Gary Community School Corporation

Doing What is Best for Students - Today - Tomorrow - Everyday

EMERGENCY MANAGER REPORT

DISTRESSED UNIT APPEALS BOARD (DUAB)

August 20, 2018

Prepared by

Gary Schools Recovery, LLC

Distressed Unit Appeals Board

Emergency Manager Report
Prepared by Gary Schools Recovery, LLC
August 20, 2018

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1.0 UPDATE ON VIABLE DEFICIT REDUCTION PLAN

INTERNAL BUDGET VS. ACTUAL EXPENDITURES FOR APRIL-JUNE 2018

Gary Community Schools Corporation
All Funds (Note: Separate Bank Account for Food Services)
Internal Budget vs. Actual Expenditures
Calendar Year 2018

	April Budget	April Actual	Variance	May Budget	May Actual	Variance	June Budget	June Actual	Variance
Local Sources									
Income Tax In Lieu Of Taxes									
Building Rentals		199	199		936	936		2,841	2,841
Adult Basic Education/CTE		31,772	31,772			-		4,060	4,060
Miscellaneous, Other Funds		73,118	73,118		20,971	20,971		55,542	55,542
Net Local Sources	**25,000**	**105,089**	**80,089**	**25,000**	**21,907**	**(3,093)**	**25,000**	**62,443**	**37,443**
Intermediate Sources									
Supermall School Finance Tax									
Supplemental School Finance Tax								291,901	291,901
Congressional Interest									
Net Intermediate Sources	**22,917**			**22,917**			**22,917**	**291,901**	**268,984**
State Sources									
State Tuition	3,515,938	3,515,938	(0)	3,515,938	3,515,938	(0)	3,576,306	3,576,306	0
Common School Loan	(363,495)	(363,495)	(0)	(363,495)	(363,495)	(0)	(363,495)	(363,495)	(0)
Roosevelt	(420,000)	(398,847)	21,153	(420,000)	(404,552)	15,448	(420,000)	(413,888)	6,112
Common School Loan Advance	-	2,421,641	2,421,641	-		-	-	2,499,083	2,499,083
TRF PERF - Not listed on DP54	(230,000)	(288,305)	(58,305)	(230,000)	(208,629)	21,371	(230,000)	(213,009)	16,991
Net Monthly Tuition and Loans	**2,502,443**	**4,886,932**	**2,384,489**	**2,502,443**	**2,539,261**	**36,818**	**2,562,811**	**5,084,996**	**2,522,185**
Federal Sources									
Reimburse JROTC		4,941	4,941		4,941	4,941		4,941	4,941
Indirect Costs		14,130	14,130			-			-
Medicaid Payments and Medicaid State/Federal Reimbursement		19,488	19,488		13,988	13,988		41,426	41,426
Reimbursements		650	650			-			-
Net Federal Sources	**12,500**	**39,209**	**26,709**	**12,500**	**18,929**	**6,429**	**12,500**	**46,367**	**33,867**
Food Service Fund 081					**7,580**	**7,580**			**-**
Debt Service Fund 020					**1,614,946**	**1,614,946**	**4,348,096**	**2,117,233**	**(2,230,863)**

Prepared by Gary Schools Recovery, LLC

Gary Community Schools Corporation
All Funds (Note: Separate Bank Account for Food Services)
Internal Budget vs. Actual Expenditures
Calendar Year 2018

	April Budget	April Actual	Variance	May Budget	May Actual	Variance	June Budget	June Actual	Variance
Debt Service Fund 029					**582,151**	**582,151**	**684,656**	**763,211**	**78,555**
Capital Projects Fund 035					**565,472**	**565,472**	**434,622**	**841,066**	**406,444**
Transportation Fund 041					**826,237**	**826,237**	**677,275**	**1,163,396**	**486,121**
Food Service Fund 080									
Local Sources		7,310	7,310		11,123	11,123			-
State Sources		604,512	604,512						
Net Food Service Fund	**-**	**611,823**	**611,823**	**-**	**11,123**	**11,123**	**-**	**-**	**-**
Textbook Rental Fund 090									
Local Sources									
State Sources									
Net Textbook Rental Fund	**29,167**			**29,167**			**29,167**		
Self Insurance Fund 110	**16,667**	**12,770**	**(3,897)**	**16,667**	**28,155**	**11,488**	**16,667**	**39,230**	**22,563**
Bond Proceeds Fund 293			**-**						
Retirees' Health, Dental, and Life Insurar	**50,000**	**24,652**	**(25,348)**	**50,000**	**15,830**	**(34,170)**	**50,000**	**17,458**	**(32,542)**
Special Ed	**150,000**	**8,829**	**(141,171)**	**150,000**	**157,024**	**7,024**	**150,000**	**5,774**	**(144,226)**
IDEA, Other Grants		**241,798**			**100,803**			**214,434**	
Title I and II	**516,000**	**320,974**	**(195,027)**	**516,000**	**523,635**	**7,635**	**516,000**	**242,309**	**(273,691)**
Total Revenue	**3,324,694**	**6,252,075**	**2,927,381**	**3,324,694**	**7,013,054**	**3,688,360**	**9,529,711**	**10,889,819**	**1,360,108**

Gary Schools Recovery, LLC

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Gary Community Schools Corporation
All Funds (Note: Separate Bank Account for Food Services)
Internal Budget vs. Actual Expenditures
Calendar Year 2018

	April Budget	April Actual	Variance	May Budget	May Actual	Variance	June Budget	June Actual	Variance
Expenditures									
Personnel Related Expenditures									
Salaries									
1st Monthly Payroll	1,250,000	1,071,338	(178,662)	1,250,000	1,168,166	(81,834)	1,250,000	1,172,225	(77,775)
2nd Monthly Payroll	1,250,000	1,194,704	(55,296)	1,250,000	1,162,997	(87,003)	1,250,000	942,357	(307,643)
3rd Monthly Payroll			-			-			-
Monthly Salaries	**2,500,000**	**2,266,043**	**(233,957)**	**2,500,000**	**2,331,164**	**(168,836)**	**2,500,000**	**2,114,582**	**(385,418)**
Corporation's Share of Benefits									
Cigna	650,000	516,441	(133,559)	650,000	558,990	(91,010)	650,000	473,026	(176,974)
GCSC-Insurance									
United Healthcare (Dental)	20,000	5,005	(14,995)	20,000	-	(20,000)	20,000		(20,000)
IKORCC/Indiana/Kentucky Fringe	2,771	3,048	277	2,771	2,910	139	2,771	6,208	3,437
IN State Council of Roofers	1,600	1,760	160	1,600	1,680	80	1,600	3,520	1,920
IN Dept of Workforce Dev	25,000	38,282	13,282	25,000	41,622	16,622	25,000	33,599	8,599
Lake County NECA-IBEW	2,118	2,330	212	2,118	2,224	106	2,118	4,660	2,542
Northwest Indiana Painters	1,098	1,207	109	1,098	1,152	54	1,098	3,170	2,072
Pipe Fitters Welfare	1,773	2,261	488	1,773	1,861	88	1,773	4,115	2,342
Pipefitters Assoc Local 597			-			-			-
S E I U Local 73 COPE			-			-			-
Central State Funds- Teamsters		4,859	4,859		3,919	3,919		8,777	8,777
Service Employees International			-			-			-
Standard Insurance Company	36,000	9,585	(26,415)	36,000		(36,000)	36,000	17,988	(18,012)
Underwriters Safety & Claim	8,257	21,597	13,340	8,257		(8,257)	8,257		(8,257)
Payroll Taxes	200,000	167,540	(32,460)	200,000	172,579	(27,421)	200,000	158,474	(41,526)
Underwriters (WC)	63,026		(63,026)	63,026	38,226	(24,800)	63,026	38,178	(24,848)
Monthly Benefits	**1,011,643**	**773,916**	**(237,727)**	**1,011,643**	**825,163**	**(186,480)**	**1,011,643**	**751,714**	**(259,929)**
Building, Maintenance, and Utility Related Expenditures									
Jive Communications	10,000	4,910	(5,090)	10,000	5,019	(4,981)	10,000	4,236	(5,764)
Ajax Supply	-	548	548	-	4,968	4,968	-	1,089	1,089
Indiana Water	40,000	15,813	(24,187)	40,000	17,400	(22,600)	40,000	17,206	(22,794)
NIPSCO	275,000	231,294	(43,706)	250,000	213,639	(36,361)	250,000	162,796	(87,204)

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Internal Budget vs. Actual Expenditures
Calendar Year 2018

	April Budget	April Actual	Variance	May Budget	May Actual	Variance	June Budget	June Actual	Variance
NIPSCO Agreement			-			-			-
Fire Protection, Other			-			-			-
T Mobile USA	1,600	742	(858)	1,600	738	(862)	1,600		(1,600)
Lake Station Water & Sewer	144		(144)	144		(144)	144		(144)
New Chicago Water Works (Deep River W	146		(146)	146		(146)	146		(146)
ATT/ENA	25,000	7,542	(17,458)	25,000	7,542	(17,458)	25,000	6,626	(18,374)
Gary Sanitation	65,000	33,397	(31,604)	65,000	47,881	(17,119)	65,000	25,594	(39,407)
Moving/Storage/Disposal			-		10,400	10,400			-
Al Warren Oil Company, INC		10,568	10,568		8,874	8,874			-
AAA Valley Fire -Ryan Fire Protection			-		163	163			-
Alpha Building Maintenance	100,000	98,621	(1,379)	100,000	98,621	(1,379)	100,000	98,621	(1,379)
Property Insurance-Haywood and Comme	34,000	59,647	25,647	34,000	33,878	(122)	34,000	33,878	(122)
A Better Cut			-			-			-
Buildings/Maintenance/Security		28,190	28,190		67,673	67,673		120,184	120,184
Monthly Building and Utilities	**550,890**	**491,270**	**(59,620)**	**525,890**	**516,796**	**(9,094)**	**525,890**	**470,227**	**(55,663)**
Professional Services									
External Legal Counsel	18,750	47,452	28,702	18,750	24,750	6,000	18,750	24,750	6,000
Monthly Professional Services	**18,750**	**47,452**	**28,702**	**18,750**	**24,750**	**6,000**	**18,750**	**24,750**	**6,000**
Supplies and Other									
Leasing Innovations	11,541	11,541	-	11,541	11,541	-	11,541		(11,541)
Equipment Leases	1,600	3,809	2,209	1,600		(1,600)	1,600	2,967	1,367
Monthly Operations	200,000		(200,000)	200,000		(200,000)	200,000		(200,000)
Supplies		8,922	8,922		5,621	5,621		3,932	3,932
Central States	6,000		(6,000)	6,000		(6,000)	6,000		(6,000)
Republic Services of Indiana	6,000		(6,000)	6,000		(6,000)	6,000		(6,000)
Advanced Imaging Solutions			-			-			-
Software and Equipment		17,394	17,394			-		69,058	69,058
Contracted Services		89,670	89,670		61,220	61,220		74,587	74,587
Payments to Employees		1,050	1,050			-			-
HR Services		34,988	34,988		36,859	36,859		30,815	30,815
USDA Reimbusement			-			-			-

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Gary Community Schools Corporation
All Funds (Note: Separate Bank Account for Food Services)
Internal Budget vs. Actual Expenditures
Calendar Year 2018

	April Budget	April Actual	Variance	May Budget	May Actual	Variance	June Budget	June Actual	Variance
Subs, Prof Assocs, and Memberships		42,854	42,854		5,804	5,804			-
Monthly Supplies and Other	**225,141**	**210,228**	**(14,913)**	**225,141**	**121,044**	**(104,097)**	**225,141**	**181,359**	**(43,782)**
Legacy A/P	100,000		(100,000)	100,000		(100,000)	100,000		(100,000)
Monthly Legacy A/P	**100,000**		**(100,000)**	**100,000**		**(100,000)**	**100,000**		**(100,000)**
Transportation									
Bus Contract	400,880	497,187	96,307	400,880	395,233	(5,647)	400,880	572,586	171,706
GSCS			-						
Monthly Transportation	**400,880**	**497,187**	**96,307**	**400,880**	**395,233**	**(5,647)**	**400,880**	**572,586**	**171,706**
Academic Expenditures									
Supplies		48,054	18,618		10,324	10,324		6,331	6,331
Pearson			-						
Services		70,871	70,871		30,373	30,373		12,737	12,737
Professional Development								25,000	
Support			-			-			-
Software		14,894	14,894		372,684	372,684		11,370	11,370
Other			-		14,400	14,400		10,272	10,272
Monthly Academic Expenditures	**-**	**133,819**	**133,819**		**427,781**	**427,781**		**65,710**	**65,710**
Debt and Loan Payments			-						
DUAB Loan Repayment			-						
IRS	175,000	300,000	125,000	175,000	175,000	-	175,000	175,000	-
Food Service Repayment	31,071		(31,071)	31,071		(31,071)	31,071		(31,071)
BNY Mellon							692,000	692,000	-
Debt Service-U S Bank			-				1,570,142	1,628,010	57,868
Diane Buchanan			-						
Monthly Debt and Loan Payments	**206,071**	**300,000**	**93,929**	**206,071**	**175,000**	**(31,071)**	**2,468,213**	**2,495,010**	**26,797**
Capital									
Monthly Capital Fund									

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Gary Community Schools Corporation
All Funds (Note: Separate Bank Account for Food Services)
Internal Budget vs. Actual Expenditures
Calendar Year 2018

	April Budget	April Actual	Variance	May Budget	May Actual	Variance	June Budget	June Actual	Variance
Misc/Immaterial, Non academic									
Career Center					**23,272**			33,563	
Travel								5,146	
Other		**3,416**						16,826	
West Side					**33,788**				
		3,416			**57,060**			**55,535**	
Total Expenditures	5,013,375	4,723,330	(293,461)	4,988,375	4,873,990	(171,445)	7,250,517	6,731,473	(574,578)
Revenue Less Expenditures	(1,688,681)	1,528,745	3,217,426	(1,663,681)	2,139,063	3,802,744	2,279,194	4,158,346	1,879,152

Prepared by Gary Schools Recovery, LLC

REVIEW, EVALUATION AND RECOMMENDATIONS REPORT UPDATE AS OF JULY 31, 2018

Printed 8/14/2018

Gary Community School Corporation
Review, Evaluation and Recommendations of Processes and Systems
Process Systems Timeline Status Update as of July 31, 2018

Section	Milestone #	Milestone Description	Off Schedule	Variance	On Schedule	Future	Completed
Finance	2.A.1.	Initiate 2019 Budget Preparation			●		
Finance	2.A.2.	Complete 2019 Budget			●		
Finance	2.A.3.	Initiate 2019 BvA Process			●		
Finance	2.B.1.	Inventory IT Equipment					●
Finance	2.B.2.	Document Applications		●			
Finance	2.B.3.	Needs Assessment					●
Finance	2.B.4.	Research ERP					●
Finance	2.B.5.	Conduct Cost Benefit Assessment					●
Finance	2.B.6.	Present Cost Benefit Assessment					●
Finance	2.C.1.	Validate Accounts Payable Backlog	●				
Finance	2.C.2.	Audit Vendors in Payable Backlog		●			
Finance	2.C.3.	Plan for Legacy Accounts Payable				●	
Finance	2.D.1	Inventory Fixed Assets		●			
Finance	2.D.2.	Document Assets		●			
Finance	2.D.3.	Cross Reference to Insurance Premiums		●			
Finance	2.E.1.	Inventory Finance and Acct Reports		●			
Finance	2.E.2.	Centralize Report Calendar		●			
Finance	2.E.3.	Checklist with Dual Verification		●			
Finance	2.F.1.	Reviewed ICR with GCSC Personnel					●
Finance	2.F.2.	Provided ICR copies to GCSC Personnel					●
Finance	2.F.3.	Review Documents with GCSC Personnel				●	
Finance	2.F.4.	Update Documents				●	
Finance	2.F.5.	Review Documents with GCSC Personnel				●	
Finance	2.F.6.	Update Documents				●	
HR	3.A.1.	Inventory IT Equipment					●
HR	3.A.2.	Document Applications					●
HR	3.A.3.	Conduct Needs Assessment					●
HR	3.A.4.	Research ERP					●
HR	3.A.5.	Conduct Cost and Benefit Assessment					●
HR	3.A.6.	Present Cost and Beneift Analysis					●
HR	3.B.1.	Update GCSC Policy Manual Related to HR	●				
HR	3.B.2.	Consensus on HR-Related Policies	●				
HR	3.B.3.	Procedures for Applying Policies		●			
HR	3.B.4.	Train Personnel	●				
HR	3.C.1.	Ensure Employee Eligibility		●			
HR	3.C.2.	Ensure Employee Dependent Elections Allowable		●			
HR	3.C.3.	Determine Employee Medicare Eligbility		●			
HR	3.C.4.	Ensure Paycheck Deductions are Accurate		●			
HR	3.C.5.	Ensure Accurate Employee Counts, Elections and Coverages		●			
HR	3.D.1.	Reviewed ICR with GCSC Personnel					●
HR	3.D.2.	Provided ICR copies to GCSC Personnel					●
HR	3.D.3.	Review Documents with GCSC Personnel				●	
HR	3.D.4.	Update Documents				●	
HR	3.D.5.	Review Documents with GCSC Personnel				●	
HR	3.D.6.	Update Documents				●	
Payroll	4.A.1.	Inventory IT Equipment					●
Payroll	4.A.2.	Document Applications					●
Payroll	4.A.3.	Conduct Needs Assessment					●
Payroll	4.A.4.	Research ERP					●
Payroll	4.A.5.	Conduct Cost and Benefit Assessment					●
Payroll	4.A.6.	Present Cost and Benefit Analysis					●

