In Scenario C the entire cost of the local match for the West Lake Project is financed. Thirty percent of the local match costs are cash funded. Seventy percent of the local match costs are financed through a thirty-year bond at a 5% interest rate. The annual payment is approximately $18 million. The local match of 50% is again assumed to be required in this scenario.

Marquette Plan / Shoreline Development The development costs shown in this scenario are exactly the same as in Scenario A.

Analysis of Scenario C This scenario provides for the full development of all four of the targeted investments, with the addition of approximately $20 million per year in local option revenue.

Table 5

Scenario C: RDA Revenues and Uses

Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Sources and Uses by Category										
Revenue										
Casino Revs and EDIT tax Rev	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Major Moves Distribution [RDA]	2.5	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Food and Bev Tax Rev	-	-	-	-	-	-	-	-	-	-
Major Moves Distribution [GYY]	-	20.0	-	-	-	-	-	-	-	-
Lake and Porter Income Tax @0.15%	-	-	19.5	20.0	20.5	21.0	21.6	22.1	22.7	23.3
Sub-Total	20.0	57.5	47.0	47.5	48.0	48.5	49.1	49.6	50.2	50.8
Less: Estimated Admin Expenditures	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Total Development Revenue	19.7	57.2	46.7	47.2	47.7	48.2	48.7	49.3	49.8	50.4
Development Exp's / Investments										
Budgeted Development Exp's	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Planning Expenditures	0.5	-	-	-	-	-	-	-	-	-
Gary Chicago Airport	-	4.7	15.4	9.8	1.0	-	-	0.3	0.3	1.7
MGP/Shoreline	-	3.0	11.8	26.3	17.6	7.9	3.3	1.4	-	-
NICTD at 30% of Local Match Cost	-	17.5	-	17.9	22.2	22.8	27.8	21.7	22.2	22.8
NICTD Debt Service on Bond Issue	-	-	-	18.0	18.0	18.0	18.0	18.0	18.0	18.0
RBA	-	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7
Total Development Exp's	0.5	26.6	28.7	73.5	60.3	50.3	50.7	42.9	42.3	44.2
Balance of Development Resources	19.2	30.6	18.0	(26.3)	(12.6)	(2.1)	(2.0)	6.3	7.6	6.2
Cumulative Devel. Balance	19.2	51.8	72.0	46.2	34.1	32.8	31.5	38.9	47.8	55.5

Scenario D

Revenues Scenario D assumes those revenues included in Scenario C – the RDA's statutorily provided revenues and a local option income tax in Lake and Porter counties at a 0.15% rate – however in addition is added a food and beverage tax in both Lake and Porter counties yielding approximately $10.7 million per year [beginning in 2008]. The RDA's enabling legislation provides that if a food and beverage tax is adopted in either Lake or Porter counties, the revenues realized must be remitted to the RDA for development, IC 6-36-9-8. The inclusion of this revenue option does not constitute a recommendation; however, it does provide an example of the level of additional revenues that might be desired to fund not only the four statutorily targeted investments but in addition other priorities for development or transportation.

Investments In Scenario D it is assumed that the investment costs needed [the local matching funds] would be "cash funded" for the entire period – except for the South Shore. Exactly as in Scenario C, the West Lake Corridor project would be funded partially by a bond and partially on a cash basis.

Gary Chicago Airport There is no change from Scenario A, the RDA is assumed to provide the funding needed for the Airport to match federal funds and to meet the local match requirements to complete the Airport's Phase 1 projects contained in its application to the RDA [in the period through 2015].

Regional Bus Authority As in Scenario A, only the RBA's capital costs are included and then only the needed local match.

NICTD / South Shore There is no change from Scenario C, the entire cost of the local match for the West Lake Project is financed. Thirty percent of the local match costs are cash funded. Seventy percent of the local match costs are financed through a thirty-year bond at a 5% interest rate. The annual payment is approximately $18 million. The local match of 50% is again assumed to be required in this scenario.

Marquette Plan / Shoreline Development The development costs shown in this scenario are exactly the same as in Scenario A.

Analysis of Scenario D Like Scenario C, this scenario provides for the full development of all four of the targeted investments, with the addition of approximately $20 million per year in local option revenue. With the addition of the food and beverage revenue, Scenario D provides additional revenue that may be used for development projects – capital funding – or used for the operating costs of other developments. Both the Regional Bus system and the South Shore are projected to need additional operating revenues once the system expansions have been completed.

Scenario D: RDA Revenues and Uses **Table 6**

Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Sources and Uses by Category										
Statutory Revenue										
Casino Revs and EDIT tax Rev	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Major Moves Distribution [RDA]	2.5	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Food and Bev Tax Rev	-	-	10.7	11.1	11.6	12.0	12.5	13.0	13.5	14.1
Major Moves Distribution [GYY]	-	20.0	-	-	-	-	-	-	-	-
Lake and Porter Income Tax @0.15%	-	-	19.5	20.0	20.5	21.0	21.6	22.1	22.7	23.3
Sub-Total	20.0	57.5	57.7	58.6	59.6	60.6	61.6	62.7	63.8	64.9
Less: Estimated Admin Expenditur	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Total Development Revenue	20.3	57.8	58.0	59.0	59.9	60.9	62.0	63.1	64.2	65.3
Development Exp's / Investments										
Budgeted Development Exp's	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Planning Expenditures	0.5	-	-	-	-	-	-	-	-	-
Gary Chicago Airport	-	4.7	15.4	9.8	1.0	-	-	0.3	0.3	1.7
MGP/Shoreline	-	3.0	11.8	26.3	17.6	7.9	3.3	1.4	-	-
NICTD at 30% of Local Match Cost	-	17.5	-	17.9	22.2	22.8	27.8	21.7	22.2	22.8
NICTD Debt Service on Bond Issue	-	-	-	18.0	18.0	18.0	18.0	18.0	18.0	18.0
RBA	-	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7
Total Development Exp's	0.5	26.6	28.7	73.5	60.3	50.3	50.7	42.9	42.3	44.2
Balance of Development Resources	19.9	31.3	29.4	(14.5)	(0.3)	10.7	11.3	20.1	21.9	21.1
Cumulative Devel. Balance	19.9	53.2	85.4	72.2	73.7	86.7	100.7	124.4	150.5	176.3

Gary/Chicago International Airport

Project Cost and Matching Rates

The Chicago region is one of the busiest air markets in the world, and an integral link in the nation's air traffic system. However, air traffic at the O'Hare and Midway airports is nearing capacity, resulting in flight delays and cancellations, and increasing costs for airlines and travelers. As air traffic swells, the current system will not have the capacity to meet future demand. The Chicago region needs an additional airport to alleviate congestion and absorb future air traffic growth. Only 25 miles from downtown, the Gary/Chicago Airport [GYY] is the third Chicago regional airport, with existing facilities to support air operations. To prepare for anticipated growth, GYY must improve its general infrastructure.

Table 7

RDA Funding Application
2007 dollars

Railroad Relocation	$36,408,357
Powerline Relocation	16,787,400
Runway and Taxiway Extension	21,675,392
Land Acquisition & Other Related Cost	14,758,031
Administration & Program Management	2,525,125
Total	**$92,154,305**

Source: GYY Application to the RDA; Nov 2006

The airport is preparing to initiate a three-phase capital improvement program. The enhanced facilities from this program will enable GYY to take advantage of the Chicago region's demand for air travel by attracting commercial airlines and providing reliable air transportation to passengers. By the end of the development program, GYY will be a major commercial aviation center, similar in size to the Indianapolis International Airport. The entire capital improvement program carries a price tag of more than $630 million. In return, the regional economy is expected to grow by $82.6 billion and add over 86,000 jobs.

The first project in the development plan is the main runway extension. A longer runway will bring the airport into conformity with FAA safety regulations and allow larger aircraft to use the airport. Before work on the runway extension can begin, a section of the E.J. & E railroad, located only 200 feet from the main runway, must be relocated along with adjacent power lines. These improvements, which have been included in an RDA application from GYY, are expected to be completed by 2010 at a cost of approximately $92 million. Although it is beyond the scope of this report, these improvements will require bonding to accelerate the capital investment in the RDA application. In its application to the RDA, GYY indicated federal funds would finance approximately 73% of the runway extension program, matched by 27% in non-federal funding.

In January 2006, the Federal Aviation Administration awarded a $57.8 million Letter of Intent (LOI) to GYY that will provide the majority of the federal funds needed for the runway extension projects. The purpose of an LOI is to commit future FAA Airport Improvement Program [AIP] discretionary and entitlement funds to large-scale capital airport projects. The funds are scheduled to be dispersed in $6 million increments each year from 2006-2014, ending with a $3.8 million payment in 2015. The airport will receive additional federal funding from supplemental FAA project funding and a Federal Highway Administration grant received by the airport. In total, approximately $67 million in federal funding will be used for the main runway extension project.

Long Term Planning

Potential federal matching rates for long-term projects in the master plan are projected based on project eligibility. AIP funding is limited to projects that enhance airport safety, capacity and security, or address environmental concerns. Airfield improvements are usually eligible for AIP funding, but non-aviation improvements such as hangars and terminals usually are not. Beginning in fiscal year 2008, AIP projects at airports in the Airport's size classification are eligible for 90% federal funding.

