

Annual Report

Fiscal Year 2009



cat·a·lyst

n \ka-tə-ləst\
2 : an agent that provokes or speeds
significant change or action

Message from the RDA

Greetings!

We are pleased to have the opportunity to share this annual report with you. We hope it will provide you with insights into the role and performance of the Northwest Indiana Regional Development Authority (RDA) through calendar year 2009. The RDA is now beginning its fifth year of operations and it is maturing as an organization. During 2009, there were several key accomplishments in this regard:



Leigh Morris
Chairman

- William Q. Hanna was named Executive Director in February. He brought with him new insights and approaches, enabling us to build on the heritage of Timothy J. Sanders, who served in that role from the inception of the RDA.
- We've re-challenged and upgraded grant making and project oversight policies and procedures.
- We've codified operating and administrative policies and updated internal operating procedures.
- We initiated or completed independent studies to assure that investments contemplated in the four priority areas assigned to the RDA by the Indiana General Assembly would be feasible and to guide investment planning.
- We made nearly \$33 million in grants to support key developments impacting the four priority areas assigned to the RDA by the Indiana General Assembly.



Bill Hanna
Executive Director

As for nearly every aspect of society, 2009 was a challenging year for the RDA. The economic downturn had a pronounced impact on Northwest Indiana and on those governmental units that fund the RDA and/or rely on it for funding. One of those funding entities, Porter County, took action through its County Council to withdraw from the RDA, recall Gus Olympidis, its representative on the RDA Board since the inception of the RDA, and withhold its future payments to the RDA. These actions are being challenged legally at year's end, but the RDA continues to serve Porter County and its residents. In October, Howard Cohen, Chancellor of Purdue University Calumet, another member of the RDA Board since inception, retired from the Board and was replaced by Peter Novak, President of the Greater Northwest Indiana Association of Realtors.

In 2008, the Board authorized Policy Analytics, its general consultant, to update the original RDA Strategic Plan, and this revision continues to guide the Board's decision making. In 2009, Policy Analytics completed an intensive analysis of the sources and uses of RDA funds. That analysis is providing the Board with insights into the need to continue to focus on the four priority areas assigned to it by the General Assembly and to recognize the importance of seeking ways to augment the current funding sources. The ultimate effect of this strategy will be to multiply the transformational impact the RDA can have on Northwest Indiana.

The RDA Board and Staff continue to be dedicated to fulfilling the vision for the RDA — a catalyst to transform the economy and quality of life in Northwest Indiana.

Leigh Morris Bill Hanna

Northwest Indiana Regional Development Authority

Annual Report for the Fiscal Year 2009

December 21, 2009

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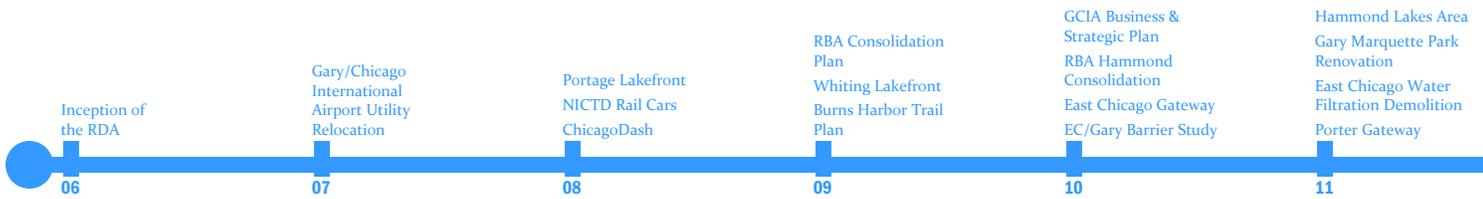
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“The RDA provides unique advantages not available to any other region in the state. There are many other regions that desperately would like to have the opportunity to have such an entity and such support from our state.”

—Chairman Leigh Morris

Northwest Indiana Regional Development Authority

Who We Are

In 2005, bi-partisan leadership championed the creation of the Northwest Indiana Regional Development Authority (“RDA”) under I.C. 36-7.5. Governor Mitchell E. Daniels, Congressman Peter J. Visclosky, key state legislators, and local elected officials understood that but for a regional development entity with statutory funding authority, large-scale catalytic projects could languish as great concepts on the shelf. The policymakers knew that the lagging economy of Lake and Porter counties trailed other areas of the state, and that major project investments were not occurring locally at the levels possible within the Chicago market. It was time to induce an agent of change in Northwest Indiana, that catalyst being the RDA.

The RDA is quasi-governmental, development entity entrusted to make public investment decisions within a regional framework for supporting catalytic infrastructure projects and inducing private sector investment. The RDA enabling statute specified four project priorities:

- Expansion of the Gary/Chicago International Airport
- Extension of the South Shore commuter rail system
- Creation of a regionalized bus transit system
- Restoration of the Lake Michigan shoreline

A fifth category allows for the consideration of other qualified projects relevant to the regional growth. Public transportation, mass transit, and shoreline development represent the core drivers for diversifying the regional economy. By focusing on these assets, the RDA is working toward building opportunities to strengthen the regional economy through modern infrastructure.

The mission of the RDA is to be a catalyst for the transformation of the economy and the quality of life in Northwest Indiana. The values of the organization are to be bold, collaborative, transparent, non-partisan, efficient, accountable, and socially-equitable in its decision making and actions.

The RDA is governed by a seven-member board appointed by each of the statutory revenue contributors. The RDA Board provides fiduciary oversight of the organization including grant allocations. The board uses a consensus-building approach in its decision making process that includes stakeholder involvement. The RDA Executive Director manages the day-to-day operations on behalf of the board and with assistance from staff and technical consultants.

The 2007 RDA Comprehensive Economic Development Plan (“Strategic Plan”) and 2008 Update serve as the guiding documents for how the RDA makes its funding allocations. This plan articulates the targeted investment development visions whereby the region can imagine and advance the realization of:

2009 Board of Directors	
Member	Appointment
Leigh Morris (Chairman)	Governor
Harley Snyder	Governor
Lou Martinez	Lake County
[vacant]	Porter County
Peter Novak	City of Hammond
Carmen Fernandez	City of East Chicago
Bill Joiner	City of Gary
Bill Hanna Executive Director	

- The Gary/Chicago International Airport developed to reach its full potential
- South Shore commuter rail service operating between downtown Chicago to Lowell and to Valparaiso
- A single, regionalized and accessible bus transit system connecting Northwest Indiana communities
- A restored Indiana Lake Michigan lakefront envisioned by the Marquette Greenway

The resource capacity for what it is truly going to take to accomplish these goals lies beyond any unit of local government. The Indiana General Assembly understood that Northwest Indiana needs regional collaboration, not balkanization, to drive the coordination of leadership, resources, and interests to attract private investment.