Gary Schools Recovery, LLC

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Printed 8/14/2018

Gary Community School Corporation
Review, Evaluation and Recommendations of Processes and Systems
Process Systems Timeline Status Update as of July 31, 2018

Section	Milestone #	Milestone Description	Off Schedule	Variance	On Schedule	Future	Completed
Payroll	4.B.1.	Conduct Needs Assessment					●
Payroll	4.B.2.	Research ERP					●
Payroll	4.B.3.	Conduct Cost and Benefit Assessment					●
Payroll	4.B.4.	Present Cost and Benefit Analysis					●
Payroll	4.C.1.	Conduct Needs Assessment					●
Payroll	4.C.2.	Research ERP					●
Payroll	4.C.3.	Conduct Cost and Benefit Assessment					●
Payroll	4.C.4.	Present Cost and Benefit Analysis					●
Payroll	4.C.5.	Determine if Process Stays or Manually Reengineered					●
Payroll	4.D.1.	Direct Deposit					●
Payroll	4.D.2.	Secure Blank and Printed Checks					●
Payroll	4.D.3.	Audit Printed Checks		●			
Payroll	4.D.4.	Regularly Change the Distribution Process					●
Payroll	4.E.1.	Reviewed ICR with GCSC Personnel					●
Payroll	4.E.2.	Provided ICR copies to GCSC Personnel					●
Payroll	4.E.3.	Review Documents with GCSC Personnel				●	
Payroll	4.E.4.	Update Documents				●	
Payroll	4.E.5.	Review Documents with GCSC Personnel				●	
Payroll	4.E.6.	Update Documents				●	
IT	5.A.1.	Inventory of IT Assets	●				
IT	5.A.2.	Conduct Needs Assessment	●				
IT	5.A.3.	Research Components	●				
IT	5.A.4.	Conduct Cost and Benefit Assessment		●			
IT	5.A.5.	Present Cost and Benefit Analysis		●			
IT	5.B.1.	Inventory Applications and Systems		●			
IT	5.B.2.	Assessment of Applications and Systems not Hosted or Supported		●			
IT	5.B.3.	Match Assessment with Requirements		●			
IT	5.B.4.	Conduct Cost and Benefit Assessment		●			
IT	5.C.1.	ERP System Analysis Report			●		
IT	5.D.1.	Inventory of IT Contracts and Licenses	●				
IT	5.D.2.	Engage IT Expert	●				
IT	5.D.3.	Negotitate Terms		●			
IT	5.D.4.	Connect Assessment to Plan		●			
Legal		*No Changes Recommended*					
Legal	6.B.1.	Adhere to Records Retention Policy			●		
Legal	6.B.2.	Create Inventory of Pre-August 2017 Records	●				
Legal	6.B.3.	Identify Secure Location for Pre-August 2017 Records			●		
Legal	6.B.4.	Move Records from Pre-August 2017			●		
Risk Mgmt		*No Changes Recommended*					
Risk Mgmt		*No Changes Recommended*					

Gary Schools Recovery, LLC

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Printed 8/14/2018

Gary Community School Corporation
Review, Evaluation and Recommendations of Processes and Systems
Process Systems Timeline Status Update as of May 31, 2018

Subsection #	Subsection Description	Month #	Month	Year	Function	Notes
2.A.	Annual Budget	3	Mar	2018	Budget	
2.A.	Annual Budget	11	Nov	2018	Budget	
2.A.	Annual Budget	2	Feb	2019	Budget	
2.B.	ERP	2	Feb	2018	IT	
2.B.	ERP	2	Feb	2018	IT	
2.B.	ERP	3	Mar	2018	IT	
2.B.	ERP	3	Mar	2018	IT	
2.B.	ERP	5	May	2018	IT	
2.B.	ERP	6	Jun	2018	IT	
2.C.	Accounts Payable	4	Apr	2018	Accounts Payable	
2.C.	Accounts Payable	5	May	2018	Accounts Payable	
2.C.	Accounts Payable	1	Jan	2019	Accounts Payable	
2.D.	Fixed Assets	5	May	2018	Assets	
2.D.	Fixed Assets	5	May	2018	Assets	
2.D.	Fixed Assets	5	May	2018	Assets	
2.E.	Required Reports	2	Feb	2018	Finance	
2.E.	Required Reports	2	Feb	2018	Finance	
2.E.	Required Reports	2	Feb	2018	Finance	
2.F.	Internal Controls Compliance	12	Dec	2017	Controls	
2.F.	Internal Controls Compliance	1	Jan	2018	Controls	
2.F.	Internal Controls Compliance	8	Aug	2018	Controls	
2.F.	Internal Controls Compliance	8	Aug	2018	Controls	
2.F.	Internal Controls Compliance	2	Feb	2019	Controls	
2.F.	Internal Controls Compliance	2	Feb	2019	Controls	
3.A.	ERP HR	2	Feb	2018	IT	
3.A.	ERP HR	2	Feb	2018	IT	
3.A.	ERP HR	3	Mar	2018	IT	
3.A.	ERP HR	3	Mar	2018	IT	
3.A.	ERP HR	4	Apr	2018	IT	
3.A.	ERP HR	5	May	2018	IT	
3.B.	Leave Time	3	Mar	2018	HR	
3.B.	Leave Time	4	Apr	2018	HR	
3.B.	Leave Time	5	May	2018	HR	
3.B.	Leave Time	5	May	2018	HR	
3.C.	Employee Benefits	5	May	2018	Benefits	
3.C.	Employee Benefits	5	May	2018	Benefits	
3.C.	Employee Benefits	5	May	2018	Benefits	
3.C.	Employee Benefits	5	May	2018	Benefits	
3.C.	Employee Benefits	5	May	2018	Benefits	
3.D.	Internal Controls Compliance	12	Dec	2017	Controls	
3.D.	Internal Controls Compliance	1	Jan	2018	Controls	
3.D.	Internal Controls Compliance	8	Aug	2018	Controls	
3.D.	Internal Controls Compliance	8	Aug	2018	Controls	
3.D.	Internal Controls Compliance	2	Feb	2019	Controls	
3.D.	Internal Controls Compliance	2	Feb	2019	Controls	
4.A.	ERP	2	Feb	2018	IT	
4.A.	ERP	2	Feb	2018	IT	
4.A.	ERP	3	Mar	2018	IT	
4.A.	ERP	3	Mar	2018	IT	
4.A.	ERP	4	Apr	2018	IT	
4.A.	ERP	5	May	2018	IT	

Gary Schools Recovery, LLC

Prepared by Gary Schools Recovery, LLC

Printed 8/14/2018

Gary Community School Corporation
Review, Evaluation and Recommendations of Processes and Systems
Process Systems Timeline Status Update as of May 31, 2018

Subsection #	Subsection Description	Month #	Month	Year	Function	Notes
4.B.	Timekeeping	3	Mar	2018	Timekeeping	
4.B.	Timekeeping	3	Mar	2018	Timekeeping	
4.B.	Timekeeping	4	Apr	2018	Timekeeping	
4.B.	Timekeeping	5	May	2018	Timekeeping	
4.C.	Payroll Processing	3	Mar	2018	Payroll Processing	
4.C.	Payroll Processing	3	Mar	2018	Payroll Processing	
4.C.	Payroll Processing	4	Apr	2018	Payroll Processing	
4.C.	Payroll Processing	5	May	2018	Payroll Processing	
4.C.	Payroll Processing	5	May	2018	Payroll Processing	
4.D.	Payroll Distribution	0	Ongoing		Payroll Distribution	
4.D.	Payroll Distribution	0	Ongoing		Payroll Distribution	
4.D.	Payroll Distribution	0	Ongoing		Payroll Distribution	
4.D.	Payroll Distribution	0	Ongoing		Payroll Distribution	
4.E.	Internal Controls Compliance	12	Dec	2017	Controls	
4.E.	Internal Controls Compliance	1	Jan	2018	Controls	
4.E.	Internal Controls Compliance	8	Aug	2018	Controls	
4.E.	Internal Controls Compliance	8	Aug	2018	Controls	
4.E.	Internal Controls Compliance	2	Feb	2019	Controls	
4.E.	Internal Controls Compliance	2	Feb	2019	Controls	
5.A.	Hardware	3	Mar	2018	Hardware	
5.A.	Hardware	3	Mar	2018	Hardware	
5.A.	Hardware	3	Mar	2018	Hardware	
5.A.	Hardware	5	May	2018	Hardware	
5.A.	Hardware	6	Jun	2018	Hardware	
5.B.	Long-Range Plan	8	Aug	2018	IT	
5.B.	Long-Range Plan	8	Aug	2018	IT	
5.B.	Long-Range Plan	8	Aug	2018	IT	
5.B.	Long-Range Plan	9	Sep	2018	IT	
5.C.	Report Generation	6	Jun	2018	IT	
5.D.	Contracts and Licenses	2	Feb	2018	Contracts/Licenses	
5.D.	Contracts and Licenses	3	Mar	2018	Contracts/Licenses	
5.D.	Contracts and Licenses	0	On-Going		Contracts/Licenses	
5.D.	Contracts and Licenses	9	Sep	2018	Contracts/Licenses	
6.A	External Legal Svcs					
6.B.	Records Retention	0	Ongoing		Records	
6.B.	Records Retention	3	Mar	2018	Records	
6.B.	Records Retention	5	May	2018	Records	
6.B.	Records Retention	9	Sep	2018	Records	
7.A.	Risk Mgmt Svcs					
7.B.	Workers Comp Admin					

Gary Schools Recovery, LLC

Prepared by Gary Schools Recovery, LLC

CASH FLOW FORECAST FOR AUGUST-OCTOBER 2018

Gary Community Schools Corporation
All Funds Except Food Services
Estimated Cash Flow Statement
August - October 2018

		8/7/2018	September	October
	Beginning Balance	9,125,771	4,072,486	711,495
Less	**Outstanding Checks**	(90,519)		
Plus	**Loan Proceeds 1-14**	-		
Net	**Cash Available**	9,035,252	4,072,486	711,495
Less	**1st Monthly Payroll**	(950,000)	(1,100,000)	(1,100,000)
	Recurring Accounts Payable Payments Prior to the 15th :			
Less	Jive Communications	(10,000)	(10,000)	(10,000)
Less	Indiana Water (3)	(40,000)	(40,000)	(40,000)
Less	IN Workforce Dev	(22,000)	(22,000)	(22,000)
Less	NIPSCO	(150,000)	(150,000)	(150,000)
Less	NIPSCO Agreement	-	-	-
Less	New Chicago Water Works			
Less	Standard Insurance	(39,600)	(39,600)	(39,600)
Less	Underwriters (WC)	(8,257)	(8,257)	(8,257)
Less	T Mobile USA	(1,600)	(1,600)	(1,600)
Net	**Recurring A/P Prior to 15th**	(271,457)	(271,457)	(271,457)
	Revenue			
Plus	State Tuition	3,377,830	3,377,830	3,377,830
Less	Common School Loan	(452,856)	(452,856)	(452,856)
Less	Roosevelt	(450,000)	(450,000)	(450,000)
Less	TRF PERF	(230,000)	(230,000)	(230,000)
Net	**Monthly Revenue**	**2,244,974**	**2,244,974**	**2,244,974**
Net	**Cash Available**	10,058,769	4,946,003	1,585,012
	Recurring Account Payable Payments After the 15th :			
Less	AAA Valley Fire			
Less	Alpha Building Maintenance	(250,000)	(250,000)	(250,000)
Less	Central States	(6,000)	(6,000)	(6,000)

Gary Community Schools Corporation
All Funds Except Food Services
Estimated Cash Flow Statement
August - October 2018

		8/7/2018	September	October
Less	First Commonwealth - dental DHO Premium	(41)	(41)	(41)
Less	Republic Services of Indiana	(6,000)	(6,000)	(6,000)
Less	IKORCC - H& W for Carpenters	(2,771)	(2,771)	(2,771)
Less	NWI Painters - H&W	(1,098)	(1,098)	(1,098)
Less	Pipefitters Local H&W	(1,773)	(1,773)	(1,773)
Less	Lake Station Water & Sewer	(144)	(144)	(144)
Less	Leasing Innovations	(11,541)	(11,541)	(11,541)
Less	New Chicago Water Works (Deep River Water)	(146)	(146)	(146)
Less	Lake Co Ind NECA-IBEW (Electricians H&W)	(2,118)	(2,118)	(2,118)
Less	Indiana State Council of Roofers (H&W)	(1,600)	(1,600)	(1,600)
Less	CIGNA Monthly	(433,101)	(433,101)	(433,101)
Less	CIGNA Agreement	(150,000)	(150,000)	(150,000)
Less	SEIU/Maint Worker	-	-	-
Less	United Healthcare	(22,000)	(22,000)	(22,000)
Less	ATT/ENA	(25,000)	(25,000)	(25,000)
Less	Bus Contract	(187,200)	(350,000)	(350,000)
Less	Property Insurance	(34,000)	(34,000)	(34,000)
Less	Gary Sanitation	(65,000)	(65,000)	(65,000)
Less	Past Due Liabilities	(175,000)	(150,000)	-
Less	External Legal Counsel	(18,750)	(18,750)	(18,750)
Less	Labor Counsel	(6,000)	(6,000)	(6,000)
Less	Gatekeeper Accounting	(9,000)	(9,000)	(9,000)
Less	Payroll Taxes	(400,000)	(400,000)	(400,000)
	Recurring A/P After the 15th	**(1,808,283)**	**(1,946,083)**	**(1,796,083)**
Less	**2nd Monthly Payroll**	(1,100,000)	(1,100,000)	(1,100,000)
Less	**Backlog A/P**	-	-	-
	Nonrecurring Notable A/P			
Less	Monthly Operations	(200,000)	(200,000)	(200,000)
Less	Insurance (Prop, Vehicle, etc.)			
Less	Text Books	(567,000)		
Less	Building Maintenance	(300,000)	(300,000)	
Less	Debt Service	-	-	-
Less	Loan Repayment		-	-
Less	USDA Payback		(186,426)	
Less	Accounting/HR Software	-		

Gary Community Schools Corporation
All Funds Except Food Services
Estimated Cash Flow Statement
August - October 2018

		8/7/2018	September	October
Less	HR Software	(12,000)	(12,000)	(12,000)
Less	Vehicles/Transportation	(154,000)		
Less	Building Readiness			
Less	Audit Payback	(107,000)	(200,000)	
Less	Teacher Timing Payroll	(538,000)		
Less	Employee Payouts	(100,000)	(290,000)	
Net	**Nonrecurring A/P**	(1,978,000)	(1,188,426)	(212,000)
Plus	**Title Reimbursement**			
Plus	**Loan Proceeds 15-31**	-		
Plus	**Property Tax Revenue**	-		
Less	**3rd Monthly Payroll**	(1,100,000)	-	-
	Ending Balance	4,072,486	711,495	(1,523,071)

Based on this forecast, GCSC will have enough cash for obligations through the end of September.

Payroll Good Funds Dates:
August 1, 15 and 29
September 12 and 26
October 10 and 24
November 7 and 21
December 5 and 19

VIABLE DEFICIT REDUCTION PLAN UPDATE #1

VIABLE DEFICIT REDUCTION PLAN UPDATE #1

DISTRESSED UNIT APPEALS BOARD (DUAB)

Final Report

July 31, 2018

Distressed Unit Appeals Board

Viable Deficit Reduction Plan Update #1

July 31, 2018

VDRP AND VDRPU1 REPORT STRUCTURE

The Viable Deficit Reduction Plan (VDRP) and Viable Deficit Reduction Plan Update #1 (VDRPU1) is presented in the following sections:

Section 1.0 – Executive Summary

A credible plan for GCSC to eliminate the annual fiscal deficit and begin to pay down the accumulated long-term debt.

Section 2.0 – Present Initiatives

Each present initiative is presented individually with a brief narrative describing the initiative and a chart detailing the net fiscal benefit by year. fin

The net fiscal benefit is the sum of an initiative's revenue generation, cost reduction and/or required investment.

Section 3.0 – Future Initiatives

Each future initiative is presented individually with a brief narrative describing the initiative.

Section 4.0 – Reconfigure GCSC

A financial model is presented for the following three distinct scenarios.