The Airport's long-term plans begin with terminal improvements at the end of Phase I and airfield improvements during phase II. The cost for these developments is projected at $27 million, $18 million of which is eligible for federal funding. Phase III of the Master Plan calls for the construction of new terminal and parking facilities. To a large degree, these projects will not be eligible for federal funding, so Phase III will carry a sizable local burden. Phase III is projected to carry a total cost of $511 million, with $114 million eligible for federal funding.

Net Local Share

Although Phase I of the Airport's development plan will be financed mostly through federal funds, approximately $31 million in non-federal funding will be needed. The second and third year of Phase I will require the most local funding. Because new terminal and parking facilities included in Phase III of the master plan are not eligible for much AIP funding, Phase III will be financed primarily through non-federal funds.

Non-Federal Revenue Sources

Some additional funding sources are already committed to development at Gary/Chicago. These include Passenger Facility Charge (PFC) revenue transferred by the Chicago-Gary Regional Airport Authority and the Indiana Department of Transportation. Additionally, a $20 million grant generated from the lease of the Indiana Toll Road has been designated to the Airport through the RDA.

The Passenger Facility Charge [PFC] is a surcharge added to each ticket by the airport. PFC collection is regulated by the FAA, and airports use the revenues to complete FAA approved projects. Most commercial airports collect PFC charges at a rate of $3.00 per passenger, up to the FAA maximum of $4.50 per passenger. GYY does not currently collect passenger facility charges.

Table 8

GYY Long Term Imrpovements - Costs and Match Rates

excluding RDA Application Projects

	Project Cost[1]	Potential Fed. Match	Potential Loc. Match
PHASE I			
Expand Existing Terminal Apron	$735,979	90%	10%
Improve Access to Existing Terminal	10,663,784	90%	10%
Expand Terminal Expansion	4,869,144	0%	100%
PHASE II			
Construct Two Deicing Pads	4,768,771	90%	10%
Construct Three High-Speed Exit Taxiways	1,758,806	90%	10%
Expand Trade Zone Apron	417,346	0%	100%
Construct Maintenance Hangar	470,363	0%	100%
Construct T-Hangars	720,437	0%	100%
PHASE III			
Construct New Terminal Area	251,944,513	30%	70%
Construct Dual Terminal Taxiway	23,059,087	90%	10%
Construct Cargo Area	67,146,801	0%	100%
Constuct Access and Parking	167,920,449	10%	90%
High-Speed Exit Taxiway to Cargo Area	1,555,177	90%	10%
Total	**$536,030,658**		

[1]Nominal Dollars; Source: GYY Master Plan

However, the 1995 compact establishing the Gary/Chicago Regional Airport Authority allows for PFC revenue to be transferred from O'Hare and Midway to Gary for capital projects (up to 1.5% of O'Hare and Midway PFC collections). In 2007, Gary/Chicago is projected to receive a PFC transfer of $9.5 million from the GCRAA. By 2008, Gary/Chicago is projected to have applied to receive its own passenger facility charges.

Operating Revenue

Airports earn revenue from both aircraft operations such as landing fees and fuel surcharges, and non-aircraft operations, like concession sales and car rentals. As an airport develops, it can provide additional services and increase parking, terminal rental and other rates.

Policy Analytics developed a revenue projection model to estimate the scope of operating revenues at GYY. On a case-by-case basis, it is possible for airports to leverage operating surplus for capital investments. However, the extent of GYY's future operating surplus is uncertain at this time. The Airport's operating revenue sources and the methods for projecting future revenue are described in appendix B.

Local Match Requirement

After factoring in state and local funds, the capital fund retains a positive balance until the LOI agreement expires in 2015. In other words, the federal and non-federal funds appear to be sufficient under current Federal match criteria to finance Phase I and Phase II of the airport development plan. However, because of the nature of the development projects in Phase III, a much larger local match is required. In order to finance the Phase III projects, additional funding must be procured.

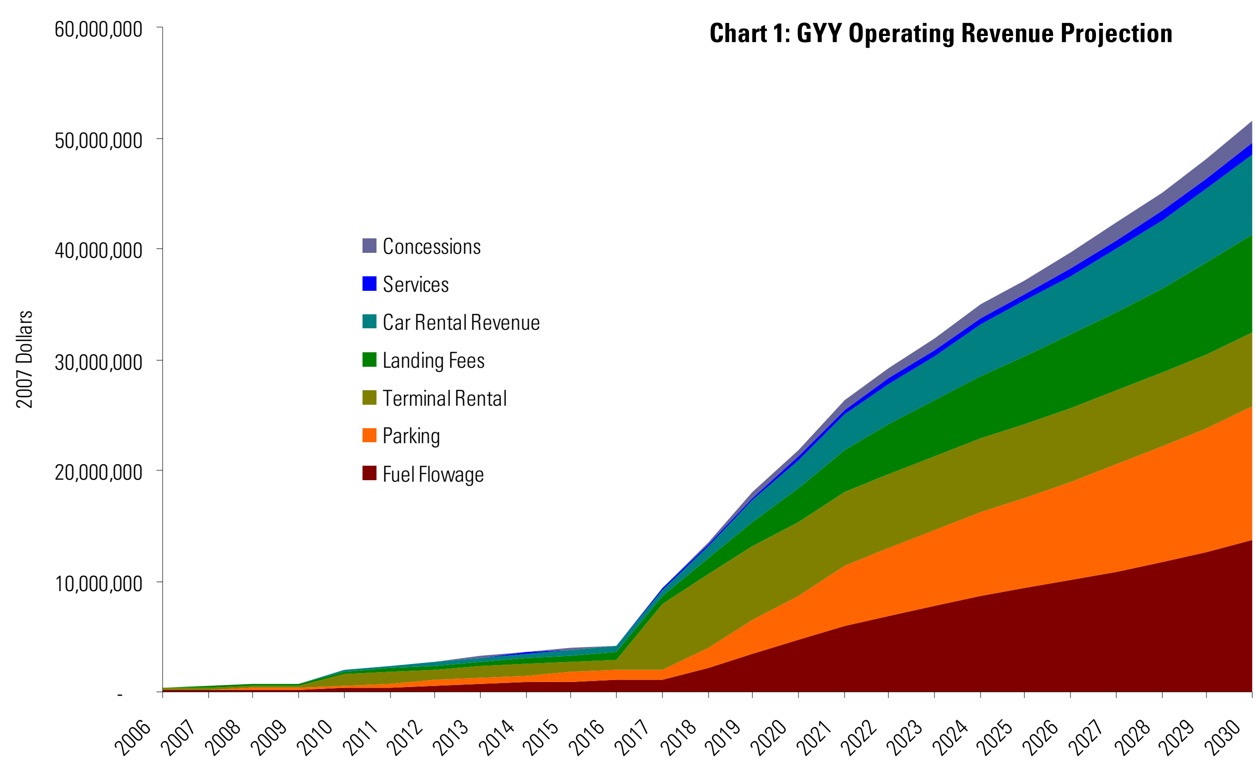
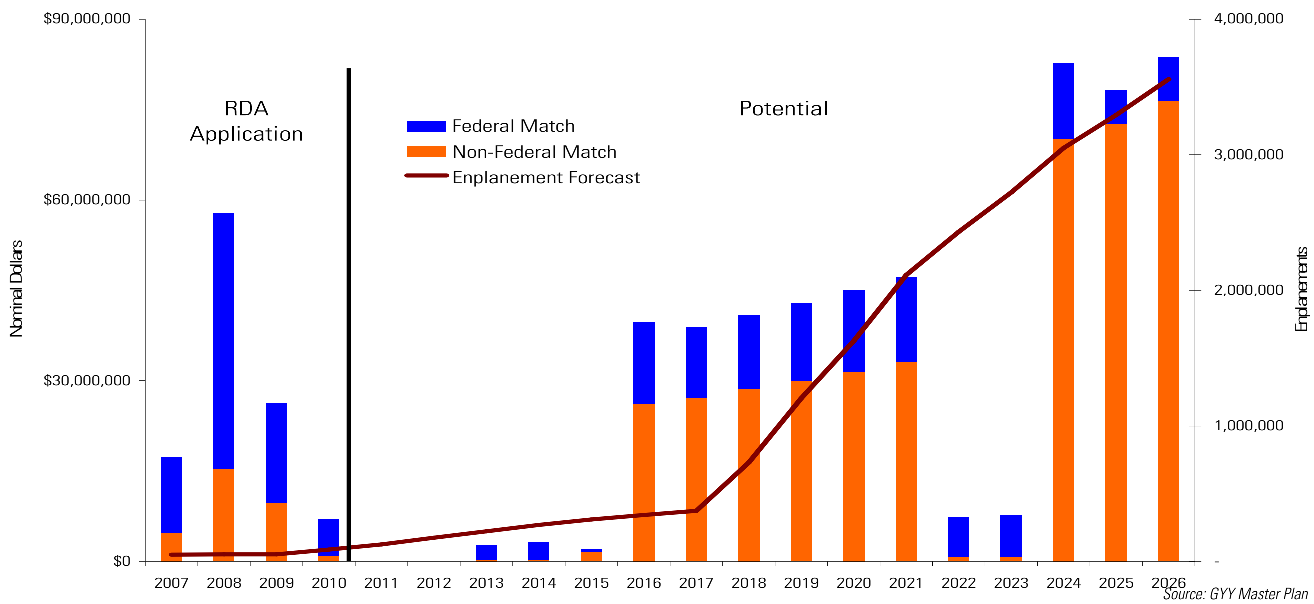


Chart 2: GYY Development Timeline



Source: GYY Master Plan

Public Private Partnership

The Gary/Chicago Airport has secured most of the funding required for Phase I and Phase II. However, the Phase III development projects, including high-capacity terminal and parking facilities, are largely not eligible for federal funding. Furthermore, the dedicated RDA funding from Major Moves ends after 2015. These factors will place a considerable strain on RDA finances after 2015, accounting for 63% of the RDA investment cost between 2016 and 2026. After 2015, it may be beneficial for GYY to seek private investment to finance its capital improvements.