The RDA receives \$27.5 million in annual revenue. Of that amount, the State of Indiana contributes \$10 million per year and the local units of government provide a combined \$17.5 million annually.

The RDA then administers those dollars based on project priorities through its grant funding program. Applicants submit a request for funding proposal to the RDA for review. The RDA Board evaluates the merits of each project, including the expected return on investment as it is statutorily required. The board may approve, reject, or modify a project request. If a grant is awarded, then the RDA enters into a contractual agreement with the project sponsor and monitors the project's implementation through completion. The general public is encouraged to participate in the development process through grantee-driven engagement, coupled with opportunities to interact with the RDA board at their monthly meetings.

Phased development objectives provide for measurable progress toward complete transformation. As the four regional assets become fully developed, the return on investment will be significant (Table 1). These investments will lead to new job creation, economic growth, and higher personal income. For every RDA dollar invested, the estimated average return on investment would be \$154.36 by 2040.

Statutory Annual Revenue Sources of the RDA

State of Indiana, Major Moves Fund, \$10 million

Porter County, a portion of the CEDIT, \$3.5 million

Lake County, Casino Revenues, \$3.5 million

City of Hammond, Casino Revenues, \$3.5 million

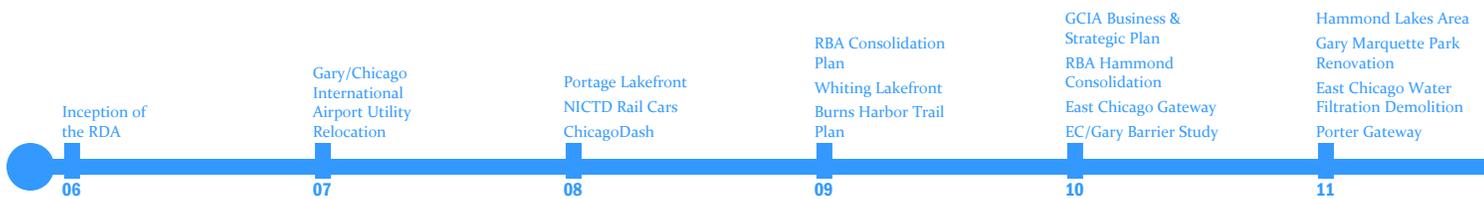
City of East Chicago, Casino Revenues, \$3.5 million

City of Gary, Casino Revenues, \$3.5 million

Table 1: RDA Return on Investment

	Gary/Chicago International Airport	Commuter Rail	Regionalized Bus System	Shoreline Development
Benefit Cost Ratio	\$117.33	\$64.62	\$13.88	\$421.60
Output Ratio	\$420.09	\$56.44	\$22.42	\$1,292.41
Cost per Job	\$2,276.00	\$21,530.00	\$46,630.00	\$772.00

Source: RDA Comprehensive Strategic Plan, 2007



2009 Accomplishments

Development Successes of the RDA-Funded Projects

The RDA has committed over \$169.9 million to 16 projects through calendar year 2011. It has leveraged over \$267.5 million from other funding sources. Therefore, for every one dollar of RDA funds invested, the return is an additional \$1.57 generated toward its priority projects. Early development project milestones, and those achievements to follow, are predicated on mutually supportive partnerships between the RDA, the grantee, and key project stakeholders.

Gary/Chicago International Airport

- Progress on pursuing railroad relocation is being made
- Comprehensive business and strategic plan underway
- Land acquisition within the airport development footprint underway

Northern Indiana Transportation Commuter District

- 14 newly manufactured passenger railcars in service
- Preliminary engineering for the Federal Transit Authority's New Starts Program underway
- Communicating with the RBA on schedule coordination underway

Regional Bus Authority

- Implementation of centralized customer service center and centralized dispatch center; creation of three regional service routes; easygo marketing underway
- Northwest Indiana Transit Consolidation Plan completed
- Northwest Lake County Transit Service and Transition Plan completed
- Consolidating the Hammond Transit Authority operations into the RBA begins
- Coordinating with NICTD train schedule underway

Shoreline Development

- Portage Lakefront Park and Riverwalk at the Indiana Dunes National Lakeshore Site dedicated
- Burns Harbor trail planning complete
- Whiting Lakefront Park Phase I project planning nearly complete
- South Shore Lakefront Revitalization Barrier & Mitigation Report, a joint project between the Cities of East Chicago and Gary, nearly complete
- Hammond Lakes' Area project underway
- East Chicago Gateway and Water Filtration Plan projects underway
- Gary's Lakefront East, Marquette Park project begins
- Porter's Gateway to the Dunes phase I project approved for funding

Other Qualified Projects

The RDA provided a reimbursable loan for gap financing to the Little Calumet River Basin Development Commission in 2008. During the 2009 state budget biennium, the Commission received additional funding for project completion.

Organizational Successes of the RDA

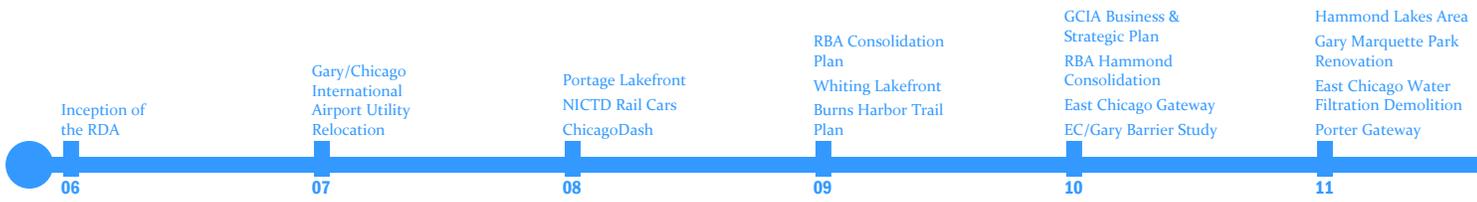
The RDA is quickly institutionalizing processes in fulfillment of its mission. Expediting development progress requires front-end, proactive efforts by the RDA. Coordination efforts include tackling unresolved project issues, fostering collaborative partnerships, and identifying leverage sources. Major organizational accomplishments in 2009 include:

- Continuing the spirit of bi-partisanship that created the RDA into a framework of regional collaboration and cooperation
- Hiring of new permanent Executive Director, William Q. Hanna
- Appointing Peter Novak as the City of Hammond's representative to the RDA Board, upon the retirement of Chancellor Howard Cohen
- Awarding approximately \$33 million in new grant funding toward development projects
- Refining of the RDA's administrative and funding program policies and procedures
- Proactive dialogue and coordination at the project level and across the targeted investments
- Clean financial and performance audits

Key Lessons to Date

The various challenges faced by the RDA this year are opportunities to strengthen the efficacy of the organization and to cultivate greater understanding around the development agenda. The lessons fold into five themes relevant to the role and responsibilities of the RDA:

1. **Collaboration** – The RDA must focus on relationship building to foster stronger collaboration between key stakeholders spanning from the Chicago metropolitan area, which includes the two-county region, to Indianapolis and Washington, D.C.
2. **Leadership** – The RDA must drive its regional development vision and provide the leadership in fulfillment of its mission.
3. **Focus** – The RDA must stay focused on its four priorities and aggressively pursue strategies to enhance revenues.
4. **Innovation** – The RDA and its grantees must think creatively about how best to finance and implement catalytic projects during this national recession and under severe municipal and state revenue constraints.
5. **Implementation** – The RDA will need to incorporate additional finance mechanisms on each project in order to spread funding across the multi-decade development horizon.





Targeted Investment
Gary/Chicago International Airport

Fully understanding the development potential of the Gary/Chicago International Airport (GCIA) represents a critical step in determining how best to maximize this regional asset. Congested air space and future transport demand in the Chicago market would be relieved by enhanced operations at Airport. However, the appropriate type and range of services that can be supported by the Airport is unclear at present. That is why earlier this year, the RDA and the Gary/Chicago International Airport Authority began collaborating on a set of development issues directed at assessing the Airport’s long-term viability.

The findings of *Review of the Gary/Chicago International Airport* (Short Elliott Hendrickson, Inc., 2008) presented a picture of an airport in need of development focus. Determining an optimal business model and expanding the main runway were top priorities for next steps. This report led to the RDA and the Airport Authority co-sponsoring the “Business and Strategic Plan,” currently in progress. This project seeks to position the airport for growth in the areas of airline commercial services, cargo, and corporate aviation. The objective of the Plan is to create a vision for the airport by identifying the key steps that need to be taken to actualize that vision and the timetable to be followed or the preferred alternative and outline how it should be pursued. Landrum & Brown, Inc. will be preparing this plan due mid-2010.

Progress has also been made with respect to railroad relocation. The GCIA has been in negotiations with Canadian National (CN) regarding the “1E Option” for the relocation of the EJ&E tracks that hinder expansion of the airport’s main runway. A preliminary memorandum of understanding (PMOU) was executed between the airport and CN. This PMOU provides a basis for additional engineering feasibility analysis on the rail configuration. It also is stimulating progress on the airport’s land acquisition program. In advance of this effort, in 2008 the airport completed the utility relocation project that consisted of moving overhead NIPSCO high-tension power lines underground.

Development Snapshot

Governing Entity
 Gary/Chicago International Airport Authority

Managing Entity
 Gary/Chicago International Airport

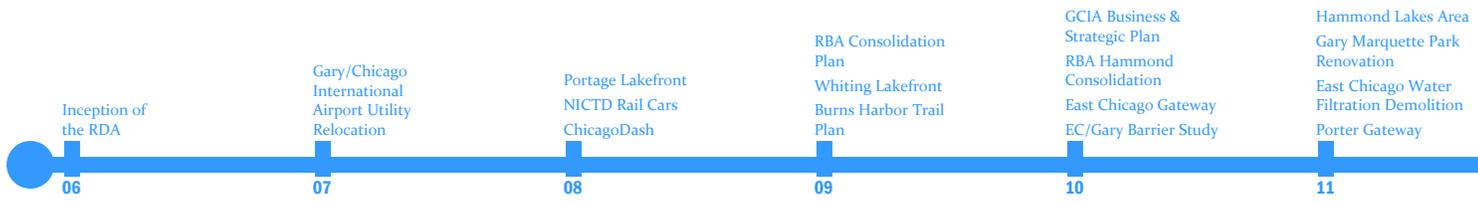
Funding Sources/Leveraging Entities
 Federal Aviation Authority (FAA), RDA

Major Operating Funding Sources
 FAA, Airport Taxing Unit

Strategic Development Documents
 2000 Master Plan, Review of the Gary/Chicago International Airport, Gary/Chicago International Business and Strategic Plan (forthcoming)

Project Activities & Total Costs
 Phase I Railroad/Utility Relocation: \$100+ million
 Strategic Plans/Reports: \$450,000

RDA Investments
 Phase I Railroad/Utility Relocation: \$20 million
 Strategic Plans/Reports: \$250,000





Targeted Investment

NICTD Commuter Rail

For over 100 years, the South Shore line has been a vital commuter linkage between downtown Chicago and South Bend — traversing through Northwest Indiana’s most urbanized communities. The Chicago central business district functions as the nucleus of commerce and employment for the greater metropolitan area. Tens of thousands of Indiana workers and tourists use this mainline daily. Cleaner air, less congestion, improved service quality, and greater inter-regional trade are direct benefits of mass transit.

South Shore line ridership dramatically increased within the past decade, as did commuter track congestion at Kensington. The Northern Indiana Commuter Transportation District (NICTD) responded to overcrowding issues with the purchase of 14 new double-decker passenger railcars in 2007. Those cars were delivered in late 2008 and are now in service. Its ongoing operations and maintenance program and coordination with METRA are also helping to alleviate service delays. The recent declines in ridership are considered temporary, indicative of the current economic conditions and reflective of other metropolitan commuter trends. However, the future demand for commuter transit services and associated infrastructure is expected to increase.