1. Reconfigure GCSC as a K-8 only corporation.
2. Reconfigure GCSC as a K-6 only corporation.
3. Reconfigure GCSC with a smaller geographic boundary.

Section 5.0 – Potential Deficit Reduction by Initiative and Year

The net fiscal benefit of all present and future initiatives is presented by initiative and by year.

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1.0 EXECUTIVE SUMMARY UPDATE #1 JULY 31, 2018

SUMMARY STATEMENT

As of July 2018, the Gary Community Schools Corporation (GCSC) projects an annual operating fiscal deficit of approximately $15,000,000. The projected annual deficit has decreased from approximately $18,000,000 in January 2018 at the time of the original Viable Deficit Reduction Plan (VDRP) and from approximately $22,000,000 in August 2017 at the time Gary Schools Recovery LLC (GSR) began serving as Emergency Manager.

In addition to the annual operating fiscal deficit, GCSC has accumulated a long-term debt of approximately $94,000,000 and short-term debt of approximately $4,000,000 for a total debt of approximately $98,000,000. The annual debt has decreased from approximately $104,000,000 in June 2017. Of the $104,000,000 of total debt in June 2017, approximately $87,000,000 was long-term debt and approximately $16,000,000 was short-term debt.

This report presents both the original Viable Deficit Reduction Plan (VDRP) and the first VDRP update (VDRPU1). The original VDRP and updated VDRP documents a credible plan for GCSC to eliminate the annual fiscal deficit and begin to pay down the accumulated long-term debt through 31 deficit reduction initiatives.

INITIATIVES STARTED AND START DATES

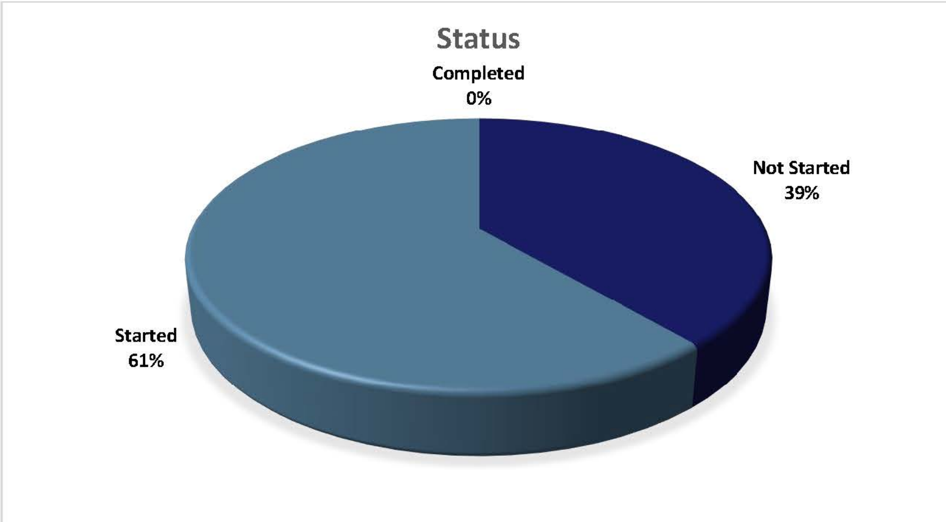
The original VDRP identified and documented 28 present and three future initiatives to eliminate the annual deficit and begin to pay down the accumulated long-term debt.

The following chart displays as of July 2018 the status of all 31 present and future initiatives in following three classifications.

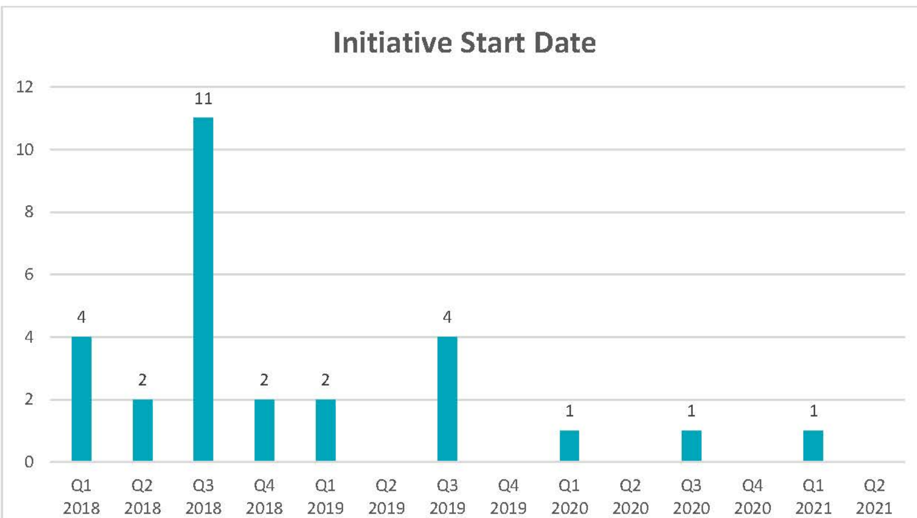
1. Not started

2. Started

3. Completed



The following chart displays the start date of the 28 present initiatives. Each bar represents the number of initiatives starting by quarter and year.



VARIANCE ANALYSIS

Although more than half of the 31 identified initiatives have started, not every initiative that has started has begun to yield deficit reduction. For most initiatives, deficit reduction will follow significant precursor and foundational activities. These activities will yield deficit reduction in future months.

The following table highlights the variance between the projected deficit reduction and the actual deficit reduction both by initiative and in total as of July 2018.

INITIATIVE	VDRP SUBMITTED 01/31/18 PROJECTED DEFICIT REDUCTION AS OF JUNE 30, 2018	VDRP UPDATE #1 07/31/18 ACTUAL DEFICIT REDUCTION AS OF JUNE 30, 2018	VARIANCE	STATUS	ESTIMATED DEFICIT REDUCTION START DATE
2.A.	$2,060,377	$0	-$2,060,377	Not Started	Q1 2019
2.B.	$0	$0	$0	Started	Q3 2018
2.C.	$0	$0	$0	Started	Q3 2018
2.D.	$0	$0	$0	Not Started	Q3 2019
2.E.	$0	$0	$0	Not Started	Q3 2020
2.F.	$0	$0	$0	Started	Q3 2018
2.G.	$0	$0	$0	Started	Q3 2018
2.H.	$0	$0	$0	Not Started	Q3 2019
2.I.	$0	$0	$0	Started	Q3 2018
2.J.	$0	$0	$0	Not Started	Q4 2018
2.K.	$18,000	$18,000	$0	Started	Q1 2018
2.L.	$20,000	$20,000	$0	Started	Q2 2018
2.M.	$0	$0	$0	Started	Q3 2018
2.N.	$93,750	$93,750	$0	Started	Q1 2018
2.O.	$0	$0	$0	Not Started	Q4 2018

INITIATIVE	VDRP SUBMITTED 01/31/18 PROJECTED DEFICIT REDUCTION AS OF JUNE 30, 2018	VDRP UPDATE #1 07/31/18 ACTUAL DEFICIT REDUCTION AS OF JUNE 30, 2018	VARIANCE	STATUS	ESTIMATED DEFICIT REDUCTION START DATE
2.P.	$275,000	$275,000	$0	Started	Q1 2018
2.Q.	$0	$0	$0	Started	Q3 2019
2.R.	$0	$0	$0	Started	Q3 2018
2.S.	$0	$0	$0	Started	Q3 2018
2.T.	$0	$0	$0	Started	Q3 2018
2.U.	$0	$0	$0	Started	Q3 2018
2.V.	$0	$0	$0	Started	Q1 2019
2.W.	$0	$0	$0	Not Started	Q1 2020
2.X.	-$60,500	-$30,000	$30,500	Started	Q2 2018
2.Y.	-$851,816	-$228,744	$623,072	Started	Q3 2018
2.Z.	$0	$0	$0	Started	Q1 2021
2.AA.	$0	$0	$0	Not Started	Q3 2019
2.AB.	$0	$0	$0	Not Started	Q1 2018
3.A.	$0	$0	$0	Not Started	TBD
3.B.	$0	$0	$0	Not Started	TBD
3.C.	$0	$0	$0	Not Started	TBD
Sum of All	$1,554,811	$148,006	-$1,406,805		

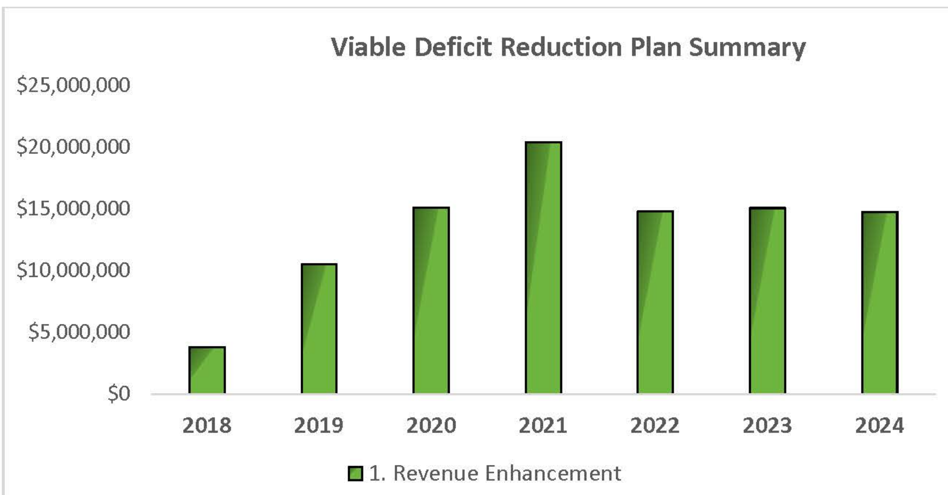
FISCAL IMPACT SUMMARY

The VDRP and the VDRPU1 details 28 present and three future initiatives for GCSC to eliminate the annual deficit and begin to pay down the accumulated long-term debt. The present initiatives detailed in the VDRP and the VDRPU1 may generate revenue, reduce costs, require an investment, or a combination of these actions. The net benefit for each present initiative is the sum of all revenue generated, costs reduced, or investment required for each initiative

The charts on the following pages detail the fiscal impact of all VDRPU1 initiatives.

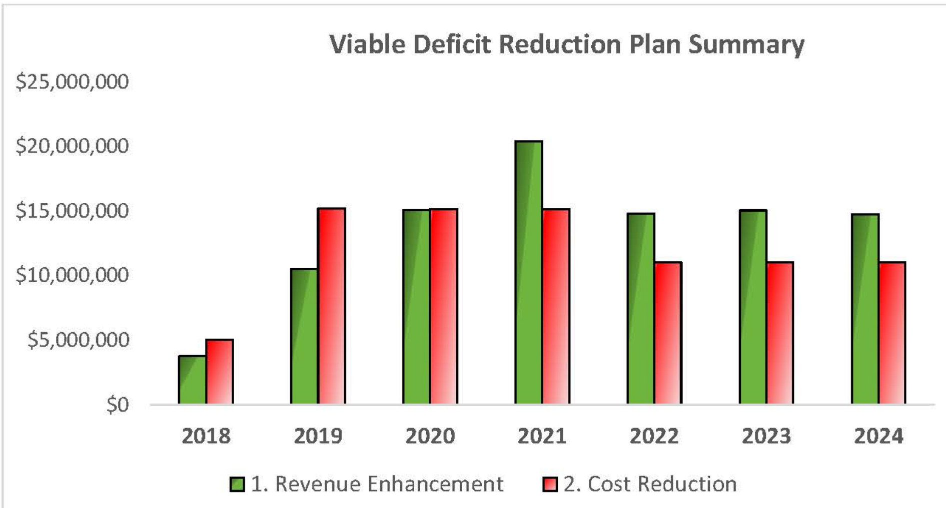
REVENUE ENHANCEMENT

The following chart details the sum of revenue generated for all present initiatives by year. Revenue generated is represented as the green bars.



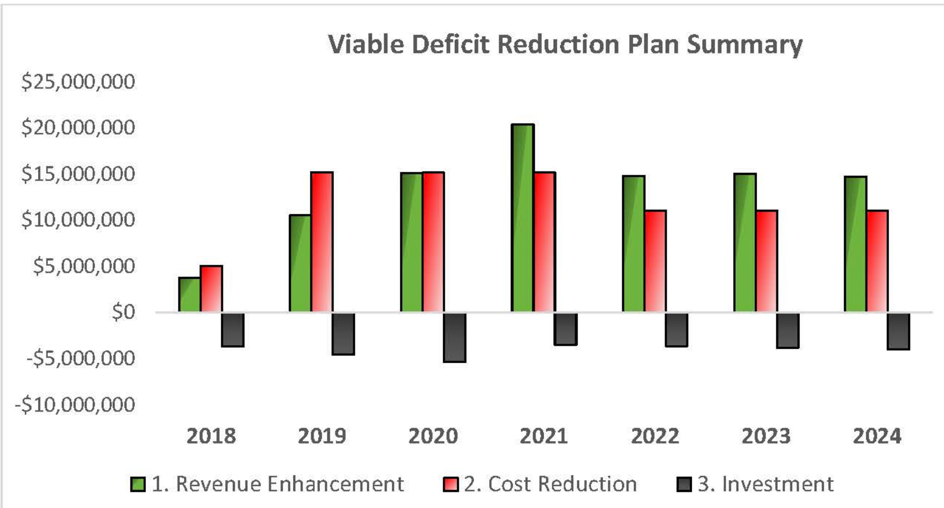
REVENUE ENHANCEMENT AND COST REDUCTION

The following chart details the sum of revenue generated and cost reductions for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars.



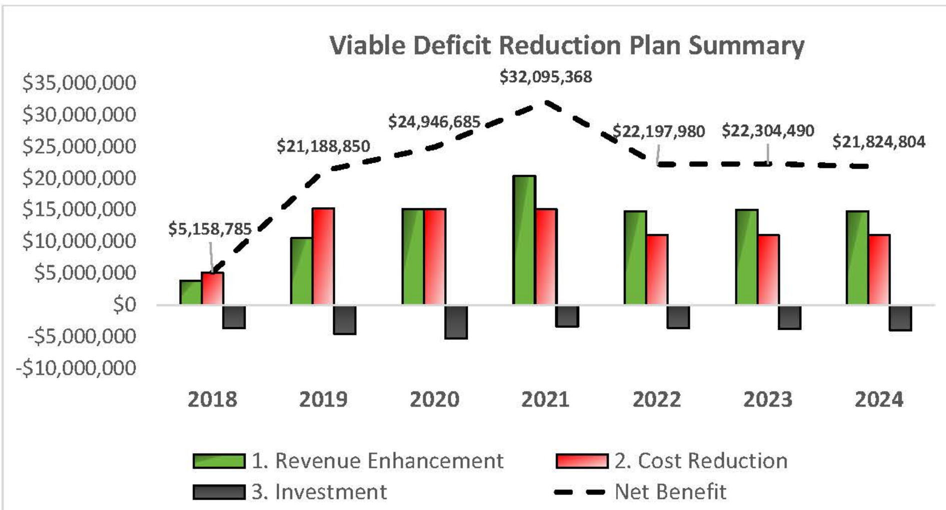
REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

The following chart details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is presented as the green bars. Cost reduction is represented as the red bars. Required investments is represented as the black bars.