Public-private-partnerships (P3) are popular means of alternative financing because they can quickly infuse capital into a project and accelerate development. P3 development is used extensively around the world, but is not as common in the U.S. There is a wide spectrum of public-private relationships, ranging from private contracts for services, to operating leases, to greenfield development. Public-private partnerships begin with an underutilized asset that provides public services and is operated and/or owned by a governmental unit. Bids are solicited from private agencies for the privilege of operating the asset over a long-term timeframe. Operations are then leased at a price that is greater than the present value of the projected revenue stream from government operations, and the operator infuses private capital and operating funds to develop the asset to its highest utilization. The private operator can make a return on its investment because it is better capitalized, can create efficiency through expert experience, best practices, and reduced bureaucracy, and has access to capital markets.

Historically privatization has not been a viable option for U.S. airports because of FAA restrictions on the use of airport revenue and the repayment of federal grants. However, in 1997 the FAA began an Airport Privatization Pilot Program, that relaxed federal restrictions, and allowed up to five airports (based on accepted applications) to engage in P3 activities. The program has had little success since its launch, with participation by only one airport. However, in 2006, stimulated by the success of the recent Chicago Skyway privatization, the city of Chicago submitted an application to lease operations of its Midway Airport. If successful, Midway will be the first major privately funded airport development project in the U.S., and could provide a model for GYY to follow.

Northern Indiana Transportation Commuter District

A well-planned transportation system is central to a region's economic growth. As one step toward optimizing northwest Indiana's transportation system, NICTD plans to develop commuter rail lines from Chicago to Lowell and Valparaiso through Munster. This West Lake Corridor Expansion will provide improved access to Chicago for residents of northwest Indiana.

The Chicago region, home to many high-paying service sector jobs, offers employment opportunities that may not be readily available in northwest Indiana. Average annual wages are higher in Cook Co, IL (downtown Chicago) than in northwest Indiana in every industry classification except manufacturing. In many service sector industries, Chicago wages nearly double those in northwest Indiana. Because of its close proximity to Chicago, northwest Indiana's economy can benefit from this wage premium. However, highway congestion currently limits access to these opportunities.. The region's transportation network is already heavily congested during peak travel times, and will not have the capacity to manage future growth. The West Lake Corridor will provide timely convenient access to Chicago while relieving congestion on highways and arterials. The rail expansion is expected to add $32.2 billion and over 26,000 jobs to the region's economy.

The proposed West Lake Corridor rail lines will branch off from the South Shore line at Munster. After Munster, one line will travel through Dyer, St. John and Cedar Lake, before terminating at Lowell in southern Lake County. The second line will run through Highland, Griffith, Merrillville and Hobart, ending at Valparaiso in central Porter County.

Table 9

West Lake Corridor Capital Expenses

millions of nominal dollars

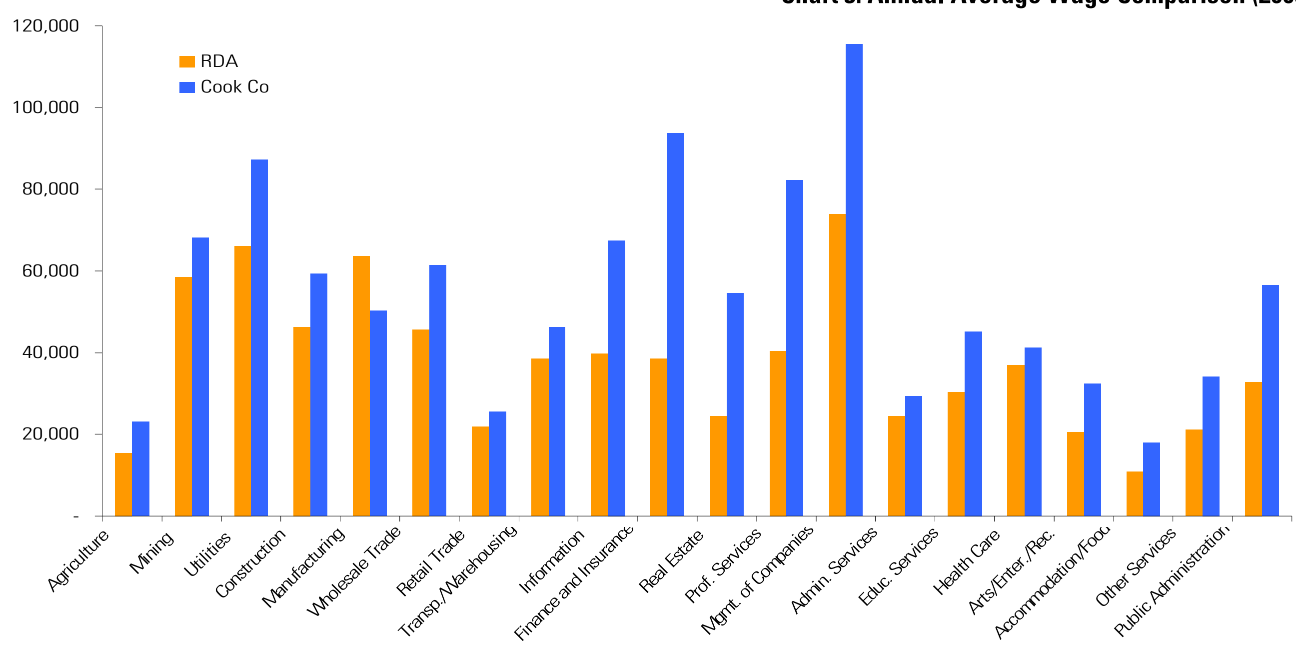
Construction Expenses	**Expenses**
Guideway and Track Elements	$196.2
Stations, Stops, Terminals, Intermodal	67.5
Support Facilities: Yards, Shops, Admin	6.8
Sitework and Special Conditions	70.9
Systems	120.5
Subtotal	**462.0**
R.O.W., Land, Existing Improvements	208.6
Vehicles	115.3
Professional Services	143.9
Unallocated Contingency	120.9
Total Project Cost	**$1,050.7**