The proposed West Lake Corridor Project seeks to build commuter rail line extensions from downtown Chicago to Lowell and to Valparaiso. Population forecasts show the migration of people from the northern sections of the two-county region to the southern portions, from Illinois into Indiana. Changing population centers support expansion of services to these local termini. The feasibility of the West Lake Corridor in meeting federal funding thresholds is being further analyzed by NICTD.

Transit-oriented development (TOD) represents new opportunity for economic growth in communities along the existing South Shore line and within the proposed West Lake Corridor. TOD is characterized by mixed-use, high density centers with multi-modal access in proximity to commuter stations. It encourages land use patterns that are compact and convenient for transit-based living.

Development Snapshot

Governing Entity

Northern Indiana Commuter Transportation District

Managing Entity

Northern Indiana Commuter Transportation District

Major Development Funding Sources

Federal Transit Authority (FTA), RDA

Major Operating Funding Sources

FTA, NICTD Taxing Unit

Guiding Development Documents

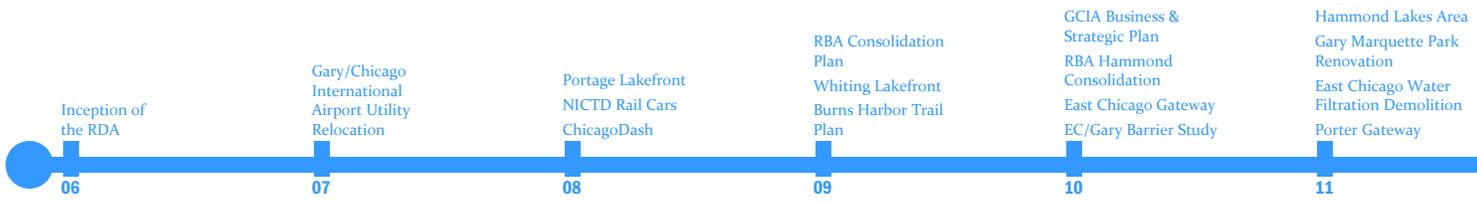
New Starts Planning Protocols

Project Activities & Total Costs

Railcar Manufacturing: \$51+ million

RDA Investments

Railcar Manufacturing: \$17.5 million





Targeted Investment

Regional Bus Authority

Beginning in 2008, the fragility of the disparate bus transit systems operating in Northwest Indiana became apparent amid the municipal fiscal crises. Both fixed-route and demand response operators struggled to make budget and service the neediest of transit-dependent riders. One Lake County agency ceased operations, disrupting customer service to clients and vendors including the Regional Bus Authority. The financial stressors challenged the RBA’s planned organizational approach to service delivery, and, in 2009, a re-evaluation of the existing transit system, beginning with fixed-route operations, resulted.

The RDA and RBA, in coordination with eight transit operators, initiated a consolidation planning process. *The Northwest Indiana Transit Consolidation Plan* (Parsons Brinkerhoff, 2009) focused on the fixed-route operations in Hammond, East Chicago, and Gary. Instead of coordinating single systems, the RBA will be taking steps to become the Consolidated Transit Operator (CTO). The CTO would be a single management entity overseeing the integration of the fixed route and demand response services into a unified regional transit operation. A similar concept was proposed in the RBA’s 2007 Strategic Plan. The recent study showed how the proposed CTO would look, function, and operate services at what cost and what rate of savings.

This report was followed by a draft *Northwest Indiana Transit Service and Consolidation Plan* (HDR Engineering, 2009) with specific action steps for the implementing the consolidation of Hammond Transit Authority operations into the RBA organization. This development project represents the first effort toward fully transferring an existing operation over to the RBA, and will serve as a model for further system consolidation.

The RBA is implementing the centralized call center and dispatch systems, overseeing contractual arrangements for regional routes, and exploring the feasibility of Lake County commuter express bus service to downtown Chicago. The RBA continues to coordinate bus routes with the NICTD train schedule and to identify an appropriate, permanent funding source. The city of Valparaiso’s Chicago Dash service to downtown Chicago is yielding a level of success as a precursor to commuter rail.

Development Snapshot

Governing Entity
Regional Bus Authority

Managing Entity
Regional Bus Authority

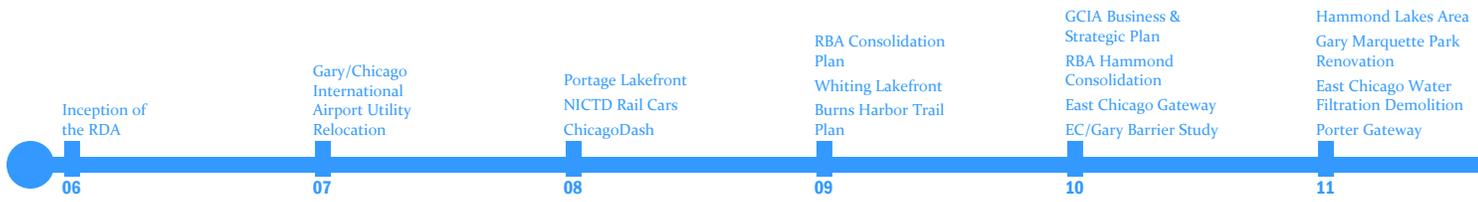
Major Development Funding Sources
Federal Transit Authority, RDA

Major Operating Funding Sources
RDA

Guiding Development Documents
2007 Strategic Plan; 2009 Northwest Indiana Transit Consolidation Plan; 2009 Northwest Lake County Transit Service and Consolidation Plan

Project Activities & Total Costs
Strategic Plan/Reports: \$625,000
Administrative: \$300,000
Capital/Operations: \$15 million
Valparaiso Express Commuter Service & Lot: \$6.1+ million

RDA Investments
Strategic Plan/Reports: \$125,000
Administrative: \$300,000
Capital/Operations: \$6.5 mm
Valparaiso Express Commuter Service & Lot: \$1.8+ million
RDA Total: \$8.7+ million





Targeted Investment
Shoreline Development

The award-winning Marquette Greenway Plan holds tremendous opportunity for reclaiming Indiana’s Lake Michigan shoreline for greater public use and access. A more livable lakefront can be achieved by creating amenities from the water’s edge to the community core. Marquette implementation involves several reinvestment strategies to change the character of lakefront. By doing so, Northwest Indiana can leverage its greatest natural assets for growing and diversifying the tax base, while improving the quality of life for residents and tourists alike.