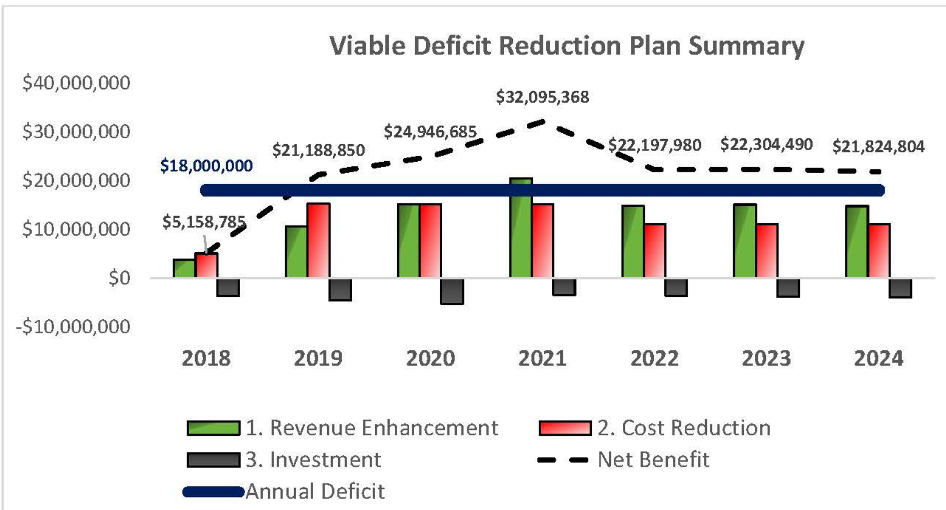
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

The following chart adds the net benefit calculation and details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



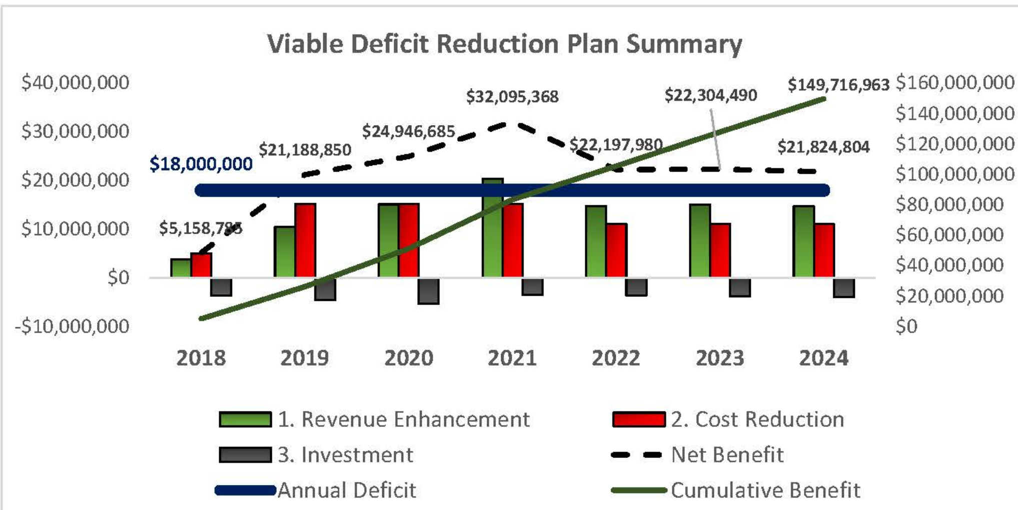
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT

The following chart adds a horizontal black bar representing the $18,000,000 annual deficit of GCSC. As previously presented, the net benefit calculation details the sum of revenue generated, cost reductions and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



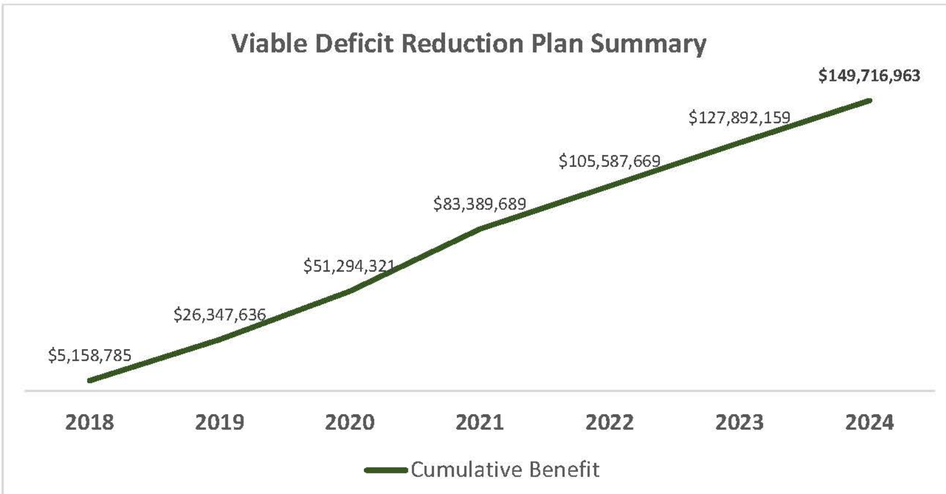
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT WITH CUMULATIVE BENEFIT

The following chart adds a diagonal green line representing the cumulative benefit of all present initiatives and a right axis corresponding to the cumulative benefit. As previously presented, the net benefit calculation details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



NET FISCAL IMPACT

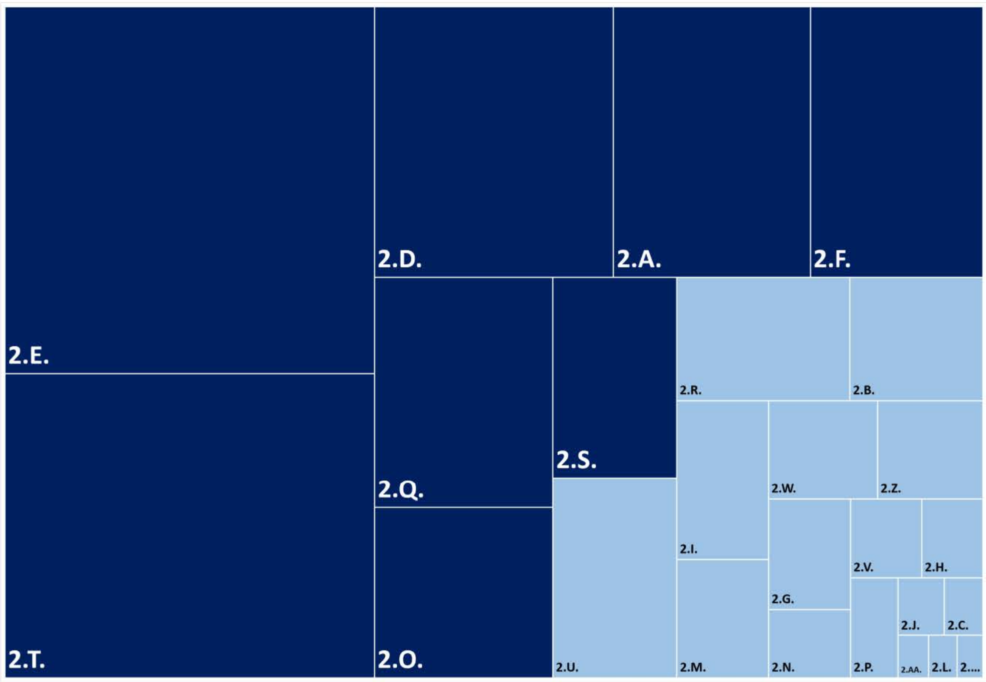
The cumulative net benefit of the VDRPU1 is approximately $150,000,000 over a seven-year time frame represented in the chart below.



The VDRPU1 cumulative net benefit over a seven-year time frame is approximately $2,141,064 or 1.4% less than the cumulative net benefit over a seven-year time frame in the VDRP.

INITIATIVES 7-YEAR NET BENEFIT

The following chart presents each present initiative in scale to the order of net benefit generated. The larger the box, the larger the net benefit. The number in the box corresponds to the initiative. Below this chart is a table of initiatives by number.



Approximately 84% of net benefits are derived from eight initiatives, or 26% of the total initiatives and are represented in the dark blue boxes

1. 2.E. Local Referendum
2. 2.T. Reduction in Force and Attrition
3. 2.A. Suspend Common School Loan Payments
4. 2.D. Pay for Success
5. 2.F. Increase Enrollment
6. 2 Q. Building Energy Efficiency and Utility Rate Audit
7. 2.O. Debt Restructuring
8. 2.U. School Closure / Consolidation

All other initiatives derive the remaining approximate 17% of net benefits represented in the light blue boxes.

Please refer to the following table to crosswalk the initiative number to the initiative, presented in order from most to least net benefit.

LEGEND			
2.E.	Local Referendum	**2.Z.**	Sell Assets – Art, Buildings and Land
2.T.	Reduction in Force and Attrition	**2.R.**	Compete Custodian Services
2.A.	Suspend Common School Loan Payments	**2.G.**	Co-location and Co-branding GACC and Ivy Tech
2.D.	Pay for Success	**2.V.**	Relocate Administration Office
2.F.	Increase Enrollment	**2.N.**	Labor Cost Controls
2.Q.	Building Energy Efficiency and Utility Rate Audits	**2.H.**	System of Great Schools
2.O.	Debt Restructuring	**2.P.**	Reduce Cost of Employee Health Insurance
2.U.	School Closure / Consolidation	**2.J.**	Community Crowdfunding
2.I.	Acquire / Implement On-line Program	**2.C.**	Maximize Medicaid Funds
2.B.	Maximize Federal Funds	**2.AA.**	Corporate Partners
2.S.	Compete Transportation Contract	**2.L.**	Joint Purchasing Cooperative
2.M.	Food Service Fund Accounting	**2.K.**	Rent Building Space
2.W.	Negotiate Reduction of Legacy Accounts Payable		

SEA 567-2017 LEGISLATION

In 2017 the Indiana State Legislature passed Indiana Senate Enrolled Act 567 (SEA 567), which designated GCSC as a distressed political subdivision. This legislation also designated an Emergency Manager to assume operational control of GCSC. Effective August 1, 2017, GSR was named GCSC Emergency Manager and began operating GCSC. GSR appointed Dr. Peggy Hinckley as the operating Emergency Manager and Mr. Eric Parish as the Fiscal Officer.

GSR is required to submit this VDRP to the Distressed Units Appeals Board (DUAB) per the following section of SEA 567.

> *The Emergency Manager will deliver a viable structural deficit (annual expense versus annual revenues) reduction plan within six (6) months of taking over as Emergency Manager, i.e. not later than January 31, 2018, for DUAB review and approval. The structural deficit reduction plan shall identify the steps required to eliminate the School Corporation's deficit over a reasonable period of time through a combination of*

strategies, including cost-reduction, debt-restructuring and revenue enhancement while providing for the on-going operations of the School Corporation.

Also included in SEA 567 are the following two reports:

1. Audit and Financial Plan – Develop financial plans
2. Debt Resolution Plan – Long-term plan to retire all outstanding obligations

Due to the similarities and overlapping analysis and content of these two reports, they have been combined into the VDRP.

MULTIPLE PATHS TO FISCAL SOLVENCY

The VDRP and the VDRPU1 identify and detail 31 initiatives to eliminate the GCSC annual fiscal deficit and address the accumulated long-term debt. The overarching theme of the VDRP and VDRPU1 is that there are multiple pathways to fiscal solvency for GCSC.

These multiple pathways are analogous to a candidate winning the U.S. presidency by securing at least 270 electoral college votes. In a presidential election there are multiple pathways to at least 270 electoral college votes. Throughout a campaign the candidates path to at least 270 electoral college votes may change based on evolving assumptions, analysis, conditions, and situations. While the goal of at least 270 electoral college votes remains constant, the path to secure these votes may change.

The path to fiscal solvency for GCSC is similar to the path for at least 270 electoral college votes for a presidential campaign. The initial strategy may require change due to evolving assumptions, analysis, conditions, and situations. While the goal of fiscal solvency remains constant, the strategy and pathways taken will likely change based on numerous factors. Some initiatives may unfold and materialize as planned. Other initiatives may not materialize as planned or may change from the initial plan.

However, the 31 initiatives detailed in this report will allow GSR the flexibility to follow multiple pathways, change pathways as needed, and even develop new pathways as needed to achieve the ultimate goal of fiscal solvency for GCSC.

VDRP UPDATES

GSR is required to submit updates to the VDRP to the DUAB at least once every six months per the following section of SEA 567.

The Emergency Manager shall update the written financial plan at least once every (6) months after the date of providing the original written financial plan to DUAB or more frequently as needed in order to allow the written financial plan to reflect the most current financial status of the School Corporation.

The first update to the VDRP is included in this report. The next update will be provided to DUAB on or before January 31, 2019.

2.0 PRESENT INITIATIVES AND UPDATES

2.A. SUSPEND COMMON SCHOOL LOAN PAYMENTS

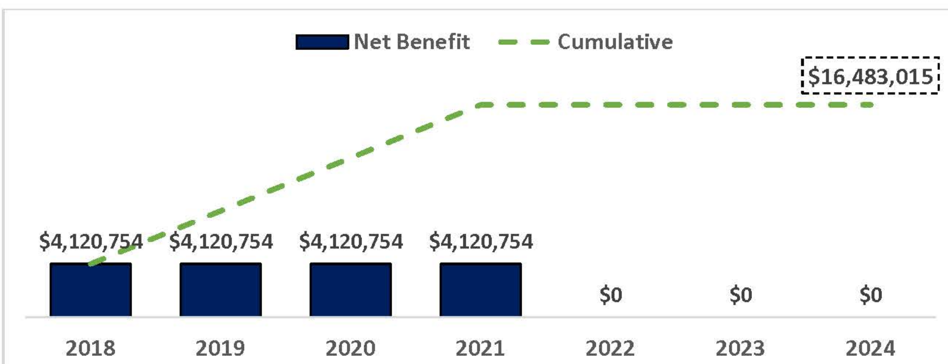
Per SEA567 of 2017, "the Emergency Manager may request that DUAB delay or suspend payment of principal and/or interest on GCSC's loans or advances from the Common School Fund."

GCSC has borrowed approximately $40,00,000 from the Indiana Common School Loan fund. While the VDRP charts the path for GCSC to gain financial stability and pay down accumulated debt including loans to the Indiana Common School Loan fund, fiscal stabilization and debt paydown is more than a year away. Until complete fiscal stability is reached, GCSC will require financial support from the state of Indiana.

As the GCSC Emergency Manager team works to gain fiscal stability, payments to pay back past loans to the Indiana Common School Loan fund are required. Annual principal and interest payments from GCSC to the Indiana Common School Loan fund are over $4,000,000 per year. For the next year or more, as GCSC requires financial support from the state of Indiana, GCSC is paying the state of Indiana for past support.

Suspending payments from GCSC to the Indiana Common School Loan fund will expedite fiscal stability for GCSC. Suspension of loan payments is not abandoning or requesting loan forgiveness, suspension places a pause on payments until GCSC fiscal order is restored.

FISCAL IMPACT



2.A. UPDATE #1 JULY 31, 2018

STATUS BAR

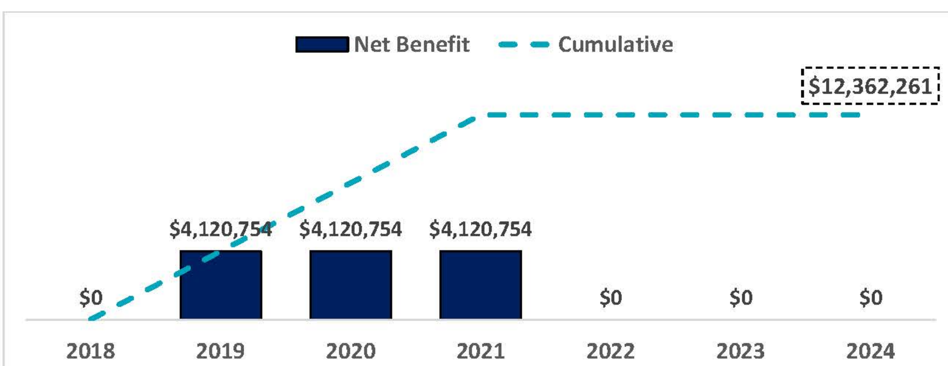
STATUS

A request to temporarily suspend GCSC loan repayments has not been submitted. As GCSC continues to demonstrate credible financial management and progress toward fiscal sustainability, a request for temporarily suspending loan repayments will be submitted later in 2018.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$2,060,377	**$0**	**$-2,060,377**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

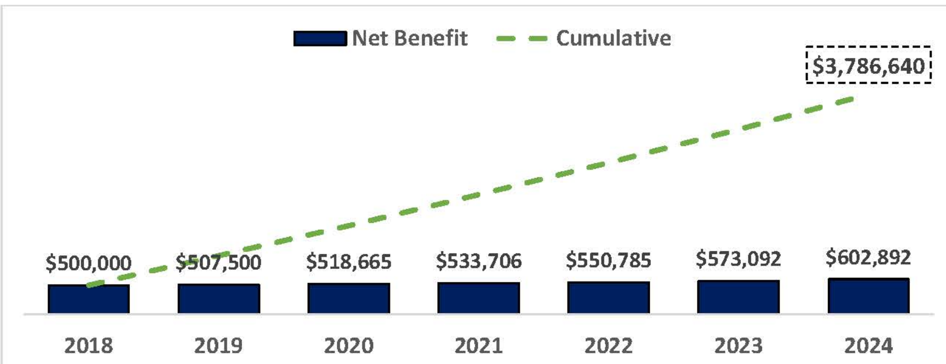


2.B. MAXIMIZE FEDERAL FUNDS

Federal funds for GCSC include Title I, Title II, Title III, IDEA and other federal programs. Federal funds can only be used for instructional purposes such as classroom materials, professional development, ELL programs, and special education. Receipt of federal funds is dependent on strict compliance with funding and reporting requirements, record keeping, and accounting practices. GCSC budgeted approximately $7,000,000 in federal funds for the 2017-18 school year.

Through adherence to proper internal controls, maximizing indirect cost recovery, accurate budgeting, and diligent accounting oversight, GCSC will increase federal funds revenue in future years. This increased revenue is either new revenue into GCSC or will be a reduction in costs currently expended from the GCSC General Fund.