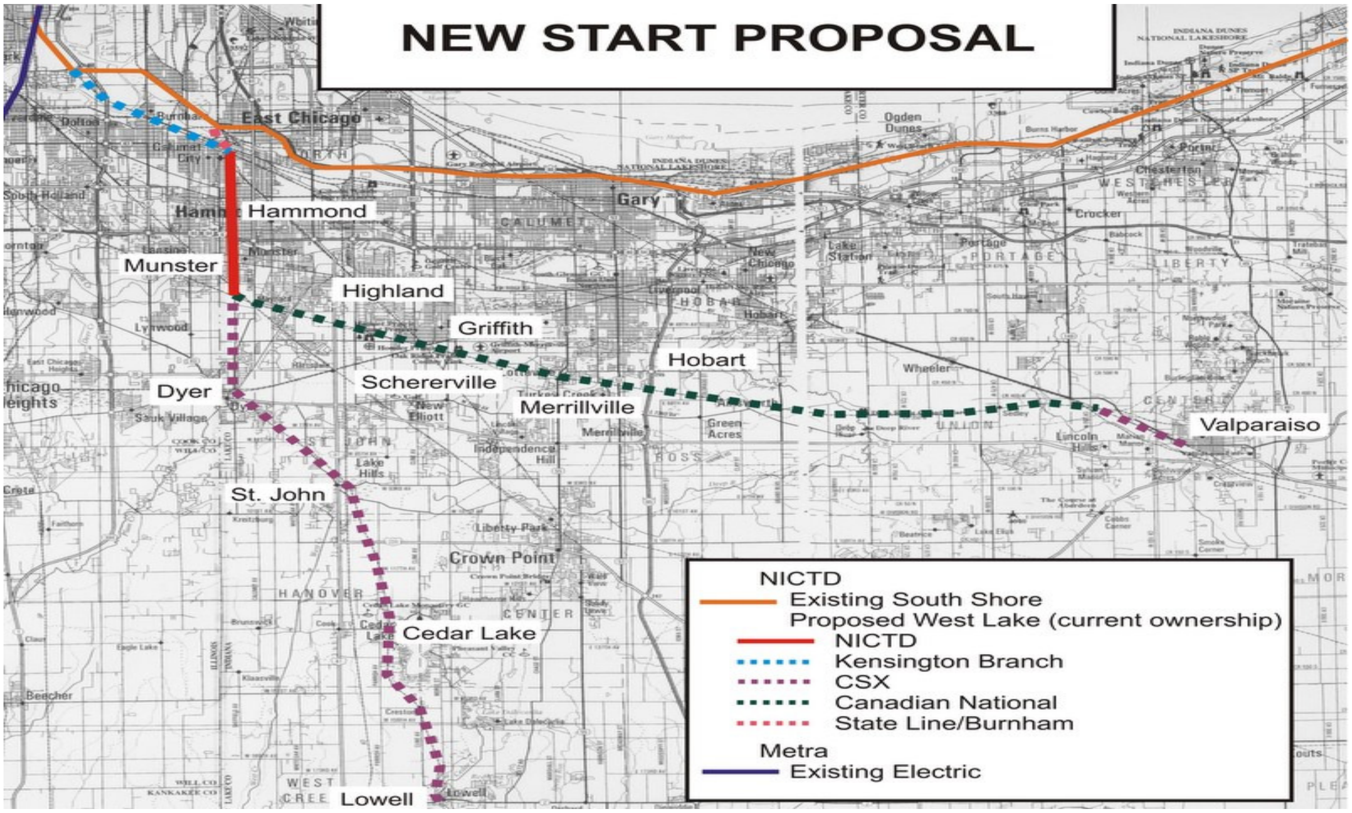
Source: NICTD

Project Costs

Construction on the West Lake Corridor expansion from Chicago to Lowell and Valparaiso is expected to take place over seven years at a cost of more than $1 billion in nominal dollars. Because of the lead-time required for design and preliminary work, the project is slated to begin in 2009, rather than in 2007 as previously anticipated. The additional inflation resulting from the delayed start produces a slightly different investment budget than what was outlined in the Phase I report.

Chart 3: Annual Average Wage Comparison (2005)





Revenues

The West Lake Corridor project is a major investment and will require significant federal matching dollars. The process for obtaining funding is both time consuming and complex. Federal funding is projected to come from the Federal Transit Administration's New Start's program. NICTD is seeking a grant that would supply 50% of the project's cost in federal dollars matched by 50% in non-federal funds. Transportation projects eligible for New Starts funding include light rail, commuter rail, and other fixed-guideway systems. To participate in the New Starts process, planners identify the transportation needs of a region and formulate several possible solutions. A "locally preferred alternative" is chosen that provides the best fit for the region. The transportation authority then applies for a New Starts grant to leverage local funds. The New Starts funding process is very competitive as many regions vie for relatively limited transportation dollars.

Phased Implementation—Chicago to Munster

In the event that sufficient revenue streams are not available for bonding, NICTD could implement the West Lake Corridor expansion in stages. The first logical construction phase would be the Chicago to Munster segment. Once this segment is completed, the lines to Lowell and Valparaiso could be finished as revenue becomes available. The total cost for the Chicago to Munster segment is $308.4 million in nominal dollars, approximately 30% of the total project cost.

As with the fully implemented plan, federal New Starts funding would finance 50% of the development cost. RDA development revenues would be sufficient to finance the non-federal share of the Chicago-Munster leg, without the aid of an additional bond.

Table 10

Phased Implementation - Chicago to Munster

(Millions of nominal dollars)

Construction Expenses	Expenses
Guideway and Track Elements	$76.4
Stations, Stops, Terminals, Intermodal	22.2
Support Facilities: Yards, Shops, Admin	-
Sitework and Special Conditions	33.9
Systems	60.6
Subtotal	**193.0**
R.O.W., Land, Existing Improvements	6.7
Vehicles	8.4
Professional Services	58.2
Unallocated Contingency	42.3
Total Project Cost	**$308.4**

Source: NICTD

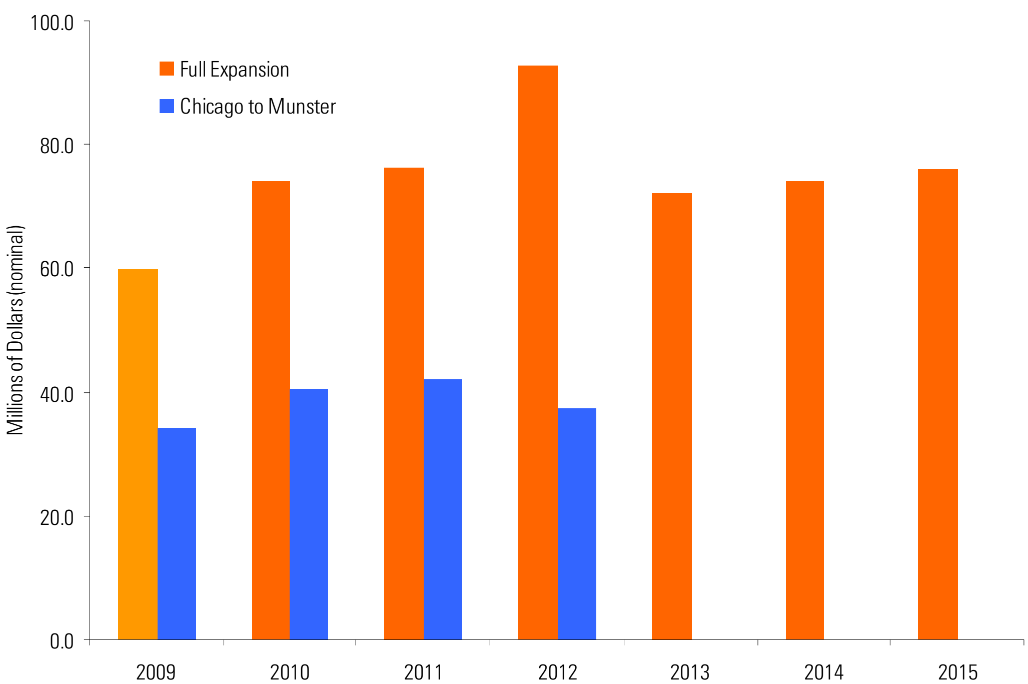
Transportation Funding Referenda

In some cases, transportation development projects require a public ballot referendum to unlock alternative funding sources. These ballot measures often involve committing an increase in property tax, income tax, or sales tax to the transportation project. Communities across the country have shown commitment to well-planned public transit projects by approving special ballot measures.

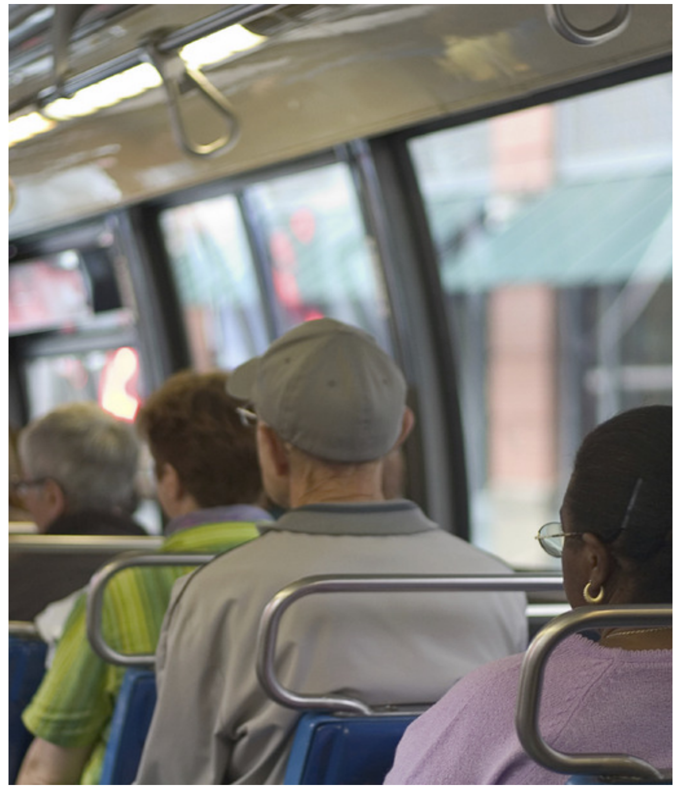
In 2004, Denver citizens approved a measure to develop a $4.7 billion public transportation system, called FasTracks. By 2016 the city will have in place a public transportation system that includes over 100 miles of new light and commuter rail, rapid transit service, and expanded bus service. The new public transportation system will also underpin new transit oriented development being planned around the city. To complete this plan, Denver residents voted to increase a transportation-dedicated sales tax from 0.6%to 1%. Other cities have chosen to use dedicated taxes to fund their transportation programs. For example, the Bay Area Rapid Transit (BART) system in the San Francisco region also uses a sales tax to fund its budget.

Not all tax referenda survive voter scrutiny. For a tax issue to be approved its return must be well-documented and supported, and voters must the transportation initiative's value to be worth its cost.

Chart 4: WLC Project Cost



Regional Bus Authority



Northwest Indiana is currently underserved by a fragmented public bus transportation system. Service is limited to the three largest Lake County cities, and most routes are confined by municipal boundaries. The Regional Bus Authority is tasked with creating and operating a cohesive regional bus system to provide increased mobility opportunities for northwest Indiana residents.