The Portage Lakefront Park and Riverwalk at the Indiana Dunes National Lakeshore Site, dedicated in 2009, represents new public access on the lake. The Town of Burns Harbor completed a regional bike trail study as a component of the town’s comprehensive plan. The City of Whiting is working to complete the first phase of lakefront planning and sewer/water and bike trail infrastructure project. The South Shore Lakefront Revitalization Barrier and Mitigation Report, a joint study between the Cities of East Chicago and Gary, is nearly complete. The East Chicago Water Filtration Demolition project has begun, and the shoreline and community gateway land assembly project is underway. The Hammond Lakes Area project is underway as are Gary’s Lakefront East Marquette Park and Town of Porter’s Gateway to the Dunes Phase I projects.

Also this year the RDA, the Indiana Department of Natural Resources’ Lake Michigan Coastal Program, and the Northwestern Indiana Regional Planning Council entered into a memorandum of understanding for the purpose of creating a Marquette Implementation Coordinator position. The coordinator will assist these agencies in organizing, communicating, and facilitating Marquette Greenway development efforts.

Development Snapshot

Governing Entity
 Project Sponsor, Municipal Unit of Government

Managing Entity
 Project Sponsor, Municipal Unit of Government

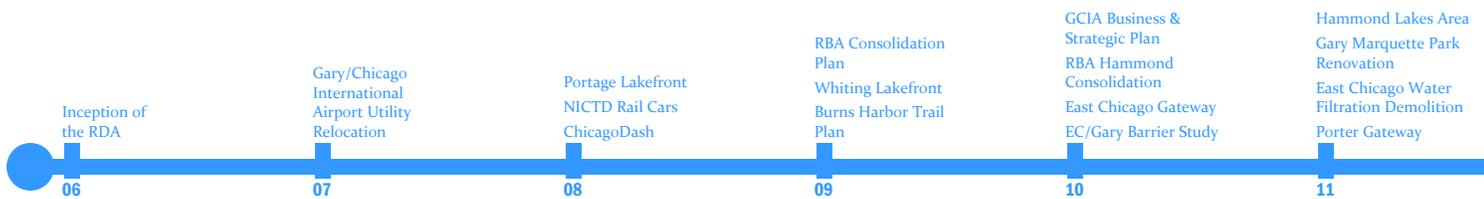
Major Development Funding Sources
 Various Federal, State, Local and Private Funds; RDA

Major Operating Funding Sources
 Municipal Unit of Government

Guiding Development Documents
 Marquette Greenway Phase I, 2005 and Phase II, 2008; Municipal Master, Comprehensive and Strategic Plans

Project Activities & Total Costs
 Hammond: \$54.2 million
 Whiting: \$4.9 million
 East Chicago: \$60.2 million
 East Chicago & Gary: \$1.1 million
 Gary: \$28.1 million
 Portage: \$12.8 million
 Burns Harbor: \$200,000
 Porter: \$30.7 million

RDA Investments
 Hammond: \$31.4 million
 Whiting: \$2.5 million
 East Chicago: \$5.8 million
 East Chicago & Gary: \$1.1 million
 Gary: \$28.1 million
 Portage: \$10.0 million
 Burns Harbor: \$50,000
 Porter: \$1.8 million



Financial Performance

2009 Financial Management Highlights

The RDA is making significant strides with respect to its development mission. The RDA has committed, or is expected to commit, more than \$169.9 million to 16 projects through calendar year 2011. Those investments have already infused approximately \$65.3 million in project funds into the local economy. The RDA's actions will have leveraged over \$267.5 million in other sources of funds by the end of this period.

The 2007 RDA Strategic Plan warned that the statutory revenue base of the RDA falls short of being capable of the full financing of all four targeted investments on the agenda and that an additional \$20 million per year would be needed for the complete build-out of the four assets. This explicit financial constraint was identified and the Authority has continued to work to find other federal or non-federal resources to complete what is a multi-decade development mission.

The current fiscal reality of the RDA is that its bottom line is rapidly changing with each grant approved. The Statement of Sources and Uses for CY 2006 through CY 2011 (Table 2) shows that the RDA's annual projected development expenditures will exceed the expected annual revenues beginning in 2010, resulting in a drawing down of accumulated balances.

Although the RDA revenues are statutory requirements, two local matters are affecting expected revenues between years 2009 and 2011. In 2009, the City of Gary found itself unable to make timely payments on many of its obligations including its required payments to the RDA. As part of the City of Gary's appeal to the State of Indiana's Distressed Unit Appeals Board, the city created a repayment workout plan for its RDA obligations. That repayment schedule is reflected in local revenues for years 2009 through 2011, shown in Table 2. Also during the past year, the Porter County Council voted to withdraw from the RDA and in a subsequent action asked the court to escrow its required annual payment of \$3.5 million from CEDIT revenues to the RDA. Those revenues have also been omitted from the expected revenues shown for CY 2009-2011.

The RDA's projected development expenditures illustrate the specific places where the Authority's investments are needed for the next two years. The RDA expects that the Airport will request funding support for implementing the 1E option for railroad relocation, which represents the last major construction barrier to expanding the main runway. Several "phase two" shoreline development projects are anticipated in 2010. The Regional Bus Authority has already proposed a grant from the RDA for up to \$5.8 million to support the RBA's contracting for the consolidation of the

Table 2: Statement of RDA Sources & Uses
 Unaudited, Actual Cash Basis for CY 2006-2009
 and Budgeted Projections for CY 2010-2011