FISCAL IMPACT



2.B. UPDATE #1 JULY 31, 2018

STATUS BAR

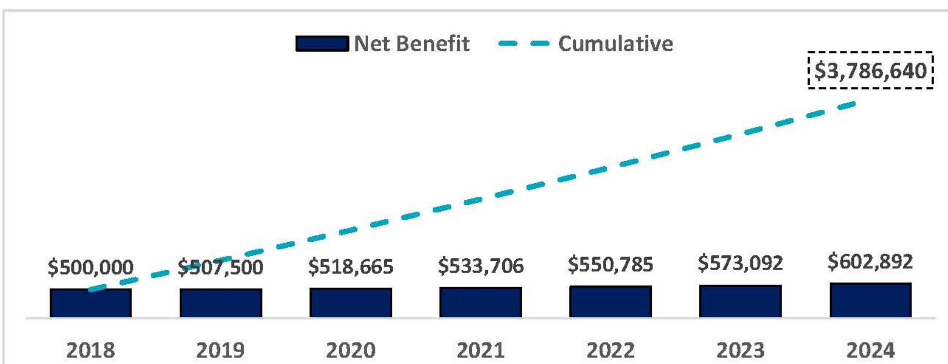
STATUS

The federal funds budget for the 2018-19 school year will be finalized in late July 2018. It is still anticipated that the 2018-19 federal funds budget will include an increase over prior years.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

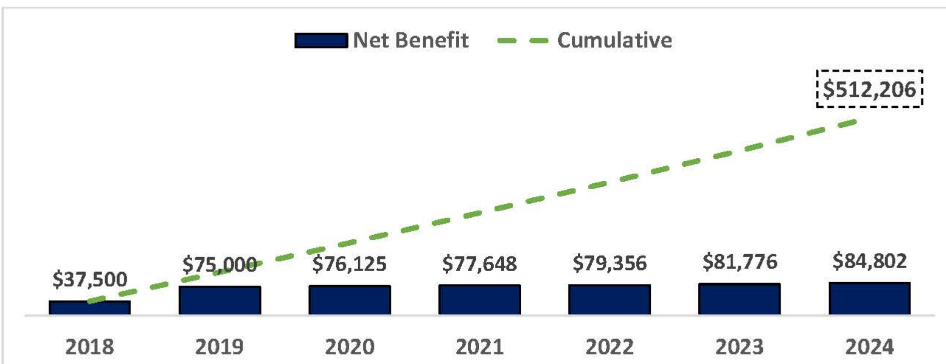


2.C. MAXIMIZE MEDICAID FUNDS

For some GCSC students with an Individual Education Plan (IEP), Medicaid reimbursement is available for specific services such as speech and physical therapy. Similar to the receipt of other federal funds, the receipt of Medicaid reimbursement is dependent on strict compliance with funding and reporting requirements, record keeping, and accounting practices.

Currently, and proposed for the future, a third-party contractor provides Medicaid claiming services for GCSC. The vendor submits the reimbursement request, monitors reimbursement, receives reimbursement, and is compensated for their expertise and results by retaining a percentage of the reimbursement. Additionally, Medicaid reimbursement can be realized for GCSC through adherence to internal controls, collaborating more with the Medicaid vendor, and especially diligent and deliberate attention to enrolling eligible students. Enrollment is not a difficult process for GCSC personnel or for parents of eligible students. The enrollment process just requires deliberate attention and action.

FISCAL IMPACT



2.C. UPDATE #1 JULY 31, 2018

STATUS BAR

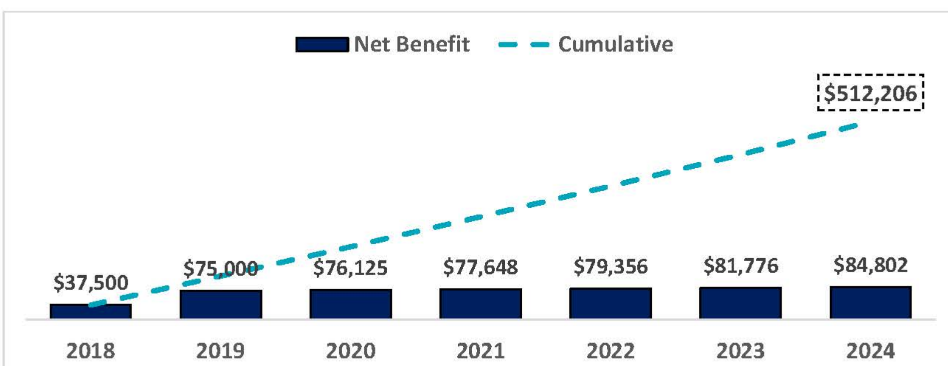
STATUS

The Medicaid funds budget for the 2018-19 school year will be finalized in late July 2018. It is still anticipated that the 2018-19 Medicaid funds budget will include an increase over prior years.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.D. PAY FOR SUCCESS

Pay for Success, also referred to as social impact investments, are financial and operational agreements between a government entity, an investor and a social impact provider for the achievement of specific outcomes. For this initiative, the government entity is the state of Indiana, the investor could be a private entity such as a bank, investment fund or philanthropic organization and the provider is GSR. Additionally, for this initiative, social impact is highly desired academic or operational outcomes at GCSC such as an early childhood intervention or learning center, a middle school STEM or Innovation Academy, or a high school college and career readiness program.

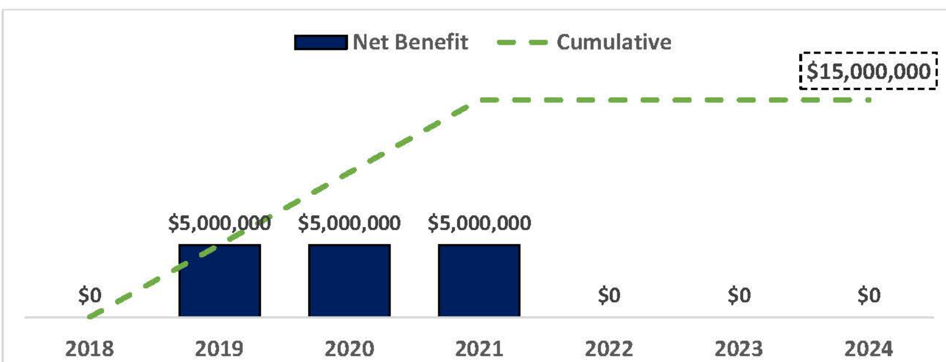
A foundational component of social impact investments is that the risk of financing social impact outcomes is transferred to the investor from the government entity that usually funds directly or indirectly the desired outcomes. Based on market principals, the investor's risk is rewarded or penalized in proportion to the outcomes achieved.

Only to the extent the desired social impact outcomes are achieved, the government entity repays the investor plus a reasonable return on the investment. The investor and the government entity rely on the social impact provider to deliver the desired outcomes.

At least 20 states have introduced legislation and eight states have passed legislation to allow Pay for Success programs. It is estimated that more than 60 Pay for Success investments have been made for a variety of social impact outcomes.

GSR has the capacity and capability and is positioned between the state of Indiana and potential investors to deliver social impact outcomes for GCSC. Due to MGT's national reputation, current role at GCSC, and demonstrated progress with GCSC, a social impact investment could be financially significant.

FISCAL IMPACT



2.D. UPDATE #1 JULY 31, 2018

STATUS BAR

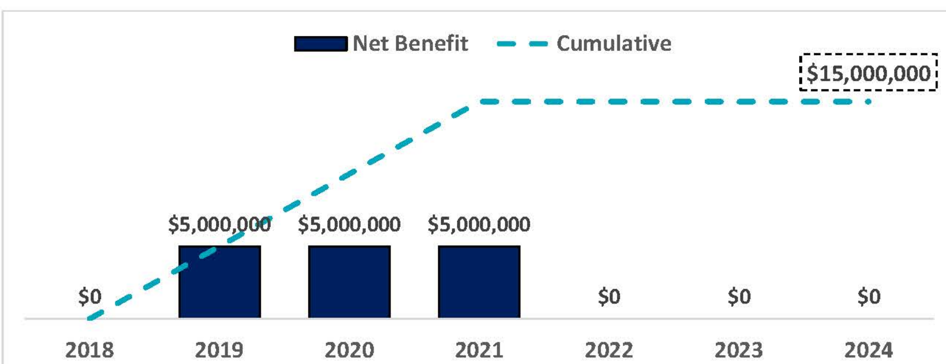
STATUS

Representatives from DUAB, MGT and Social Finance met in Gary in June 2018 to discuss the structure, framework and applications for Pay for Success activities across the U.S. This meeting answered many general questions about a Pay for Success initiative with GCSC. The next step for this initiative is to identify several Pay for Success applications, and associated cost benefit analyses, for GCSC that can be adopted in 2019.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.E. LOCAL REFERENDUM

A referendum is a public question placed on a ballot by a local governing body. Indiana Code 20-46-1-8 allows the governing body of a school corporation to adopt a resolution to place a public question on a ballot if the governing body determines that the school corporation (1) cannot carry out its public educational duty unless it imposes a referendum tax levy or (2) that a referendum tax levy should be imposed to replace property tax revenue that the school corporation will not receive because of the application of circuit breaker credits. School referendums have become more common since 2008 when Indiana passed property tax caps.

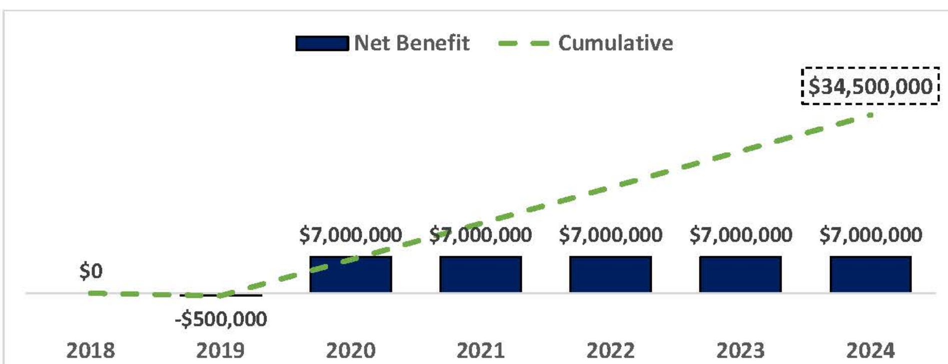
Property taxes that are approved by voters in a referendum are not subject to the property tax caps. Therefore, any successful referendum may result in a property tax bill that exceeds the caps (1% of assessed value for homesteads [owner-occupied residence], 2% for other residential properties and farmland, and 3% for all other property).

GCSC has held referendum elections in prior years that have failed. The most recent referendum election was in 2016, which failed by several hundred votes. It has been estimated that the most recent referendum would have generated between seven and eight million dollars per year for GCSC operating needs.

Schools can hold elections during the primary or general elections scheduled on the Indiana election calendar which are the first Tuesday in May and the first Tuesday in November every year.

Only a simple majority is required to approve a ballot question for bond issues, property tax cap, or a referendum levy. According to IndianaPublicMedia.org, "referenda have a better chance of passing during May primaries because it can often be one of the more notable parts of a ballot." Therefore, a referendum in May of 2019 has the highest probability of success.

FISCAL IMPACT



2.E. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

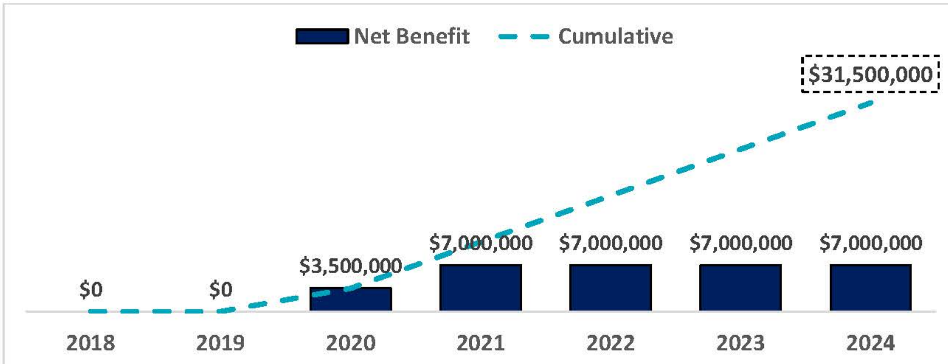
STATUS

Based on further research on successful Indiana school corporation referendums and the primary election outlook in Lake County Indiana in May 2019, a decision has been made to hold the GCSC referendum election in November 2019. Based on several factors, a GCSC referendum on the November 2019 ballot has a higher probability of success than a referendum on the May 2019 ballot. In addition to considerations related to the Lake County and Gary May 2019 primary election, placing the GCSC referendum on the November 2019 ballot allows additional time to fundraise for a robust campaign. Holding the referendum in November 2019 also allows additional time to demonstrate to Gary voters the successes and improvements throughout all aspects of the Corporation leading to a higher probability of the referendum passing.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.F. INCREASE ENROLLMENT

Student enrollment in GCSC for the 2017-18 school year is approximately 4,800 students. An increase in enrollment of 5 percent in the 2018-09 school year yields approximately 250 additional students. An increase of an additional 5 percent in the 2019-20 school year yields approximately 300 additional students. Every additional student yields additional revenue for GCSC.

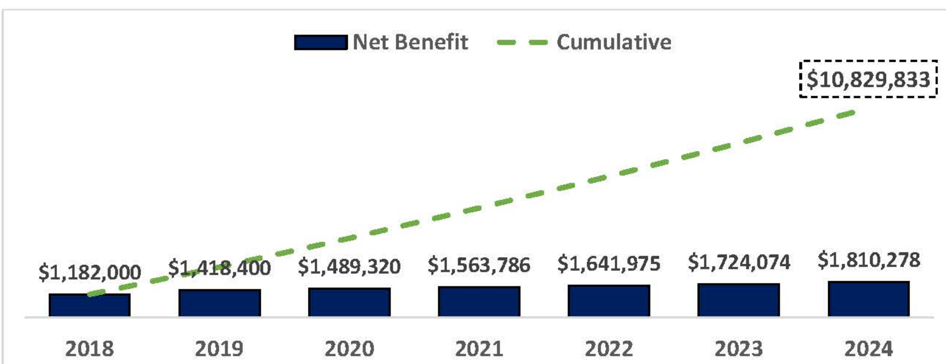
The incremental increases in student enrollment represents a term known as organic growth. Organic growth means growth from students within the current corporation boundary who chose to enroll in GCSC schools.

Parents and students will choose to enroll in GCSC in the 2018-19 and future school years based on several key factors. The first key factor is increased academic performance. Parents and students are beginning to see demonstrated commitment and allocation of resources to improving academic performance which will carry into 2018-19, and subsequent years, enrollment decisions.

Another key factor is demonstrated attention and commitment to improving the conditions of schools and the impact facility conditions have on learning. The allocation of resources to specific schools to improve the appearance, operations, and learning experience will lead to increased enrollment.

The final key factor is the demonstrated improvement and stabilization of the GCSC financial situation. As GCSC implements the plans submitted over the past months for adopting internal controls, implementing efficiencies in administrative systems and processes, optimizing the use of facilities, rightsizing the workforce, and other actions, parents and students will no longer be forced to wonder if GCSC will survive another year. Stabilizing GCSC's finances and implementing plans will reverse the enrollment trend in past years and lead to increased enrollment in 2018-19 and future years.

FISCAL IMPACT



2.F. UPDATE #1 JULY 31, 2018

STATUS BAR

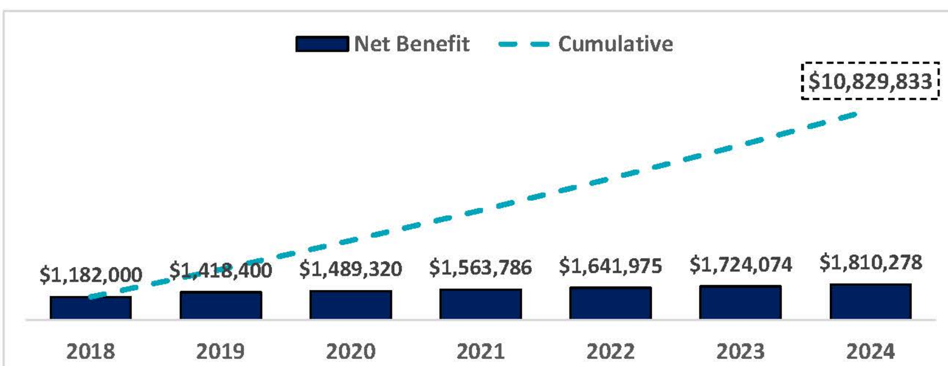
STATUS

The actual increase in organic enrollment will not be known until the 2018-19 school year count date on September 14, 2018. An organic enrollment increase of 250 students is still a realistic projection. To underscore the importance of organic enrollment growth a student recruitment and retention campaign is scheduled for July through September 2018 in Gary and Lake County.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



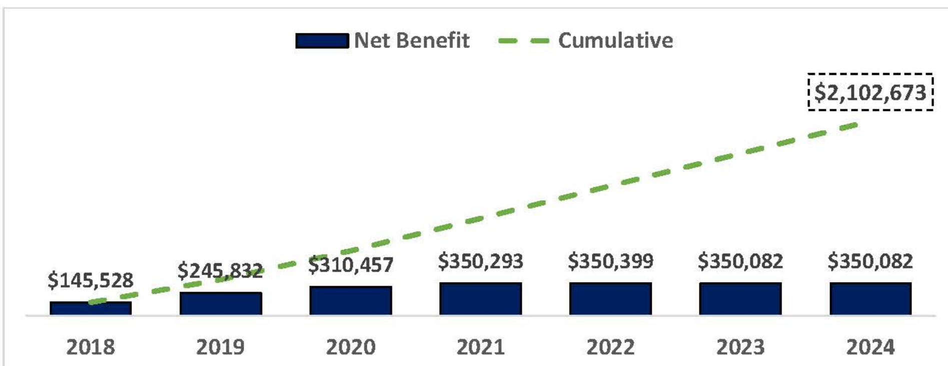
2.G. CO-LOCATION AND CO-BRANDING OF GACC AND IVY TECH

The GCSC Gary Area Career Center (GACC) and Ivy Tech Community College Northwest Indiana (Ivy Tech) are forming a partnership to financially and operationally benefit both entities.