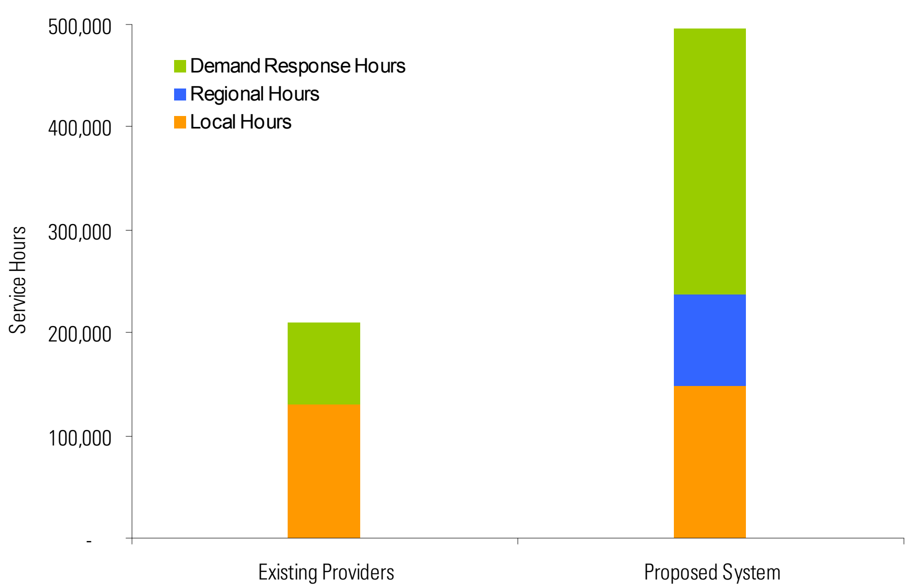
An optimized transportation offers an alternative to automobile transportation, and can provide cost savings by reducing expenses related to fuel and car maintenance. A regional bus system also provides important opportunities to residents with limited mobility. By facilitating a integrated transportation system, the RBA will allow both choice and transit dependent riders to travel to and from home, work, and other necessary destinations.

In 2006, the RBA, through its consultant produced a strategic and operations plan that outlined the framework of a regional bus system, and presented three operating options. This analysis uses the "universal operator" option, where the RBA assumes control of all local, regional, and demand response transportation duties in the region. The universal operator provides a single management structure and point of accountability for the bus system. In this scenario, the Regional Bus Authority would provide more than twice as many service hours as the local operators do currently. The regional bus system is expected to bring an economic return of $7.2 billion and add 7,000 jobs to the region's economy.

Capital Cost

The new regional bus system will require two types of capital investment: upfront capital cost and ongoing fleet replacement cost. The upfront capital cost is the cost to acquire the assets needed to operate the regional bus system. This includes the purchase of 42 basic low-floor buses for fixed route service, 52 new 15 passenger vehicles for demand response service, 150 shelters, 4 transit centers, and technology infrastructure. The upfront capital cost is estimated at $30 million, amortized over 12 years for an annual contribution of $3.3 million. The ongoing fleet replacement cost is the cost to replace existing vehicles in the fleet as they become obsolete. The fleet replacement costs are estimated at $3.6 million for the first year of operation.

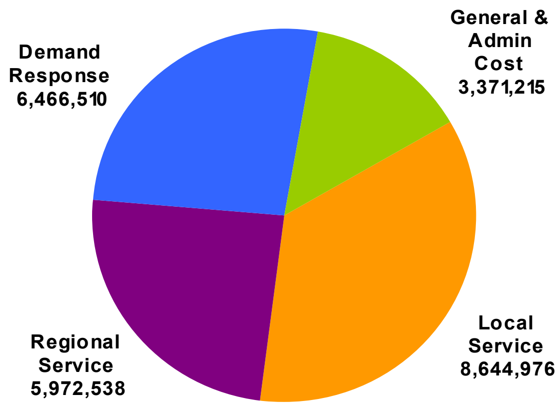
Chart 5: RBA Service Hour Comparison



Operating Cost

Operating costs for the regional bus system under the universal operator scenario are estimated at $24 million for the first year. General and administrative costs account for 14% of operating costs. Fare revenue will only cover part of the system's operating cost, resulting in an annual operating deficit. Development authorities typically invest resources in capital projects that will produce a return, not on the day-to-day operations of governmental agencies. The RBA board has indicated it will not apply to the RDA for operating subsidies.

Chart 6: RBA Operating Expenses



Revenue

The RBA's capital costs will be financed through a mix of federal programs and grants, and non-federal sources. Federal section 5307 funding is based on a formula allocation to the Chicago consolidated metropolitan statistical area [CMSA]. The funds are eligible for vehicle preventive maintenance and capital expenditures, and require a 20% local match. Section 5309 funds are discretionary federal funds allocated through the federal programs. Section 5309 funds require a minimum 20% local match, though overmatching is recommended. Funding from the Section 5310 program provides capital assistance to improve mobility for the elderly and persons with disabilities, and requires a 20% local match. Transportation initiatives in rural areas may be eligible for section 5311 funding. The purpose of this program is to enhance access in non-urban areas to employment, public services, shopping, education and other destinations.. The Job Access and Reverse Commute (5316) program is to assist low income individuals and welfare recipients in traveling to and from places of employment. Combined, these federal revenue sources may subsidize no more than 80% of capital expenses.

Table 12

RBA Capital Investment
Year 1

Fund	Total Cost	Fed. Share	Loc. Share
Upfront Capital	3,272,713	2,618,170	654,543
Ongoing Fleet Replacement	3,599,286	2,879,429	719,857
Total	**6,871,999**	**5,497,599**	**1,374,400**

The RBA will require nearly $1.4 million in local capital funding in its first year of operation as shown in Table 8. The local capital match is projected to grow in line with inflation.

Table 11

Federal Capital Revenue Sources

Program	Description	Federal Share	Local Share
5307	Preventive maintenance; capital investment	80%	20%
5309	Discretionary capital investment	80%	20%
5310	Capital investment; improve mobility for elderly and disabled	80%	20%
5311	Capital investment; rural formula	80%	20%
5316	Capital investment; job access and reverse commute	50%	50%

Shoreline Development

Shoreline development is a core economic development strategy which will substantially impact the quality of life for Northwest Indiana's residents and visitors. For over a century, approximately two-thirds of the shoreline from the Illinois border eastward to Burns Waterway has remained in industrial private ownership. Lake and Porter counties benefit from the manufacturing economy and employment base but do so at the cost of limited public access to another major asset, Lake Michigan. As shoreline firms downsize due to technological innovation and global competition, underutilized and sizeable parcels are expected to be made available for redevelopment. The primary goal of the Marquette Greenway is to recapture at least 75% of the shoreline for public use. Greater public access will strengthen the public's affinity to the lakefront, while the diversified economic activities will help to transform the regional economy.

Conceptual Development Plan

Unlike the other RDA targeted investments, the Marquette Greenway consists of a series of singular projects involving lakefront property either under the jurisdiction of five municipalities or within private ownership. The shoreline communities are undergoing the process of solidifying their lakefront vision and codifying their respective Marquette Greenway master plans. With respect to the RDA, the Cities of Portage, East Chicago and Gary have submitted proposals totaling $29 million for Marquette Greenway planning initiatives. Whiting is undergoing a planning process, but has yet to submit a proposal. Mittal Steel in East Chicago and United States Steel in Gary each respectively own seven miles of lakefront property and each have identified potential Marquette opportunities. While stakeholders to discussions, neither firm is currently engaged in a formal Marquette Greenway public planning process related to their properties.

Currently insufficient data exists on shoreline redevelopment projects because most cities, with the exception of Portage, are in the due diligence phase of planning. In phase one of RDA's comprehensive planning process, Policy Analytics met with city and industry officials to understand the local vision, availability of land and barriers to rapid redevelopment. From this, Policy Analytics conceptualized parcels into project areas based on the following criteria:

1) If the city had a plan, those parameters would define the project area
2) If the city identified parcels but had no defined project, then the parameters of the project area would be used and an appropriate mix of potential land reuses would be selected
3) If the city or firm identified parcels as potential trail linkages between shoreline communities
4) If industrial shoreline parcels had been discussed but neither strictly identified nor defined as a project, then the parcel was considered developable at a future date.

An environmental review of each project area sought data on known contamination or potential conditions to first determine the range of remediation costs and secondly, the appropriate future land uses in relationship to human health. In terms of costs, the private sector bears primary responsibility, as owners and responsible parties, for environmental remediation. Abandoned property and certain conditions may result in the public sector paying for all or a portion of the costs of environmental clean-up on a case by case basis. Generally-speaking though, the bulk of public sector investment goes towards planning, heavy infrastructure and initial development as the stimulus to additional and ongoing private investment.

When fully developed, the Marquette Greenway is projected to grow economy by $38.9 billion in regional gross product, to add 39,000 new jobs and 60,300 new residents. For every dollar invested, personal income and economic activity will increase by $421 and $1,292 respectively.

Marquette Greenway Proposed or Conceptual Project Areas

Project Area	Description
City of Portage	New public access through creation of a 60-acre lakefront park and beach. The Northside District plan includes over 1,400 acres of mixed use, destination retail and transit-oriented development.
City of Whiting	Improvement to existing public access. Creation of new lakefront, marina-based and mixed use development with connectivity to downtown business district.
Mittal Beach	New public access at lakefront accessible from either regional bicycle trail or parking lot. New connectivity between shoreline communities.
City of East Chicago	Improvement to existing public access. Creation of new lakefront park system and regional trail combined with marina-based, mixed use development. Connectivity to downtown business district and residential neighborhoods.
City of Gary	Improvement to existing public access. Creation of lakefront park system and regional trail and new marina-based, mixed use development.
City of Hammond	Enhancements to existing public access to improve environment and public safety at Bird Sanctuary.
USS W 200 Acres	New public access through environmental restoration and mixed use development. Leverage proximity to natural areas, Gary/Chicago International Airport, the East Chicago and Gary joint South Shore lakefront.
Stateline Energy in Hammond	Long-run investment potential to create new public access for seamless integration of the Chicago Burnham lakefront plan with Northwest Indiana's Marquette Greenway.
BP Beach	Enhancement to infrastructure to complement Whiting's shoreline development and regional trail connectivity to Mittal Beach and other shoreline communities.
BP Wastewater Treatment	Enhancement to infrastructure to complement Whiting's shoreline development and regional trail connectivity to Mittal Beach and other shoreline communities.
Mittal Peninsula - Western side of Base	New public access on Pennisula with limited development.