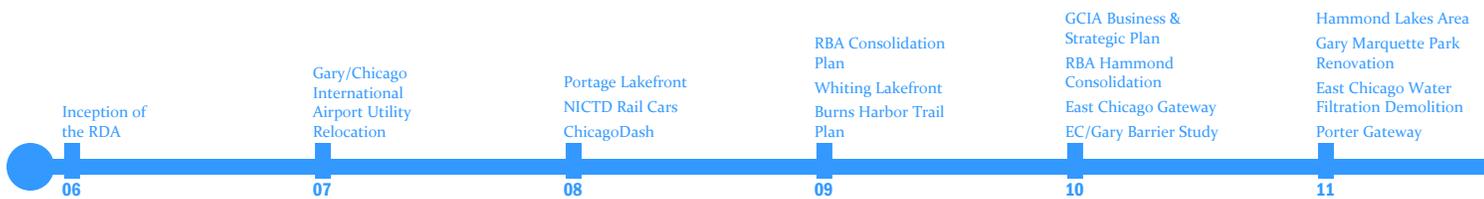
	Actuals				Projections	
	2006	2007	2008	2009 ¹	2010 ²	2011 ³
Beginning Balance	\$ -	\$39,851,010	\$41,963,049	\$51,139,879	\$ 51,011,030	\$ 25,703,013
Sources						
State of Indiana	22,500,000	25,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Local Units of Government	17,500,000	16,625,000	14,000,000	18,375,000	14,550,000	14,550,000
Interest Income	662,378	1,733,811	1,151,480	451,500	311,167	206,909
Total CY Sources	40,662,378	43,358,811	25,151,480	28,826,500	24,861,167	24,756,909
Less: RDA Admin Expenditures	337,340	310,825	588,329	795,578	850,000	850,000
Total Development Sources	\$40,325,038	\$43,047,986	\$24,563,151	\$28,030,922	\$ 24,011,167	\$ 23,906,909
Uses						
Gary/Chicago International Airport	83,178	19,916,822	-	225,000	15,000,000	15,000,000
NICTD Commuter Rail	-	17,500,000	-	-	-	-
Shoreline Development	153,350	3,201,625	8,234,187	20,649,885	31,419,184	17,696,000
Regional Bus Authority ⁴	237,500	187,500	4,069,392	4,367,628	2,900,000	2,900,000
Other Qualified Projects	-	130,000	3,082,742	2,917,258	-	-
Total Development Uses	474,028	40,935,947	15,386,321	28,159,771	49,319,184	35,596,000
Annual Operating Balance	39,851,010	2,112,039	9,176,830	(128,849)	(25,308,017)	(11,689,091)
End of Year Balance	\$39,851,010	\$41,963,049	\$51,139,879	\$51,011,030	\$ 25,703,013	\$ 14,013,922

¹Actual for 2009 Through November 30 — Projected for December 2009

²Per City of Gary Repayment Workout Plan and Porter County Funding Escrowed Under Court Order

³Per City of Gary Repayment Workout Plan and Porter County Funding Escrowed Under Court Order

⁴Including City of Valparaiso Commuter Express Bus Lot



Hammond Transit Authority’s services into the anticipated regional transit system. A key ingredient to accomplishing the RDA’s regional development mission is the use of leveraging to bring other resources to the “investment table.” The Authority’s actual and committed investments through 2011 total \$169.9 million. That amount is projected to lead to an investment total across all funding sources of approximately \$437.4 million. Of that amount, federal funds represent 38%, state funds account for 14%, while local, private, and other sources represent 9%. This investment pattern results in a total or average leverage ratio of \$1.57 of additional funding for each dollar of RDA funds invested (Chart 1). A comparison of RDA-funded projects by targeted investments shows that the NICTD passenger railcar grant leveraged an additional \$1.92 for each RDA dollar invested, followed by the airport at \$1.60 for each dollar (Chart 2).

The current financial challenge for the RDA is to continue to pursue its mission within an economic environment of fiscal crisis at all levels of government and in the international financial markets. While the U.S. and most of the rest of the developed world seem to be emerging from the worldwide recession, many problems remain. The State of Indiana and local governments in Northwest Indiana face severe limitations on budgets and revenues, making investments in long-term growth projects difficult. The first five years of the RDA’s pursuit of development have yielded many successful projects, particularly in the realm of shoreline reclamation and preservation of municipal transit systems. While these projects have relieved local municipalities of burdens which they might otherwise have had to drop, they only represent one side of the RDA’s development assignment. The vision of the RDA as catalytic agent in regional development requires the nurture and growth of the transportation assets – the Gary/Chicago International Airport and the South Shore Commuter Railroad – which reach beyond the boundaries of Northwest Indiana and connect the region to the economies of other places. In order to achieve this goal, the RDA must increase its search for ways to leverage its resources even further.

There are several potential sources of funding which can provide deep pockets or significant leveraging. The use of bonding, which is enabled in the RDA’s statute, is one important source of additional funding. Most development authorities are able to utilize debt financing for the financing of asset construction. The RDA is able to issue debt, with the restriction that the debt issued must be purchased by the Indiana Finance Authority. The other significant source of funding is the use of public private partnerships, known as P3 arrangements, which essentially allow a private source of capital and operating expertise to assist the public entity in pursuing its development. Finally, grant dollars from private foundations are available for some projects which may be used to extend the reach of the development authority.

The RDA’s mandate is a decade’s long drive for development of the economy of Northwest Indiana through the growing of the most important transportation and natural resource assets within the region. The financial resources are only adequate to achieve this goal if the RDA is both wise and strategic in choosing the most critical, most vital, and most catalytic of the projects that are presented to it. It is a difficult challenge but one in which the rewards are commensurate with the nature of the task.