Ivy Tech will locate into the GACC which will expand GACC offerings, including welding and building trades with other offerings in the future. These expanded offerings will provide increased enrollment and allow the GACC to be self-funded using state and federal dollars associated with enrollment. Enrollment increases may also occur through partnerships with neighboring schools and local charter schools that may send students to GACC for career programs.

The relocation of Ivy Tech will expand program access for Ivy Tech students through dual credit and industry certification options.

FISCAL IMPACT



2.G. UPDATE #1 JULY 31, 2018

STATUS BAR

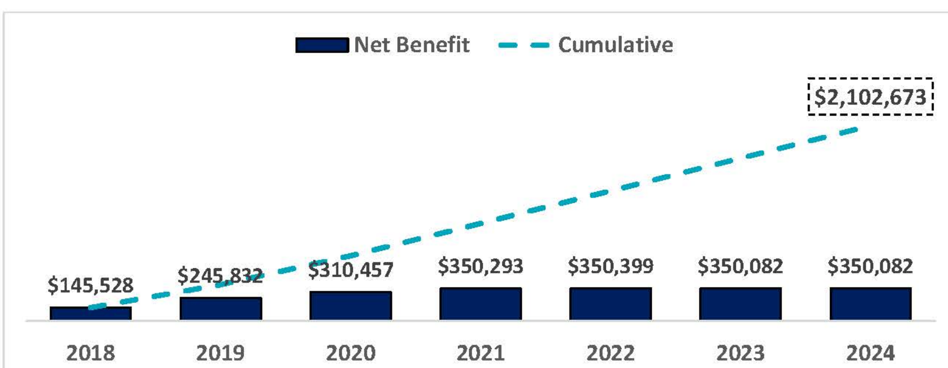
STATUS

Projected enrollment for the 2018-19 school year at the GACC is 222 students. This represents an increase of 87 students over the 2017-18 school year. Of the projected increase of 87 students, the majority are from out-of-district (mostly Roosevelt High School). Each out-of-district student represents $3,200 in annual revenue to GCSC. Each in-district student represents a variable amount of revenue dependent on the course(s) taken but within a range of a few hundred dollars per student.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.H. SYSTEM OF GREAT SCHOOLS

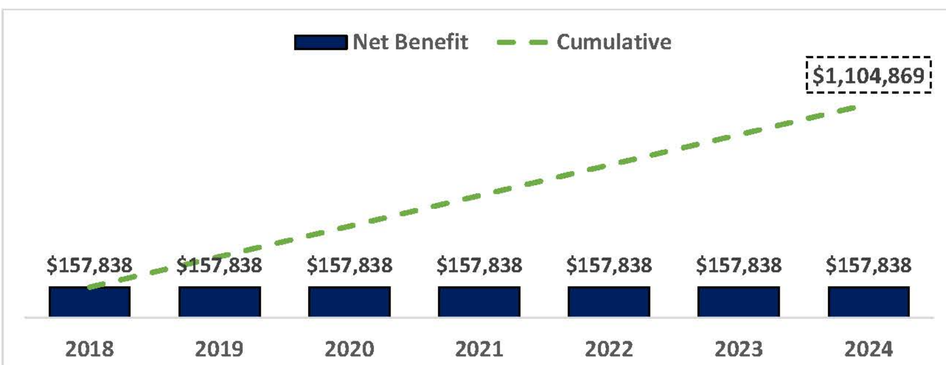
A component of the System of Great Schools transformation strategy is a partnership or an agreement between GCSC schools and existing charter schools within the GCSC boundary. The opportunity exists for GCSC to partner with the existing charter schools to the mutual benefit of GCSC and the existing charter schools.

Under the leadership and management of the Emergency Manager team and through the expertise of MGT, GCSC has the capacity and capability to become the authorizer of some, or all, of the existing charter schools in the GCSC boundary. Converting an existing GCSC school to a charter school or creating a new charter school within the GCSC boundary is NOT proposed.

A partnership between GCSC and existing charter schools could realize economies of scale for cost reductions through shared services such as administration, custodial, maintenance, and transportation. Additional cost savings could be realized through a larger personnel pool for employee benefits and professional development.

In addition to potential cost reductions to GCSC, both GCSC students and existing charter school students could benefit through jointly offered and supported extracurricular programs, activities, and athletics.

FISCAL IMPACT



2.H. UPDATE #1 JULY 31, 2018

STATUS BAR

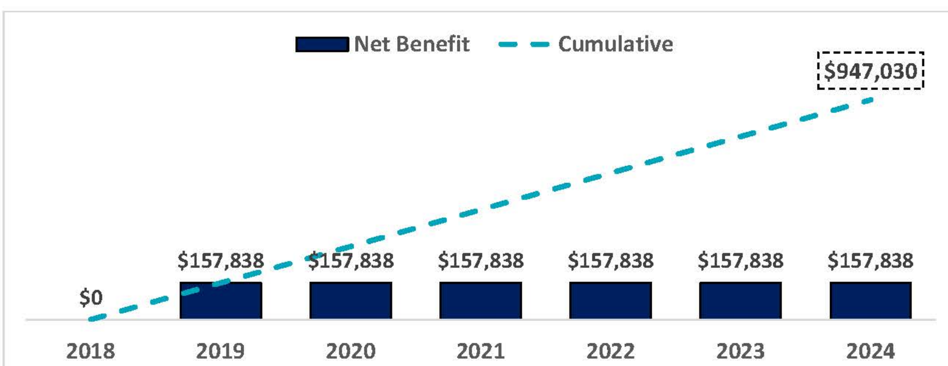
STATUS

Partnerships or agreements with existing charter schools for GCSC to provide management, administrative or support services have not been negotiated as of July 2018.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



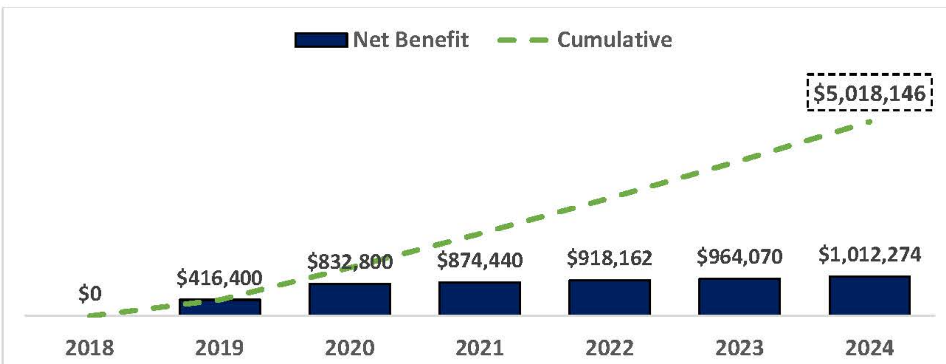
2.1. ACQUIRE / IMPLEMENT AN ONLINE PROGRAM

Under the leadership and management of the Emergency Manager team and through the expertise of GSR personnel, GCSC has the capacity and capability to acquire and/or implement an online education program. An online program will increase, or retain, current GCSC enrollment which will increase, or retain GCSC revenue.

Initially, the online program will supplement existing curriculum and will be used in communication materials to help potential students and their families understand the breadth of the curriculum available. Online course offerings will also be offered as hybrid courses at the career center to enable students to stay all day at the Gary Area Career Center (GACC), avoiding long bus rides.

Online and/or hybrid resources and course offerings will also be expanded for disenfranchised students from within the GCSC boundary as well as potential students from outside the GCSC boundary who would like to complete requirements for a high school diploma.

FISCAL IMPACT



2.1. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

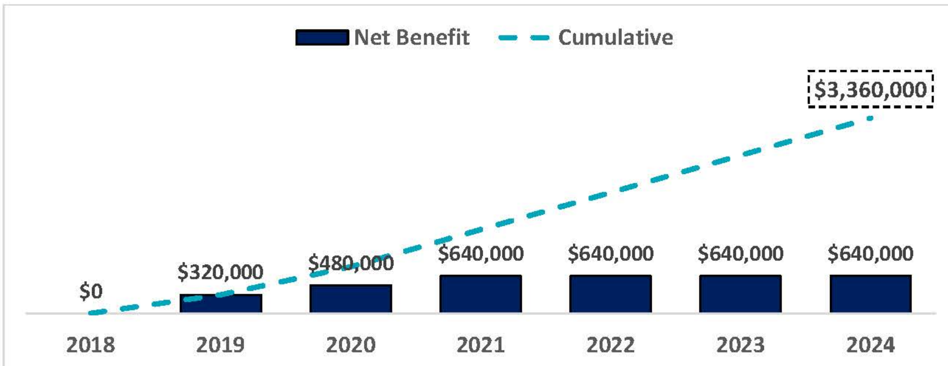
A scope of service and contract is under review with an on-line education company to create a blended learning model within GCSC. A blended learning model includes both on-line instruction and classroom instruction. In this blended model partnership, the on-line education company will provide curriculum, instructors and technology infrastructure and support while GCSC would provide classroom space at the GACC and associated support.

Projected enrollment for GCSC for the 2018-19 school year for a blended learning model is 200 students. Approximately 50 of these students are Gary residents and approximately 150 are Lake County residents within geographic proximity to the GACC. The net revenue to GCSC in this partnership is approximately $1,600 per student.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

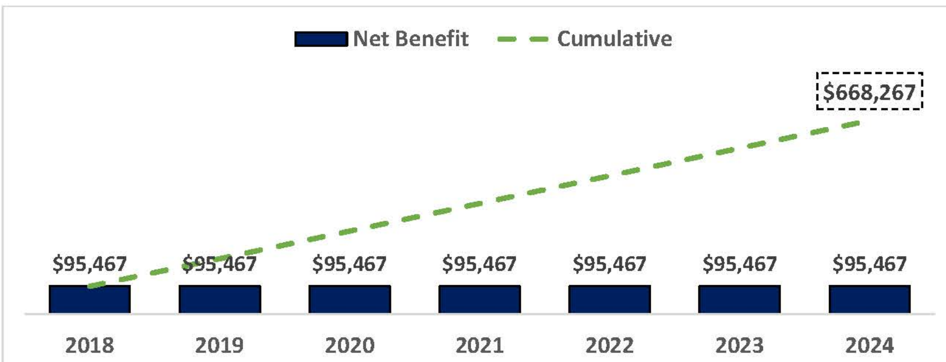


2.J. COMMUNITY CROWDFUNDING

While not a significant source of annual revenue, community crowdfunding will combine nominal additional revenue with ownership in the success of GCSC from the parent and neighborhood community. Combining technology, social media, and a deliberate communication strategy, revenue can be raised from parents and community members to offset current GCSC costs for athletics and activities.

Increasing offerings in athletics and activities, and the associated increased participation in athletics and activities will generate awareness and pride in GCSC from the community which will help improve the reputation of GCSC. Improving the GCSC reputation will create a cycle of additional support and ownership from the overall community.

FISCAL IMPACT



2.J. UPDATE #1 JULY 31, 2018

STATUS BAR

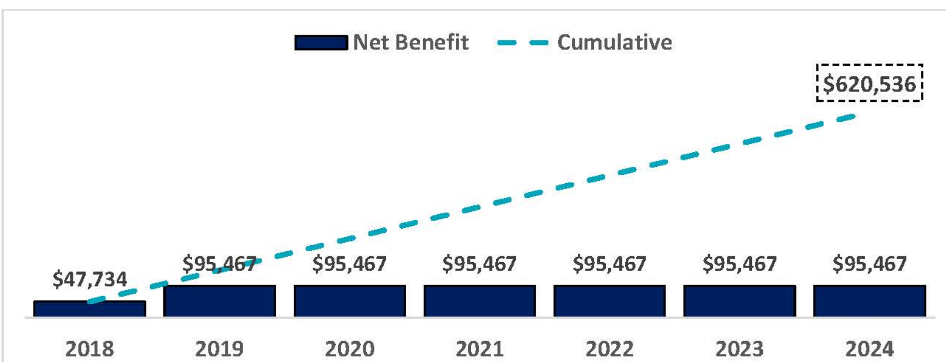
STATUS

A crowdfunding campaign for the 2018-19 school year will begin after final enrollment stabilizes in September 2018. Through final 2018-19 enrollment records, GCSC will have current parent and guardian contact information as a basis for the campaign.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

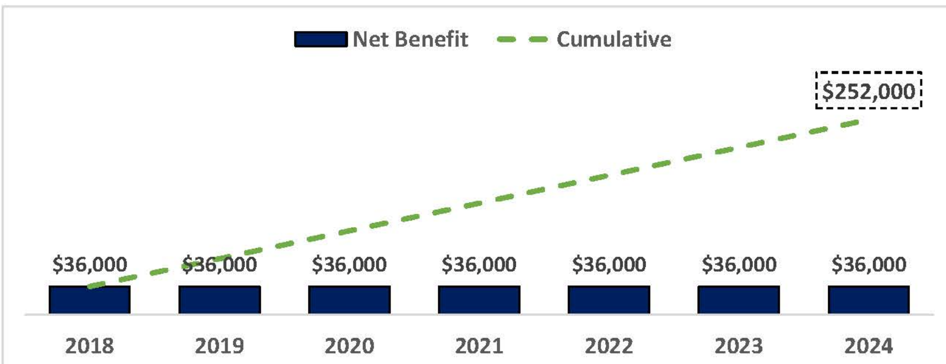


2.K. RENT BUILDING SPACE

GCSC realizes a small amount of annual revenue from renting space in the GACC. As the partnership with Ivy Tech evolves and the Career Center programs and profile improve, there may be additional opportunities to generate revenue from renting, leasing or other types of agreements with outside entities.

Options to generate revenue from other GCSC facilities, both vacant and occupied, will be explored.

FISCAL IMPACT



2.K. UPDATE #1 JULY 31, 2018

STATUS BAR

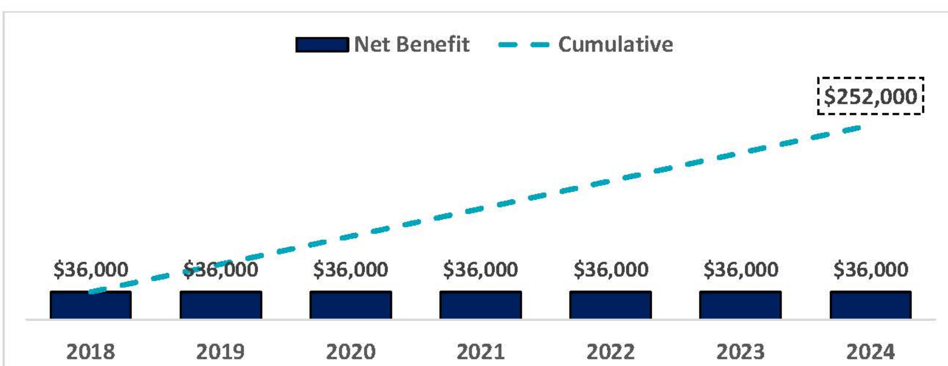
STATUS

Rental revenue from the GACC is projected to continue in the 2018-19 school year and future years. Additionally, the partnership at the GACC with Ivy Tech may yield additional incremental rental revenue beginning in the 2019-2020 school year. Projected revenues from Ivy Tech for 2019-2020 are not known at this time.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$18,000	**$18,000**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

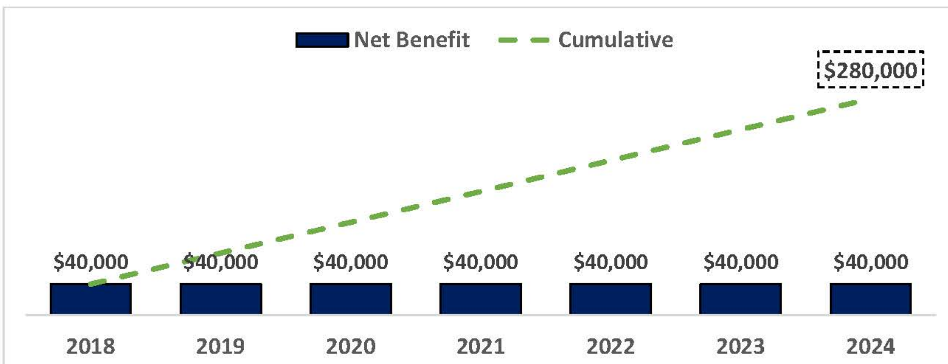


2.L. JOINT PURCHASING COOPERATIVE

GCSC must purchase common office, maintenance, custodial, and instructional materials and supplies to operate. Materials and supplies are currently purchased on an as-needed and ad-hoc basis from numerous vendors. Efficiencies and cost savings can be realized by purchasing needed materials and supplies through a purchasing cooperative. A purchasing cooperative pools multiple organizations who purchase identical materials and supplies to realize price and shipping discounts and considerations.