Source: Policy Analytics, LLC, 2007

Project Costs

Public investment in the Marquette Greenway falls into three categories: planning, infrastructure or development costs. Planning costs capture pre-development activities such as due diligence and technical analysis in preparation of a master plan. Infrastructure costs cover heavy infrastructure and major construction activities like railroad relocation, water-related systems, new roadways and environmental restoration. Development costs include other necessary capital improvements or construction activities required for private sector development.

The estimated development cost of the eleven project areas is $139.1 million occurring over an aggressive fourteen year timeframe. As each project is more clearly defined through planning and implementation stages, the estimated costs may likely exceed these conservative estimates based on hypothetical development scenarios. It is no surprise that the three project areas—Stateline Energy, City of Gary and USS West—with the largest square area and heavily industrialized parcels exceed $20 million in public investment. In the case of Stateline, business conditions would dictate development and it is assumed not until 2017. The Cities of Whiting and East Chicago each represent mid-range shoreline investments between $15-16 million. A common element between the two project areas is that shoreline development may stimulate direct economic revitalization in downtown business districts and established neighborhoods more inland. The remaining project areas are under $10 million each on a parallel development timeframe from 2007 to 2014.

Federal Revenues and Match Rates

In consultation with Congressman Peter Visclosky's office, Policy Analytics surfaced seven Federal programs areas that are likely to fund a portion of the Marquette Greenway vision. Some of the U.S. Army Corps of Engineers program areas appear likely revenue sources, especially under Sections 125 and 219 specifically mention Lake and Porter counties. These programs offer funding for ecosystem restoration, water and sewer infrastructure and economic development activities.

Table 13

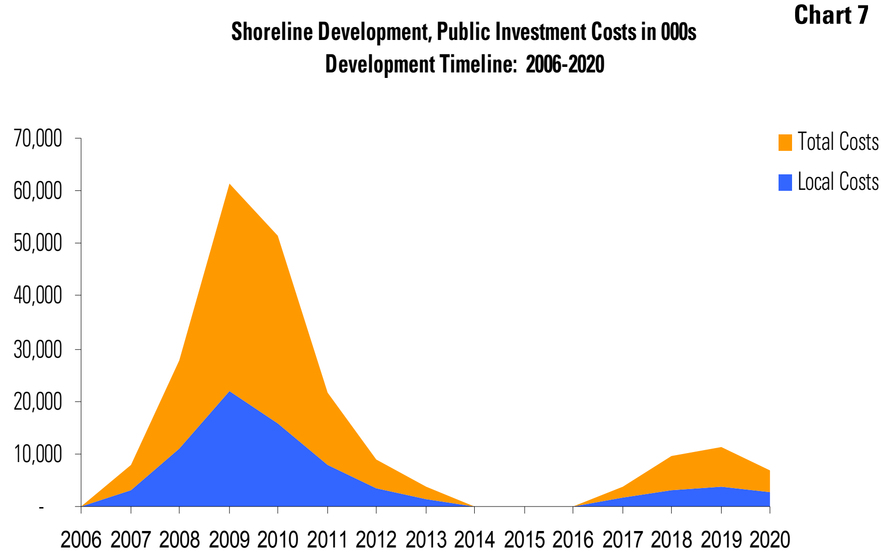
Shoreline Development Costs and Revenue

Project Area	Start Date	Estimated Nominal Costs	Federal Revenue	Effective Match Rate
Stateline Energy in Hammond	2017	$20,281	$11,268	56%
City of Hammond	2008	$5,251	$2,467	47%
City of Whiting	2007	$15,743	$9,265	59%
BP Beach	2009	$5,106	$1,592	31%
BP Wastewater Treatment	2009	$3,755	$1,149	31%
Mittal Beach	2009	$9,349	$7,588	81%
Mittal Peninsula - Western side of Base	2009	$7,554	$3,853	51%
City of East Chicago	2007	$16,406	$12,197	74%
City of Gary	2007	$21,143	$13,099	62%
USS W 200 Acres	2009	$29,933	$18,542	62%
City of Portage	2007	$4,652	$1,513	33%
Total Public Investment Costs		**$139,173**	**$82,533**	**59%**

Source: Policy Analytics, LLC, 2007

Policy Analytics created revenue scenarios for each of the project areas' costs the programmatic match rates shown in Appendix C. Effective match rates represent an estimated amount of the development costs leveraged by Federal funding. Approximately $56.6 million can potentially be procured through the seven programs thereby lowering the initial local public investment by 40% from $139.1 to $82.5 million.

Chart 7



Approximately one-third of the estimated total costs for the City of Portage and BP project areas may be leveraged by Federal revenues. In the case of Portage, the Marquette project is nearing the infrastructure and development stages; therefore, most of the planning costs have for the most part already been expended. Stateline Energy, City of Hammond and Mittal Peninsula have effective match rates between 47%-56%. The Cities of Whiting and Gary and United State Steel-West property contain between 150-200+ acres each. Infrastructure costs are a significant expense category given the size, and in cases of Gary and USS, a lack of infrastructure. It makes sense then that the effective match rate is nearly two-thirds of the public investment. Over a 14 year schedule, public investment increases in 2007 as RDA and other sources of revenue flow into planning efforts. The investment peaks in 2009 at $22 million then declines to zero by 2014. This model assumes changing economic conditions by 2017 that may afford an opportunity for redevelopment at Stateline Energy.

This analysis of shoreline development constitutes a comprehensive but limited development vision with estimated costs and revenues. The properties discussed recapture miles of shoreline and thousands of adjacent acreage into economic reuse for recreational and natural purposes. Policy Analytics understands that other Marquette Greenway projects exist and recognizes delayed development opportunities that are constrained by industrial productivity and employment value. Additionally, critical path factors such as environmental contamination require pre-development planning and in many cases, significant investments by the private and public sectors.

Appendix A

RDA Revenue and Use Scenarios

RDA Investment Scenario Summary

	Scenario A	Scenario B	Scenario C	Scenario D
Revenue [in thous]				
Casino Rev/EDIT Tax Rev	$17,500	$17,500	$17,500	$17,500
Major Moves Rev to RDA	$10,000	$10,000	$10,000	$10,000
Food and Beverage Tax Rev	none	none	none	$10.7m begins CY 2007 for Lake and Porter Co's
Major Moves Rev to GYY	$20,000	$20,000	$20,000	$20,000
Loc Option Income Tax Rev			$19,500 at .15%	$19,500 at .15%
Development Expenditures				
Gary Chicago Airport	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match
Shoreline Development	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match	All Req'd Local Match
NICTD South Shore	All Req'd Local Match Full West Lake Corr	Req'd Match for Munster Leg Only	30% of Req'd Local Match - Full W Lake	30% of Req'd Local Match - Full W Lake Corr
RBA Bus Transit	Annual Capital Req's	Annual Capital Req's	Annual Capital Req's	Annual Capital Req's
Bonding	None	None	Bond for 35% of Project Costs for WLC	Bond for 35% of Project Costs for WLC
Financial Performance				
Annual Operating Balance	negative in 2009	Negative 2009-12	Negative 2009-12	Negative 2009
Cumulative Balance	negative in 2009	Positive by 2015	Positive Throughout	Positive Throughout
Opportunities Missed	WLC not affordable	Commuter Rail to Munster Only	No Convention Center or other Projects	Funds available for Other Projects

Current and Potential Revenues and Targeted Investments with Net Local Costs

Scenario A

[Revenue in Thousands of 2007 dollars; Costs in Nominal Dollars]