Chart 1: RDA Financial Leverage by Revenue Source

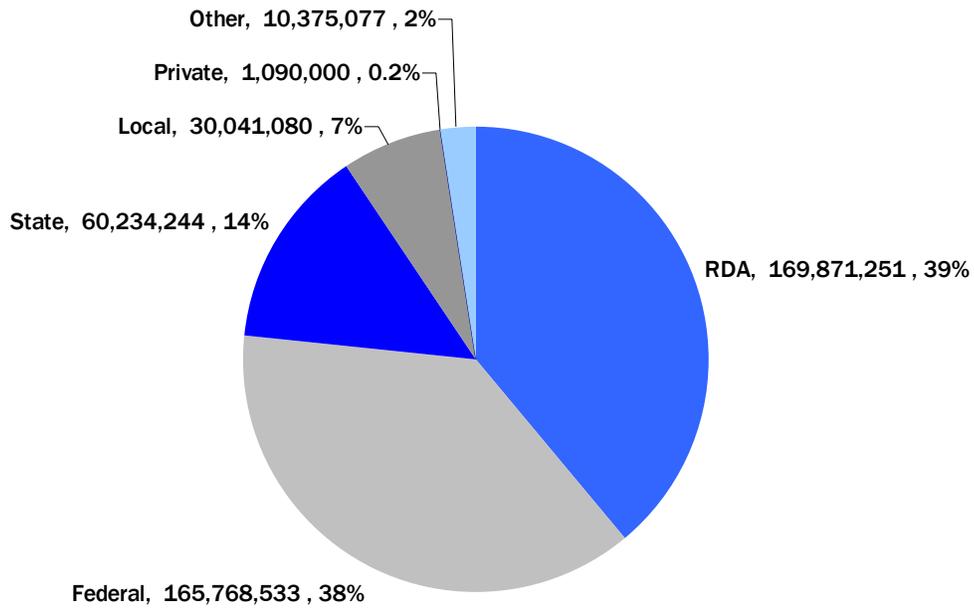
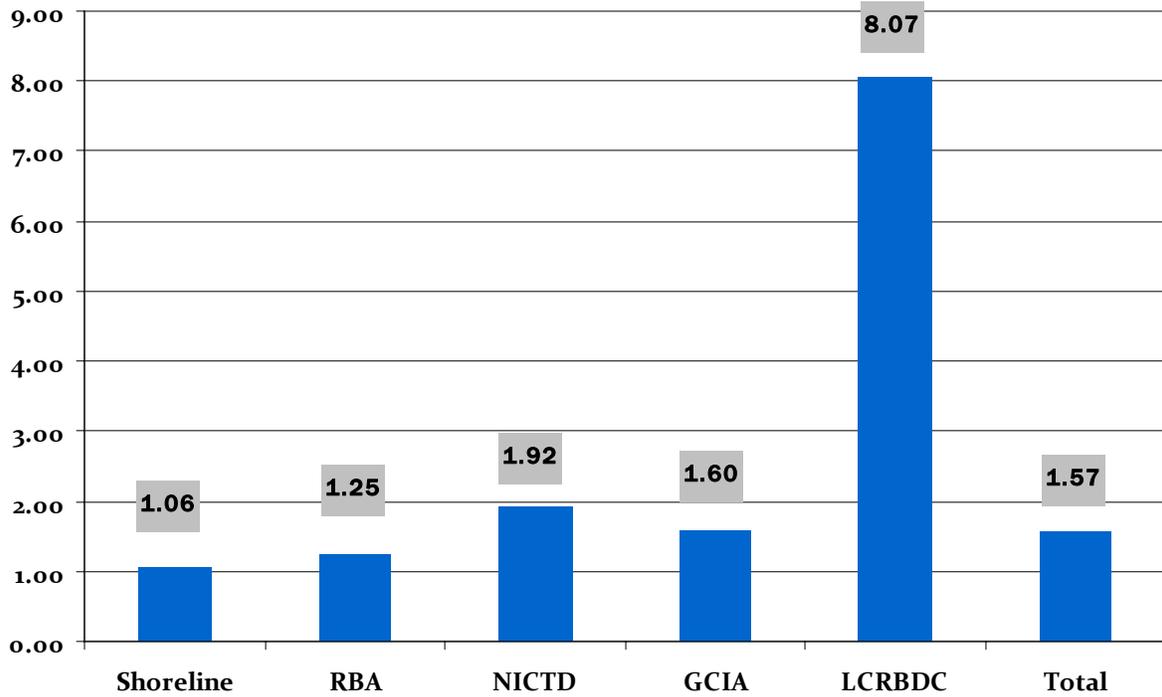
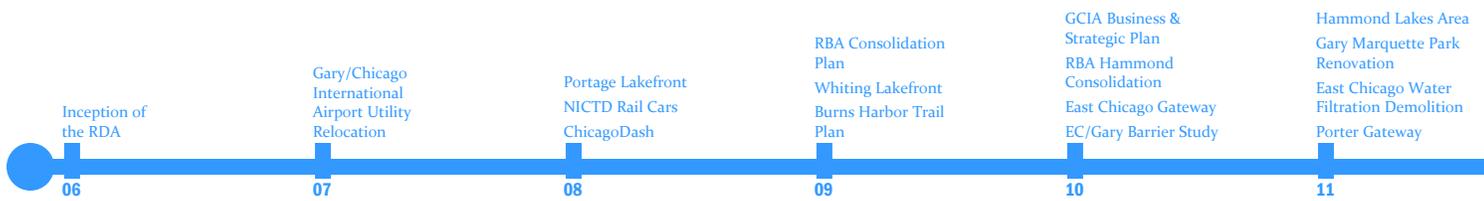


Chart 2: RDA Financial Leverage by Targeted Investment





2010 RDA Outlook

Northwest Indiana has the tremendous advantage of being located on the shoreline of Lake Michigan next to one of the most vibrant cities in the world. The combination of shoreline, industry, agriculture, and proximity to Chicago makes Northwest Indiana unique and rich with promise. Yet the region is confronted with significant challenges that are currently keeping us from realizing our incredible potential. These challenges are not insurmountable. Overcoming them will require collaborative efforts under a common vision.

The RDA was created to partner with others in the “heavy lifting” required to develop the infrastructure that will make Northwest Indiana economically vibrant. The legislation that created the RDA directs us to focus on our region’s collective assets. These regional assets are interrelated as the basic building blocks of a local economy that must become globally competitive.

Shoreline redevelopment, a fully operational Gary Chicago International Airport, and an integrated transportation system that includes the realignment and expansion of the RBA and NICTD, will position Northwest Indiana to attract private sector investment. The RDA will focus on strengthening these four pillars to create an investment-friendly environment for economic progress.

In 2010, the RDA will continue to mature as an organization and firmly establish its position as the catalyst for redeveloping Northwest Indiana. We will create opportunities to advance our objectives with a new strategic focus and clarity of mission. The 2010 priority project deliverables include:

Gary/Chicago International Airport

- A comprehensive business plan completed, follow up action agreed upon and being pursued.

Regional Bus Authority

- Hammond Public Transit successfully consolidated into the RBA. Plan for gaining long term funding and further consolidation and enhancement of other transit services agreed upon.

NICTD Commuter Rail

- Feasibility of extending services to southern Lake (Lowell) and Porter (Valparaiso) counties determined and a revised implementation plan agreed upon.

Shoreline Development

- Projects in Whiting, Hammond, East Chicago, Gary, and Porter underway; implementation coordination in place; and updating of the Marquette Plan underway.