The Wilson Center or the Northwest Indiana Cooperative are examples of purchasing cooperatives that GCSC could join and generate savings through economies of scale and piggyback on joint agreements. All purchasing cooperative options will be explored and the best option will be adopted.

FISCAL IMPACT



2.L. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

A large percentage of GCSC purchases relate to custodial and maintenance supplies. Until those functional areas are fully transitioned to an outsourced service, an accurate analysis for purchasing custodial and maintenance supplies cannot be completed. It is possible that a reduction in costs for these supplies may be realized through the outsource service provider.

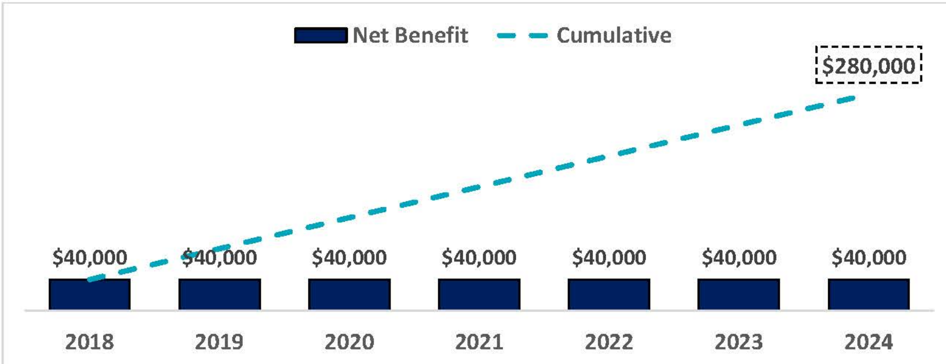
For other GCSC purchases, competitive purchasing processes have been implemented. The primary cost savings process is to purchase many types of items and supplies through Amazon which is most often less expensive than other vendors and includes free shipping.

A comprehensive analysis for a purchasing cooperative or other channels will be completed later in 2018.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$20,000	**$20,000**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

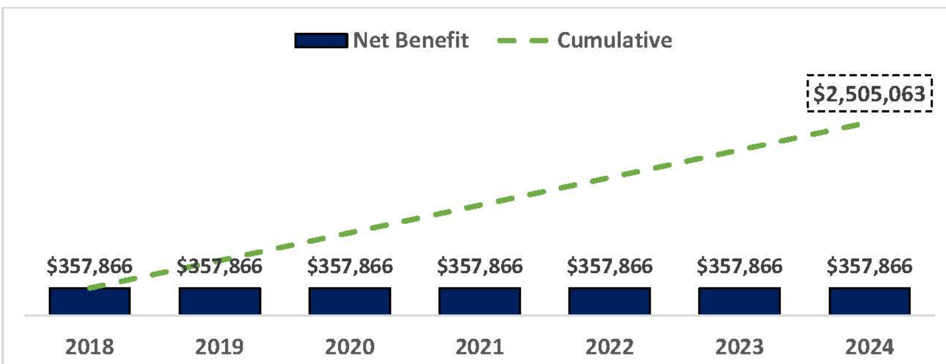


2.M. FOOD SERVICES FUND ACCOUNTING

Food services includes making and serving breakfast and lunch meals for GCSC students. The food services program is currently operated by Sodexo and the Indiana Department of Education (IDOE). The IDOE is actively involved in the food services program due to past mismanagement by GCSC operating the program. However, by the end of the 2017-18 school year, GCSC will resume operating the food services program jointly with Sodexo.

Adopting internal controls and proper accounting and recordkeeping processes and procedures will result in a net financial benefit for GCSC. The net benefit is a combination of generating additional revenue and relief to the GCSC general fund. The net benefit is realized by identifying, properly recording, and charging all applicable costs to the food services program, using food services program fund balance for capital purchases, and diligent managerial oversight of operating and accounting for the program.

FISCAL IMPACT



2.M. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

Beginning with the 2018-19 school year an appropriate portion of the cost of the custodial services contract will be charged to the food services program. This cost will be paid from the food services program as opposed to the General Fund. Examples of allowable custodial services activities to be charged to the food services program include lunch room monitoring, pre-meals cleaning and post-meals cleaning.

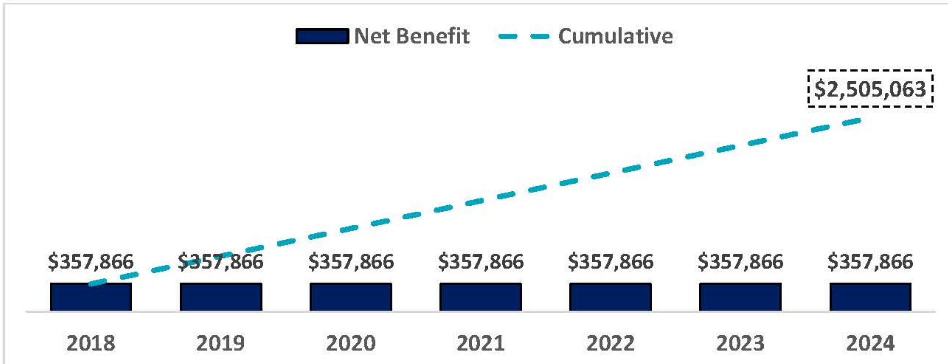
Continuing in the 2018-19 school year, revenue from the food services account will be used for equipment purchases as well as for repairs and maintenance on existing equipment. These types of purchases have been expended from the General Fund in prior years.

As enrollment increases so will revenue generated from the food services program.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



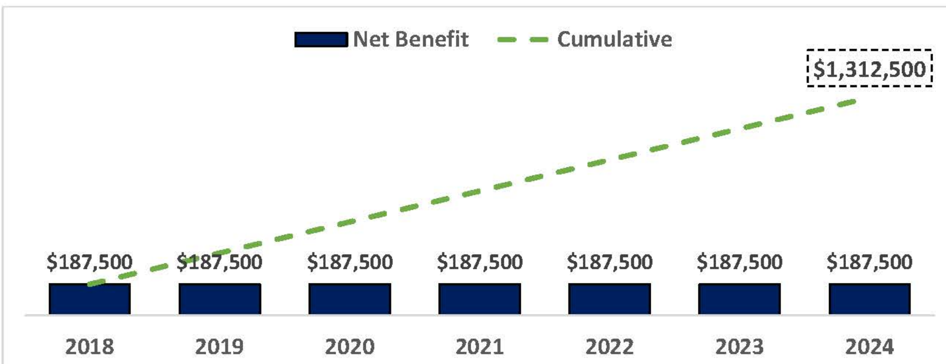
2.N. LABOR COST CONTROLS

Similar to all school corporations and most public-sector organizations, labor costs are the largest cost for GCSC. Approximately 85 - 90 percent of GCSC costs are labor-related costs including salaries, additional compensation, and employee benefits.

Included in additional compensation costs are overtime, step pay, longevity pay, and supplemental pay. Included in employee benefits costs are employee health insurance and sick leave.

Adherence to internal controls, consistent application of existing payroll policies, updates as needed to payroll policies, and diligent management oversight of budgeted labor costs will decrease overall labor costs in the additional compensation and employee benefits categories.

FISCAL IMPACT



2.N. UPDATE #1 JULY 31, 2018

STATUS BAR

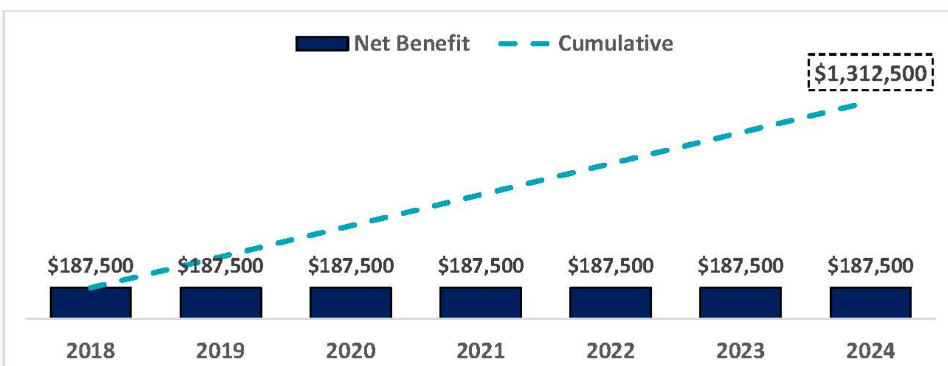
STATUS

Overall payroll costs for the period January 1, 2018 to June 30, 2018 have decreased $507,466 compared to the period July 1, 2017 to December 31, 2017. The majority of this decrease is due to reductions in staff. However, a portion of the decrease is due to reductions for step and supplemental pay as well as consistency in calculating leave and separation payouts.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$93,750	**$93,750**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018

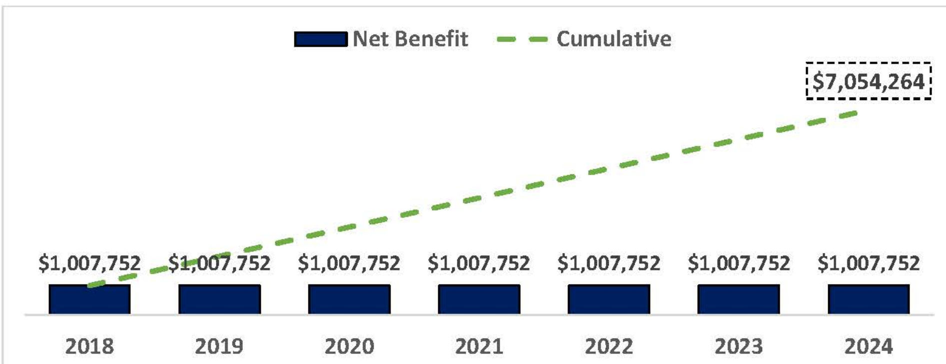


2.O. DEBT RESTRUCTURING

GCSC could generate additional operating revenue by extending the current bond and possible long-term bank loan debt by ten years. While extending the debt will increase the overall debt costs through more years of interest, GCSC could financially benefit by increasing cash flow for the ten-year period.

Local property tax revenue currently covers GCSC debt service on bonds and long-term bank loans. By extending these debts ten years, GCSC, if qualified and certified, could continue to collect local property tax at the current level. However, by extending the debt ten years, the current annual debt service obligation would be reduced. The difference between the amount collected for current debt service and the amount needed for extended debt service can be used by GCSC for other purposes.

FISCAL IMPACT



2.O. UPDATE #1 JULY 31, 2018

STATUS BAR

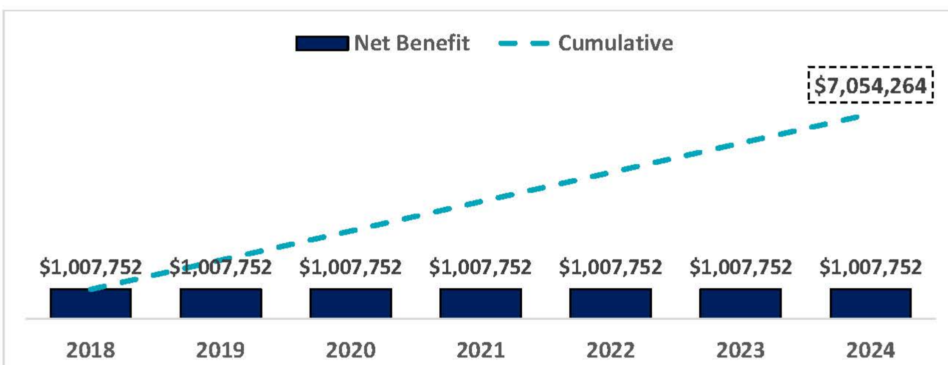
STATUS

GCSC has not qualified or been certified for debt restructuring as of July 31, 2018. Debt restructuring is still being pursued and is anticipated to occur in 2018.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



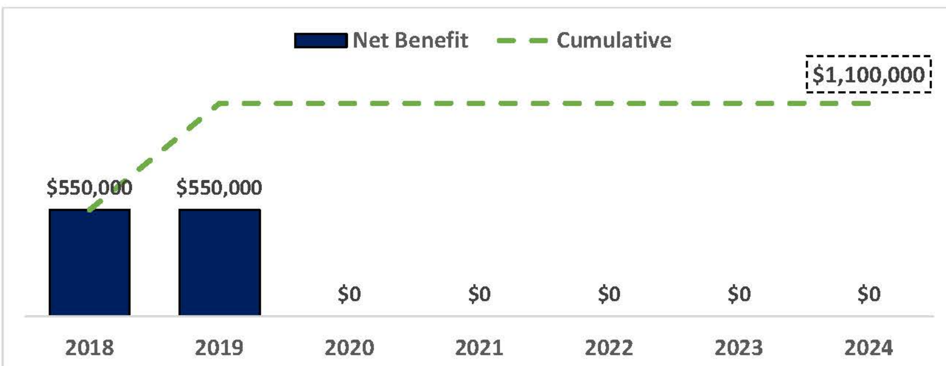
2.P. REDUCE COST OF EMPLOYEE HEALTH INSURANCE

Similar to other school corporations, and many public-sector organizations, employee benefit costs are the second largest cost category for GCSC. Employee health insurance is by far the largest costs of all employee benefits.

In late 2017, with the assistance of an outside consultant, GSR, MGT, and GCSC personnel reviewed options and bids from four employee health insurance providers. Two of the four bids were chosen for additional review and subsequent negotiation.

Cigna, the incumbent provider, proposed the best option for GCSC resulting in net savings of over $1,000,000 over two years.

FISCAL IMPACT



2.P. UPDATE #1 JULY 31, 2018

STATUS BAR

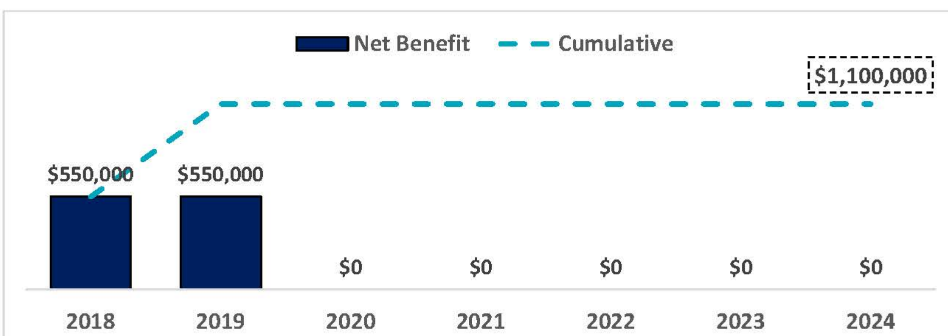
STATUS

The two-year agreement between GCSC and Cigna began in January 2018. Savings to GCSC are realized on a monthly basis. As long as GCSC stays current with monthly premium payments, the agreement, associated monthly savings and past due forgiveness will continue through 2019.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$275,000	**$275,000**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



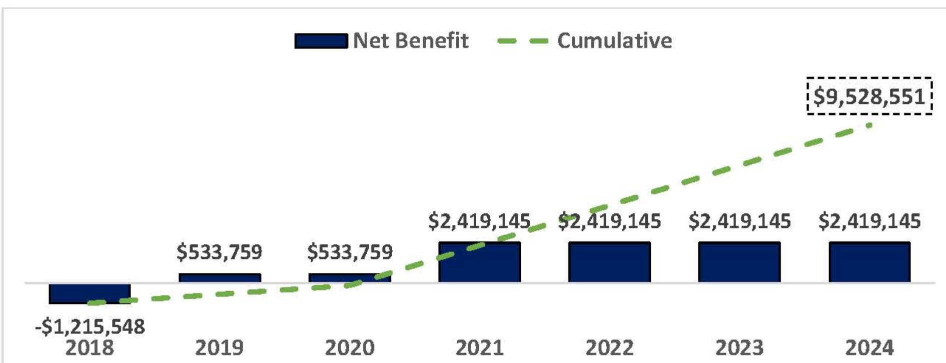
2.Q. BUILDING ENERGY EFFICIENCY AND UTILITY RATE AUDITS

After labor costs, the next largest cost category for GCSC is utility costs. Utility costs include electric, gas, water, wastewater, and sanitation costs.