RDA Revenues Under Current Law; Projected by Year (in $000s of 2007 $'s)																					
Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Project Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Sources and Uses by Category																					
Statutory Revenue																					
Casino Revs and EDIT tax Rev	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Major Moves Distribution [RDA]	2,500	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000		-	-	-	-						
Food and Bev Tax Rev	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	20,000	37,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Less: Estimated Admin Expenditures	337	315	326	338	349	362	374	387	401	415	430	445	460	476	493	510	528	547	566	585	606
Rev Available for Development	19,663	37,185	27,174	27,162	27,151	27,138	27,126	27,113	27,099	27,085	17,070	17,055	17,040	17,024	17,007	16,990	16,972	16,953	16,934	16,915	16,894
Revenue for Development and Distribution																					
Major Moves Distribution [GYY]	-	20,000	-	-	-	-	-	-	-	-											
Subtotal Other Devel. Revenue	-	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Development Revenue	**19,663**	**57,185**	**27,174**	**27,162**	**27,151**	**27,138**	**27,126**	**27,113**	**27,099**	**27,085**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**
Development Exp's / Investments																					
Budgeted Development Exp's	-	183	192	202	212	222	234	245	257	270	284	298	313	329	345	362	380	399	419	440	462
Planning Expenditures	474	-	-	-	-	-	-	-	-	-											
Project Investments																					
Gary Chicago Airport		4,675	15,432	9,770	952	-	-	272	325	1,665	26,200	27,225	28,586	30,015	31,516	33,092	731	768	70,045	72,701	76,491
MGP/Shoreline	-	3,004	11,806	26,327	17,571	7,903	3,301	1,355	-	-	-	1,692	3,035	3,938	2,603						
NICTD at 100% of Local Match Cost		17,500		59,810	74,154	76,139	92,727	72,269	74,163	76,093											
RBA		1,374	1,416	1,458	1,502	1,547	1,593	1,641	1,690	1,741	1,793	1,847	1,902	1,960	2,018	2,079	2,141	2,206	2,272	2,340	2,410
Total Development Exp's	474	26,554	28,653	97,365	94,180	85,588	97,621	75,537	76,178	79,499	27,993	30,763	33,523	35,913	36,137	35,171	2,873	2,974	72,317	75,041	78,901
Balance of Development Resources	19,189	30,631	(1,479)	(70,203)	(67,029)	(58,450)	(70,495)	(48,425)	(49,079)	(52,414)	(10,493)	(13,263)	(16,023)	(18,413)	(18,637)	(17,671)	14,627	14,526	(54,817)	(57,541)	(61,401)
Cumulative Balance Devel. [in mill's]	**19.2**	**51.8**	**51.6**	**(20.8)**	**(91.8)**	**(155.4)**	**(233.3)**	**(290.0)**	**(348.8)**	**(412.5)**	**(433.9)**	**(458.6)**	**(486.9)**	**(518.4)**	**(551.0)**	**(583.3)**	**(582.5)**	**(581.8)**	**(653.9)**	**(730.7)**	**(813.4)**

Source: Policy Analytics, 2007

Current and Potential Revenues and Targeted Investments with Net Local Costs

Scenario B

[Revenue in Thousands of 2007 dollars; Costs in Nominal Dollars]

RDA Revenues Under Current Law; Projected by Year (in $000s of 2007 $'s)																					
Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Project Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Sources and Uses by Category																					
Statutory Revenue																					
Casino Revs and EDIT tax Rev	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Major Moves Distribution [RDA]	2,500	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000		-	-	-	-						
Food and Bev Tax Rev	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	20,000	37,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Less: Estimated Admin Expenditures	337	315	326	338	349	362	374	387	401	415	430	445	460	476	493	510	528	547	566	585	606
Rev Available for Development	19,663	37,185	27,174	27,162	27,151	27,138	27,126	27,113	27,099	27,085	17,070	17,055	17,040	17,024	17,007	16,990	16,972	16,953	16,934	16,915	16,894
Revenue for Development and Distribution																					
Major Moves Distribution [GYY]	-	20,000	-	-	-	-	-	-	-	-											
Subtotal Other Devel. Revenue	-	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Development Revenue	**19,663**	**57,185**	**27,174**	**27,162**	**27,151**	**27,138**	**27,126**	**27,113**	**27,099**	**27,085**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**	**17,500**
Development Exp's / Investments																					
Budgeted Development Exp's	-	183	192	202	212	222	234	245	257	270	284	298	313	329	345	362	380	399	419	440	462
Project Investments																					
Gary Chicago Airport		4,675	15,432	9,770	952	-	-	272	325	1,665	26,200	27,225	28,586	30,015	31,516	33,092	731	768	70,045	72,701	76,491
MGP/Shoreline	-	3,004	11,806	26,327	17,571	7,903	3,301	1,355	-	-	-	1,692	3,035	3,938	2,603						
NICTD [Munster only]		17,500		34,233	40,578	42,001	37,402														
RBA		1,374	1,416	1,458	1,502	1,547	1,593	1,641	1,690	1,741	1,793	1,847	1,902	1,960	2,018	2,079	2,141	2,206	2,272	2,340	2,410
Total Development Exp's	474	26,554	28,653	71,788	60,603	51,451	42,296	3,268	2,015	3,406	27,993	30,763	33,523	35,913	36,137	35,171	2,873	2,974	72,317	75,041	78,901
Balance of Development Resources	19,189	30,631	(1,479)	(44,625)	(33,453)	(24,313)	(15,170)	23,844	25,084	23,679	(10,493)	(13,263)	(16,023)	(18,413)	(18,637)	(17,671)	14,627	14,526	(54,817)	(57,541)	(61,401)
Cumulative Balance Devel. [in mill's]	**19.2**	**49.8**	**48.3**	**3.7**	**(29.7)**	**(54.0)**	**(69.2)**	**(45.4)**	**(20.3)**	**3.4**	**(7.1)**	**(20.4)**	**(36.4)**	**(54.8)**	**(73.4)**	**(91.1)**	**(76.5)**	**(62.0)**	**(116.8)**	**(174.3)**	**(235.7)**

Source: Policy Analytics, 2007

Current and Potential Revenues and Targeted Investments with Net Local Costs

Scenario C

[Revenue in Thousands of 2007 dollars; Costs in Nominal Dollars]

RDA Revenues Under Current Law; Projected by Year (in $000s of 2007 $'s)																					
Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Project Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Sources and Uses by Category																					
Statutory Revenue																					
Casino Revs and EDIT tax Rev	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Major Moves Distribution [RDA]	2,500	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000		-	-	-	-						
Food and Bev Tax Rev	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	20,000	37,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Less: Estimated Admin Expenditures	337	315	326	338	349	362	374	387	401	415	430	445	460	476	493	510	528	547	566	585	606
Rev Available for Development	19,663	37,185	27,174	27,162	27,151	27,138	27,126	27,113	27,099	27,085	17,070	17,055	17,040	17,024	17,007	16,990	16,972	16,953	16,934	16,915	16,894
Revenue for Development and Distribution																					
Major Moves Distribution [GYY]	-	20,000	-	-	-	-	-	-	-	-											
Lake and Porter Income Tax @0.15%	-	-	19,500	20,003	20,519	21,049	21,592	22,149	22,720	23,306	23,908	24,524	25,157	25,806	26,472	27,155	27,856	28,574	29,311	30,068	30,843
Subtotal Other Devel. Revenue	-	20,000	19,500	20,003	20,519	21,049	21,592	22,149	22,720	23,306	23,908	24,524	25,157	25,806	26,472	27,155	27,856	28,574	29,311	30,068	30,843
Total Development Revenue	**19,663**	**57,185**	**46,674**	**47,165**	**47,670**	**48,187**	**48,717**	**49,261**	**49,819**	**50,391**	**41,408**	**42,024**	**42,657**	**43,306**	**43,972**	**44,655**	**45,356**	**46,074**	**46,811**	**47,568**	**48,343**
Development Exp's / Investments																					
Budgeted Development Exp's	-	183	192	202	212	222	234	245	257	270	284	298	313	329	345	362	380	399	419	440	462
Project Investments																					
Gary Chicago Airport		4,675	15,432	9,770	952	-	-	272	325	1,665	26,200	27,225	28,586	30,015	31,516	33,092	731	768	70,045	72,701	76,491
MGP/Shoreline	-	3,004	11,806	26,327	17,571	7,903	3,301	1,355	-	-	-	1,692	3,035	3,938	2,603						
NICTD at 30% of Local Match Cost		17,500		17,943	22,246	22,842	27,818	21,681	22,249	22,828											
NICTD Debt Service on Bond Issue				18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
RBA		1,374	1,416	1,458	1,502	1,547	1,593	1,641	1,690	1,741	1,793	1,847	1,902	1,960	2,018	2,079	2,141	2,206	2,272	2,340	2,410
Total Development Exp's	474	26,554	28,653	73,498	60,272	50,291	50,712	42,949	42,264	44,233	45,993	48,763	51,523	53,913	54,137	53,171	20,873	20,974	90,317	93,041	96,901
Balance of Development Resources	19,189	30,631	18,021	(26,333)	(12,602)	(2,104)	(1,995)	6,312	7,555	6,158	(4,585)	(6,739)	(8,866)	(10,607)	(10,165)	(8,516)	24,483	25,101	(43,505)	(45,473)	(48,558)
Cumulative Balance Devel. [in mill's]	**19.2**	**51.8**	**72.0**	**46.2**	**34.1**	**32.8**	**31.5**	**38.9**	**47.8**	**55.5**	**52.0**	**46.3**	**38.1**	**27.9**	**18.0**	**9.5**	**35.4**	**62.7**	**18.5**	**(28.7)**	**(80.4)**

Source: Policy Analytics, 2007

Current and Potential Revenues and Targeted Investments with Net Local Costs

Scenario D

[Revenue in Thousands of 2007 dollars; Costs in Nominal Dollars]