We will seek to increase our regional impact as an organization by intensely focusing on the following:

- **Funding** – Identifying sources to supplement existing sources of capital
- **Scope** – Assuring that grants made are clearly and strictly related to the RDA mission
- **Operations** – Strengthening management of internal processes and project management to assure that the region is gaining optimal value from RDA investments
- **Communications** – Enhancing communications with all constituencies, helping to assure there is understanding of the mission of the RDA and the importance of its role as a catalyst for transformational development
- **Private Investment** – Placing increased emphasis on the generation of private investment in conjunction with projects funded by the RDA

We look forward to 2010 and are excited about carrying this important work forward on behalf of citizens and future generations of Northwest Indiana. We anticipate reporting great progress in the coming year.

Appendix

2008 Independent Financial Audit

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Indiana Regional Development Authority:

We have audited the accompanying basic financial statements of the Northwest Indiana Regional Development Authority (the "RDA" or the "Authority"), as of December 31, 2008, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Northwest Indiana Regional Development Authority as of December 31, 2007, were audited by other auditors whose report dated September 25, 2008, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion. As discussed in Note 1, beginning in fiscal year 2008, the Northwest Indiana Regional Development Authority implemented Governmental Accounting Standards Board Statement No. 34.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2008, and the results of its operations, and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the Authority's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information (page 14) has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.

Whittaker & Company PLLC
Whittaker & Company PLLC
July 9, 2009

Northwest Indiana Regional Development Authority
Statement of Financial Position
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 51,139,879	\$ 41,963,050
Accounts receivable	4,375,000	875,000
Prepaid expenses	<u>20,952</u>	<u>-</u>
Total current assets	55,535,831	42,838,050
Property and equipment		
Furniture & fixtures	<u>33,354</u>	<u>33,354</u>
Total property and equipment	33,354	33,354
Accumulated depreciation	<u>(16,682)</u>	<u>(10,009)</u>
Total property and equipment (net)	16,672	23,345
Long-term assets		
Note receivable (Note 5)	<u>3,082,742</u>	<u>-</u>
Total long-term assets	3,082,742	-
Total assets	<u>58,635,245</u>	<u>42,861,395</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	77,647	23,748
Retainage payable	103,726	-
Other related accruals	1,116,574	-
Grants payable -Due within one year	<u>9,105,074</u>	<u>7,150,311</u>
Total current liabilities	10,403,021	7,174,059
Long-term liabilities		
Grants payable	<u>2,298,303</u>	<u>4,087,588</u>
Total long-term liabilities	2,298,303	4,087,588
Total liabilities	<u>12,701,324</u>	<u>11,261,647</u>
Net assets		
Unrestricted	<u>45,933,921</u>	<u>31,599,748</u>
Total net assets	<u>45,933,921</u>	<u>31,599,748</u>
Total liabilities and net assets	<u>\$ 58,635,245</u>	<u>\$ 42,861,395</u>

Northwest Indiana Regional Development Authority
Statement of Activities
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Support		
Indiana Finance Authority	\$ 10,000,000	\$ 25,000,000
City of East Chicago	3,500,000	3,500,000
Lake County	3,500,000	3,500,000
City of Gary	3,500,000	3,500,000
City of Hammond	3,500,000	3,500,000
Porter County	<u>3,500,000</u>	<u>3,500,000</u>
Total Support	27,500,000	42,500,000
Expenses		
Program Services		
Bus study	-	6,500,000
Lake Front Revitalization, Inc.	-	1,150,000
NIRPC Household Travel Study	-	85,200
South Shore Railroad	-	17,500,000
NWI Forum	-	130,000
Portage Northside Park Project	103,726	-
Portage Northshore Park Phase II	2,865,406	-
Lake Michigan Shoreline Restoration	2,563,225	-
Shoreline Park Gateway & Community Gateway	3,900,000	-
Water Filtration Plant Demolition	1,980,000	-
Marquette Greenway Plan: Existing water plant	50,000	-
Portage 26 Acres	365,000	-
Valparaiso Redevelopment Commission Bus Acquisition	<u>1,862,000</u>	-
Total Program Services	13,689,357	25,365,200
Supporting Services		
Salaries & professional services	556,839	263,725
Operating expenses	<u>71,111</u>	<u>57,399</u>
Total Supporting Services	627,950	321,124
Total Expenses	<u>14,317,307</u>	<u>25,686,323</u>
Non-operating revenue (expense)		
Interest Income	<u>1,151,480</u>	<u>1,674,279</u>
Total non-operating revenue (expense)	1,151,480	1,674,279
Change in Net Assets	14,334,173	18,487,956
Net Unrestricted Assets - Beginning of Year	<u>31,599,748</u>	<u>13,111,792</u>
Net Unrestricted Assets - End of Year	<u>\$ 45,933,921</u>	<u>\$ 31,599,748</u>

Northwest Indiana Regional Development Authority
Statement of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Fee revenue	\$ 24,000,000	\$ 41,625,000
Payments to employees for services	(242,130)	(171,900)
Payments to grantees for awarded contracts	(15,386,321)	(40,935,947)
Payments to other suppliers for goods and services	(346,200)	(138,924)
Cash flows from operating activities	<u>8,025,349</u>	<u>378,229</u>
Cash flows from investing activities		
Investment interest income	<u>1,151,480</u>	<u>1,733,811</u>
Net cash from investing activities	<u>1,151,480</u>	<u>1,733,811</u>
Net change in cash and cash equivalents	9,176,829	2,112,040
Cash and cash equivalents at beginning of year	<u>41,963,050</u>	<u>39,851,010</u>
Cash and cash equivalents at end of year	<u>\$ 51,139,879</u>	<u>\$ 41,963,050</u>

**RECONCILIATION OF OPERATING INCOME TO CASH FLOWS
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 14,334,173	\$ 2,960,074
Interest Income	(1,151,480)	(1,733,811)
Depreciation expense	6,673	6,671
Changes in assets and liabilities		
(Increase)/Decrease in accounts receivable	-	(875,000)
(Increase)/Decrease in prepaid expenses	-	-
Increase in accounts payable and other accruals	-	20,295
Increase in grants payable	-	-
Cash flows from operating activities	<u>\$ 13,189,366</u>	<u>\$ 378,229</u>

To view the entire 2008 Audited Financial Statements with footnotes, please visit
http://www.in.gov/rda/files/Financial_Statements_December_31-2008_and_2007.pdf



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