RDA Revenues Under Current Law; Projected by Year (in $000s of 2007 $'s)											
Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Project Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Sources and Uses by Category											
Statutory Revenue											
Casino Revs and EDIT tax Rev	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Major Moves Distribution [RDA]	2,500	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Food and Bev Tax Rev	-	-	10,700	11,128	11,573	12,036	12,517	13,018	13,539	14,080	14,644
Sub-Total	20,000	37,500	38,200	38,628	39,073	39,536	40,017	40,518	41,039	41,580	32,144
Less: Estimated Admin Expenditures	337	315	326	338	349	362	374	387	401	415	430
Rev Available for Development	19,663	37,185	37,874	38,290	38,724	39,174	39,643	40,131	40,638	41,165	31,714
Revenue for Development and Distribution											
Major Moves Distribution [GYY]	-	20,000	-	-	-	-	-	-	-	-	
Lake and Porter Income Tax @0.15%	-	-	19,500	20,003	20,519	21,049	21,592	22,149	22,720	23,306	23,908
Subtotal Other Devel. Revenue	-	20,000	19,500	20,003	20,519	21,049	21,592	22,149	22,720	23,306	23,908
Total Development Revenue	**19,663**	**57,185**	**57,374**	**58,293**	**59,243**	**60,223**	**61,235**	**62,279**	**63,358**	**64,472**	**56,051**
Development Exp's / Investments											
Budgeted Development Exp's	-	183	192	202	212	222	234	245	257	270	284
Planning Expenditures	474	-	-	-	-	-	-	-	-	-	
Project Investments											
Gary Chicago Airport		4,675	15,432	9,770	952	-	-	272	325	1,665	26,200
MGP/Shoreline	-	3,004	11,806	26,327	17,571	7,903	3,301	1,355	-	-	-
NICTD at 30% of Local Match Cost		17,500		17,943	22,246	22,842	27,818	21,681	22,249	22,828	
NICTD Debt Service on Bond Issue				18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
RBA		1,374	1,416	1,458	1,502	1,547	1,593	1,641	1,690	1,741	1,793
Total Development Exp's	474	26,554	28,653	73,498	60,272	50,291	50,712	42,949	42,264	44,233	45,993
Balance of Development Resources	19,189	30,631	28,721	(15,205)	(1,029)	9,932	10,523	19,331	21,094	20,238	10,058
Cumulative Balance Devel. [in mill's]	**19.2**	**51.8**	**83.3**	**69.4**	**70.1**	**82.2**	**95.3**	**118.0**	**143.1**	**167.9**	**182.7**

RDA Revenues Under Current Law; Projected by Year (in $000s of 2007 $'s)										
Calendar Year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Project Year	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Sources and Uses by Category										
Statutory Revenue										
Casino Revs and EDIT tax Rev	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Major Moves Distribution [RDA]	-	-	-	-						
Food and Bev Tax Rev	15,229	15,839	16,472	17,131	17,816	18,529	19,270	20,041	20,843	21,676
Sub-Total	32,729	33,339	33,972	34,631	35,316	36,029	36,770	37,541	38,343	39,176
Less: Estimated Admin Expenditures	445	460	476	493	510	528	547	566	585	606
Rev Available for Development	32,285	32,878	33,496	34,138	34,806	35,501	36,224	36,975	37,757	38,570
Revenue for Development and Distribution										
Major Moves Distribution [GYY]										
Lake and Porter Income Tax @0.15%	24,524	25,157	25,806	26,472	27,155	27,856	28,574	29,311	30,068	30,843
Subtotal Other Devel. Revenue	24,524	25,157	25,806	26,472	27,155	27,856	28,574	29,311	30,068	30,843
Total Development Revenue	**57,254**	**58,496**	**59,778**	**61,103**	**62,471**	**63,885**	**65,344**	**66,852**	**68,410**	**70,020**
Development Exp's / Investments										
Budgeted Development Exp's	298	313	329	345	362	380	399	419	440	462
Planning Expenditures										
Project Investments										
Gary Chicago Airport	27,225	28,586	30,015	31,516	33,092	731	768	70,045	72,701	76,491
MGP/Shoreline	1,692	3,035	3,938	2,603						
NICTD at 30% of Local Match Cost										
NICTD Debt Service on Bond Issue	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
RBA	1,847	1,902	1,960	2,018	2,079	2,141	2,206	2,272	2,340	2,410
Total Development Exp's	48,763	51,523	53,913	54,137	53,171	20,873	20,974	90,317	93,041	96,901
Balance of Development Resources	8,491	6,972	5,865	6,966	9,301	43,012	44,371	(23,464)	(24,630)	(26,882)
Cumulative Balance Devel. [in mill's]	**196.2**	**208.4**	**219.8**	**232.6**	**248.2**	**299.5**	**353.6**	**337.8**	**320.4**	**300.2**

Source: Policy Analytics, 2007

Appendix B

GYY Operating Revenue Projection

Terminal Revenue

The projections for terminal rental rates at Gary/Chicago begin at $35 per spare foot. The projected rate increases to $40 after the Phase I terminal expansion, and to $45 per square foot after the Phase III new terminal construction. The amount of eligible rental space, taken from the master plan, increases as terminal improvements are completed. San Francisco International Airport charges nearly $90 per square foot for terminal space, while the rate at Indianapolis is approximately $55 per square foot.

The GYY concession revenue projection estimates current sales of $.50 per enplanement. Once the terminal is expanded in Phase I, sales per enplanement are expected to increase to $2.00. During Phase III, a high capacity terminal will be constructed, enabling GYY to enlarge its concession program. Airports receive a portion of a concessionaire's gross sales as concession revenue—this projection assumes GYY will collect 10% of sales Memphis International Airport, a medium size hub recently reported gross concession sales of $6.01 per enplanement. The concession program at Pittsburgh International Airport yields sales of over $10.00 per enplanement.

Airports also provide additional (non-concession) services directly to passengers, including ATM and vending machines, luggage carts, and wireless internet services. Miscellaneous service revenue is estimated at $0.20 per enplanement, beginning after the terminal expansion in 2010.

Parking and Car Rental

Currently, the airport provides its passengers free parking, though the airport is expected to capitalize on this potential revenue source in the future. Parking fees are estimated to yield revenue of $2.50 per enplanement, similar to other small and medium size airports.

Airports receive car rental revenue from car rental firms through renting terminal space, receiving parking fees, and sharing a portion of car rental sales revenue. The revenue projection estimates car rental revenues of $1.75 per enplanement at GYY. The Seattle-Tacoma and Reno airports reported car rental revenue of $2.00 and $3.74.

Airfield Revenue

Currently, landing fees at GYY are $.58 cents per 1,000 lbs of landed weight. The landing fee projection estimates landing fees will remain at $.58 through the completion of Phase I, and then increase to $1.00. Once Phase II is complete, landing fees will increase again to $1.10. The landing fee projection also includes landing fee revenue from general aviation and charter activity.

Airports generally charge fuel flowage fees on all aircraft and motor fuel dispensed at the airport. Currently, the Gary Airport adds a fee of $.05 per gallon. In 2007, the fee increased to $.07 per gallon. The fuel flowage fee projections include both commercial and general aviation traffic.

Appendix C

MGP Federal Funding Sources

Identified Federal Revenue Sources and Local Match Requirement

Program Area		Type of Project Assistance	Description	Federal Share	Non-Federal Share
U.S. Army Corps of Engineers [USACE]	Section 215	Lakeshore	Restoration of the Lake Michigan Waterfront and Related Areas, Lake and Porter Counties. Habitat Restoration for the Benefit of Ecosystem, Public Health and/or Economy;	65%	35%
	Section 219	Water and sewer infrastructure	Water-Related and Resource Protection within Lake and Porter Counties	75%	25%
	Section 1135	Restoration	Three Restoration Categories: Modifications to Corps Project, Degradation related to an Existing Corps Project and Degradation related to Joint Projects between Corps and another Federal Agency. Program funding is capped at $5 million per project.	75%	25%
	Section 206	Ecosystem Restoration	Aquatic Ecosystem Restoration to improve the quality of the environment. Restoration and protection projects must be in public interest and cost effective. Program funding is capped at $5 million per project.	65%	35%
U.S. Environmental Protection Agency [USEPA]	State and Tribal Assistance Grants STAG	Water and sewer infrastructure		55%	45%
Department of Transportation [DOT]	Transportation, Community and System Preservation Program [TCSP]	Trails	Projects aimed at improving efficiency, environmental quality and stimulating private sector development.	80%	20%
Department of Housing and Urban Development [HUD]	Economic Development Initiative [EDI]	Varied	Assistance to local governments already receiving Community Development Block Grant [CDBG] funds in securing Section 108 loans for economic development and revitalization projects.	100%	-

Source: Office of Congressman Peter J. Visclosky, 2007

**Note: If project demonstrates innovative technology, cost share is 85/15.*

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Policy Analytics, LLC is an Indiana based company specializing in economic research, public finance, and policy analysis. William J. Sheldrake founded the firm in 2004 with the vision of providing creative analytical insight for public and private decision-making to business executives, elected officials and other community leaders in need of first rank research and top quality strategic thinking. The company is headquartered in Indianapolis, Indiana while working on projects throughout the state and the Midwest. Through its experienced staff, Policy Analytics brings to its projects the combined experience of over 60 years of public finance and public policy expertise and decades of private sector and academic research skills.

Project Team

To meet the project sponsor and stakeholder expectations, Policy Analytics led by President Bill Sheldrake, assembled a professional seven member team consisting of Policy Analytics' staff consultants; Hunden Strategic Partners, a Beverly Shores-based real estate and economic development firm; and Civil and Environmental Consultants, a Pittsburgh, PA-based land use, environmental planning and engineering company.

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