This initiative includes two distinct components both related to investments and subsequent savings in operating GCSC facilities. The first initiative is an investment in energy efficient upgrades for selected GCSC facilities. Upgrades include energy efficient windows, window and door stripping, roof repair, and LED lighting. While the amount of investment required for these upgrades is significant, the return on the investments in future years is very significant. Investments in select school buildings will also improve the learning environment for GCSC students.

The second initiative is a comprehensive utility rate audit. Utility companies bill customers based on the type of customer, the type of customer usage, the time of customer usage, and other factors. A utility company's rate structure is typically complex. A utility rate audit is an engagement from a consultant specializing in reviewing an organization's current utility bills and comparing those bills to correct rates, usage, and time factors. Very often, this type of audit will generate savings in adjustments to utility bills. On occasion, refunds may be given due to overbilling by a utility company. The utility rate audit consultant typically is compensated through a percentage of cost savings identified.

FISCAL IMPACT



2.Q. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

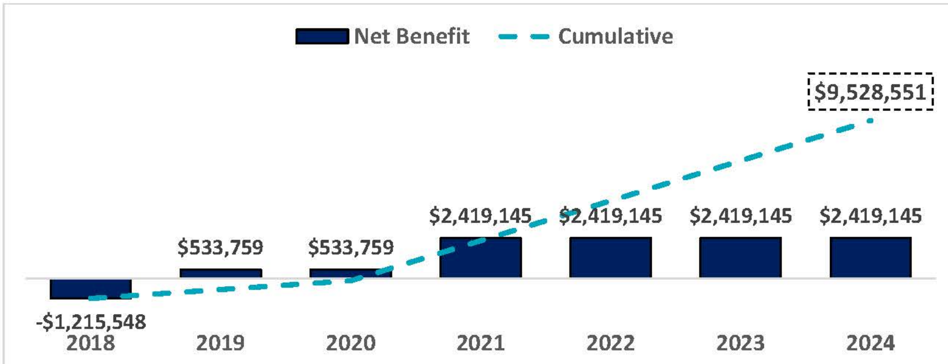
Investments in energy upgrades are paused until after the start of the 2018-19 school year. After the end of the 2017-18 school year one high school was closed and transitioned into another high school and a middle school is being established. Additionally, the plan to move the administration staff into a new building is still scheduled. Concurrently all custodial and some maintenance staff are transitioning from GCSC employees to an external vendor. Once these major activities are finalized attention will turn to energy upgrades in all remaining occupied buildings.

A draft RFP for a utility rate audit has been prepared and is under review. After the final review, the RFP will be released to prospective vendors. The schedule for a utility rate audit by the end of 2018 is still in place.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.R. COMPETE CUSTODIAN SERVICES

GCSC custodial services are currently divided roughly equally between contracted services and services provided by GCSC personnel. The contracted vendor-provided custodial services are for a higher number of buildings than the number of buildings receiving custodial services from GCSC personnel. However, the buildings receiving services from the contracted vendor are considered easier to clean than the buildings receiving services from GCSC personnel. Therefore, the level of effort between the two groups is considered roughly equal.

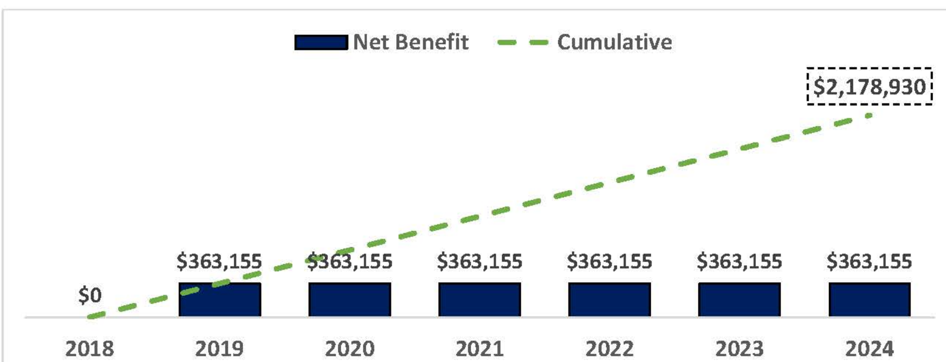
Several factors are relevant to lowering the costs of custodial services. The first factor is the number of buildings that require custodial services. School closure and/or consolidation will reduce the overall effort required and therefore the cost of custodial services.

The second factor is a comprehensive RFP process for contracted custodial services with tightly defined work requirements and measurements, negotiation, and contract terms. A well-written and negotiated RFP process can yield cost savings for GCSC.

The third factor is a comprehensive analysis of the staffing level and custodial services provided by GCSC personnel. Well-defined task requirements and performance measurements, scheduling, and adherence to budgeted costs could yield additional cost savings.

Dividing the custodial services between a contracted vendor and GCSC personnel may have intangible benefits through on-going competition between the two groups. In addition to defining the custodial services needed, the buildings served and the associated performance measurements, a cost-benefit analysis will determine if all contracted services, or all GCSC-provided services, or a division of services is the best option for GCSC.

FISCAL IMPACT



2.R. UPDATE #1 JULY 31, 2018

STATUS BAR

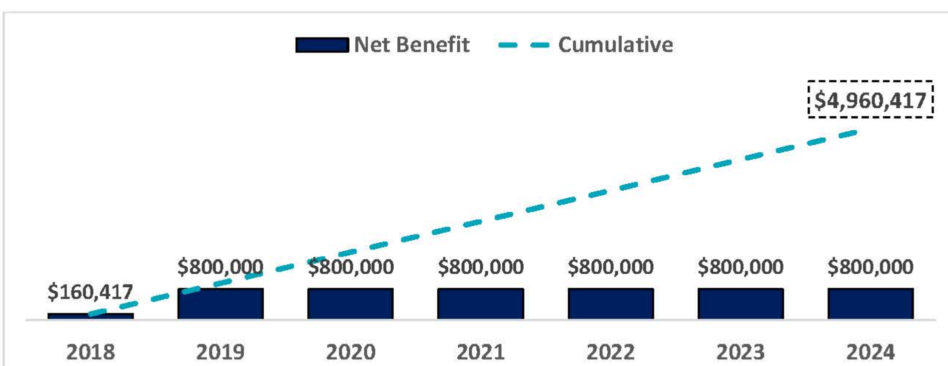
STATUS

Based on a comprehensive review of proposals from several custodial service providers and an analysis of the GCSC incurred costs for custodial services, the decision was made to transition all custodial services to an external vendor. The transition to the external vendor took place July 1, 2018. Projected cost savings from the transition will begin upon service initiation and continue monthly throughout the agreement.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	$0	$0

FISCAL IMPACT UPDATE #1 JULY 31, 2018



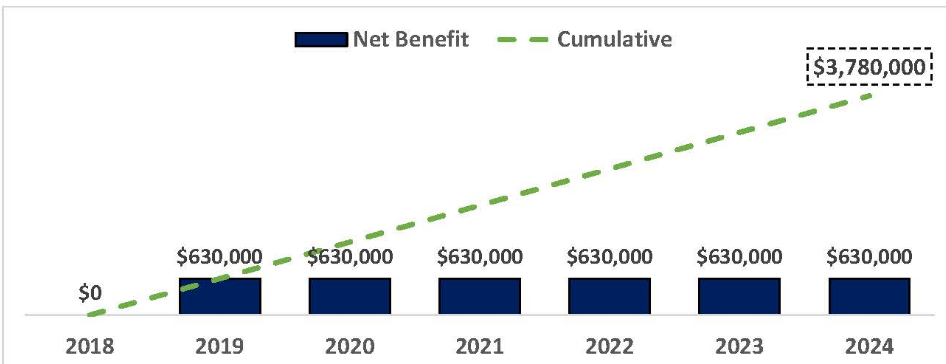
2.S. COMPETE TRANSPORTATION CONTRACT

Almost all GCSC transportation services are provided by a contracted vendor. After labor costs and utility costs, the next largest operating cost for GCSC is the transportation contract.

Two primary factors are relevant to lowering the costs of transportation services. The first factor is the number of schools in service and the scheduled routes associated with each school. School closure and/or consolidation will reduce the number of scheduled routes and therefore the cost of transportation services.

The second factor is a comprehensive RFP process with the tightly defined route and schedule requirements, performance measurements, negotiation, and contract terms. A well-written and negotiated RFP process will yield cost savings for GCSC.

FISCAL IMPACT



2.S. UPDATE #1 JULY 31, 2018

STATUS BAR

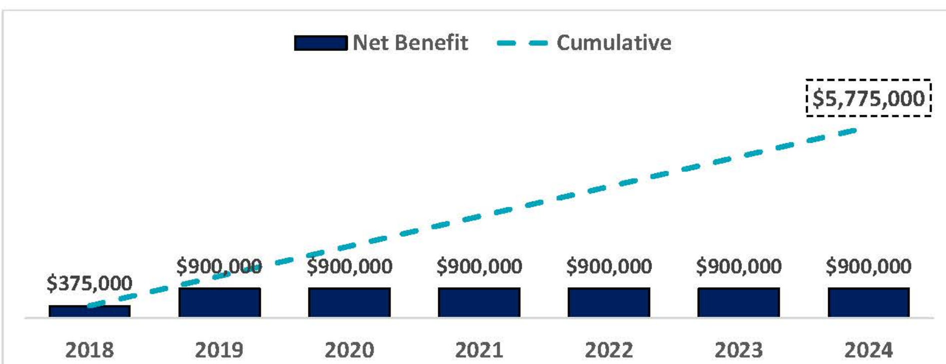
STATUS

Based on a comprehensive review of proposals from several transportation service providers, the decision was made to enter into an agreement with Illinois Central School Bus for transportation services for the 2018-19 school year. In addition to a more competitive bid than other proposers, the costs of 2018-19 transportation services is less than transportation services in 2017-18. Illinois Central School Bus will also purchase new buses for GCSC students.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



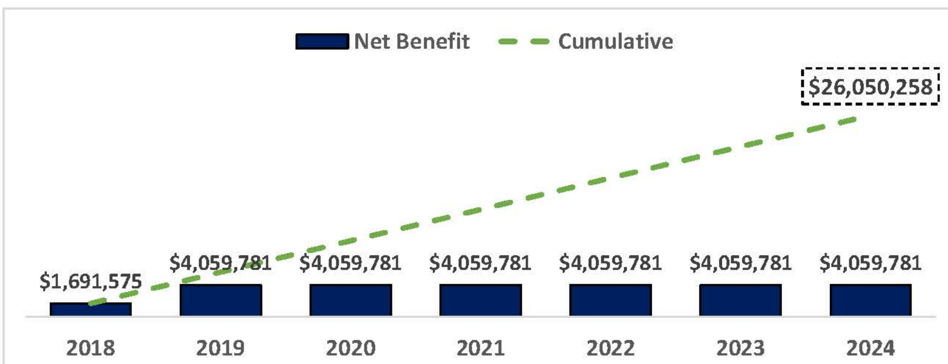
2.T. REDUCTION IN FORCE AND ATTRITION

Similar to all school corporations and most public-sector organizations, labor costs are the largest cost for GCSC. Approximately 85 - 90 percent of GCSC costs are labor-related costs including salaries, additional compensation, and employee benefits.

The ratio of the number of students to the number of teachers is a common metric for school corporations to benchmark and compare with other school corporations. A student-to-teacher ratio higher or lower than the national average does not correlate to higher or lower academic effectiveness or performance. The student-to-teacher ratio, however, is a starting point for financial and operational comparability and establishing internal benchmarks and standards.

The national average student-to-teacher ratio is no less than 15:1. The current GCSC student-to-teacher ratio is approximately 12.7:1. Raising the ratio to the national average will result in a reduction in force or unfilled retirements and resignations of approximately 60 positions. While many factors are considered when determining the optimal number of personnel within a school corporation, the student-to-teacher ratio is a very important and sound metric for staffing efficiency.

FISCAL IMPACT



2.T. UPDATE #1 JULY 31, 2018

STATUS BAR

STATUS

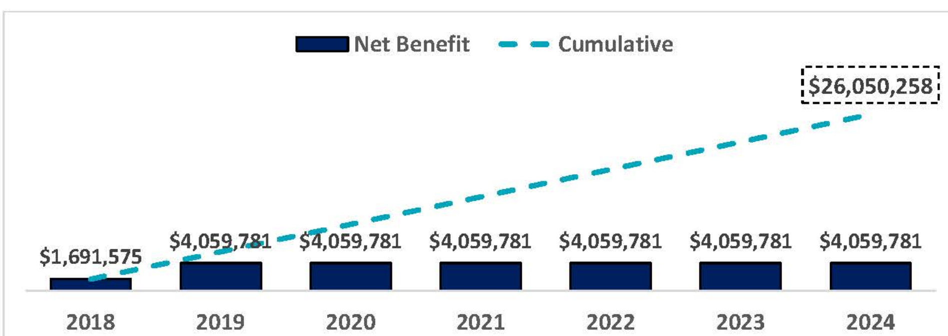
A comprehensive review of all GCSC instruction and operations and the number of associated positions in the 2017-18 school year is near completion as of July 2018. Based on this review a reduction in force through terminations and retirements has occurred and will continue to occur up to the start of the 2018-19 school year.

For the 2018-19 school year GCSC Instructional positions will be aligned with enrollment and class offerings and operational positions will be aligned with enterprise size, efficiencies and productivity.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.U. SCHOOL CLOSURE / CONSOLIDATION

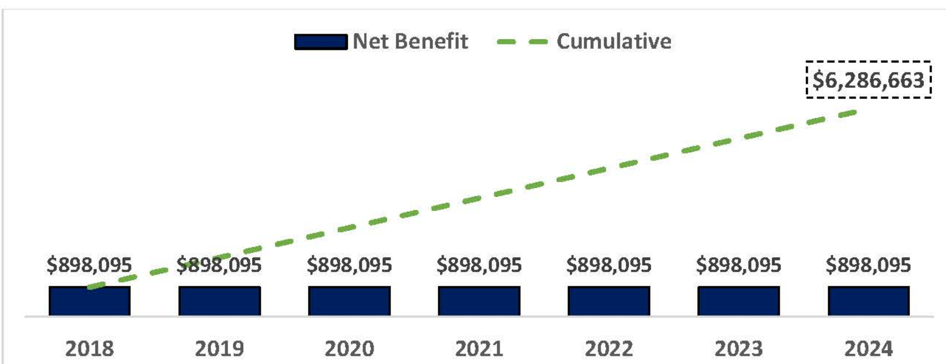
There are currently three high schools within the GCSC boundary. Two of these high schools, Westside and Wirt Emerson, are operated by GCSC. The third high school, Roosevelt, is operated by EdisonLearning Inc.

Student capacity at these three high schools far exceeds current and recent years' actual enrollment. Additionally, student enrollment far exceeds future years projected enrollment. In total, these three high schools have student capacity for over 6,000 students with an enrollment of fewer than 2,000 students.

School	Capacity	Enrollment
Roosevelt High School	1,821	595
Westside High School	3,415	755
Wirt Emerson High School	1,087	526
Total of Three High Schools	**6,323**	**1,876**

Closing one high school and transferring students, teaching staff, and programs will generate significant cost savings in reduced administration, utilities, custodial, security, transportation, and other operations.

FISCAL IMPACT



2.U. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

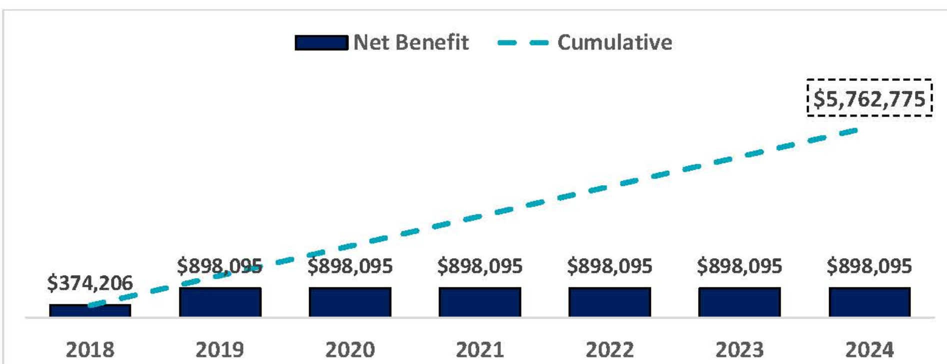
STATUS

Wirt Emerson High School was closed at the end of the 2017-18 school year. Effective for the 2018-19 school year all students, faculty, administrators and viable programs have transferred to Westside Leadership Academy. Projected cost reductions have changed from the original estimates only to recognize a partial year of savings in 2018.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



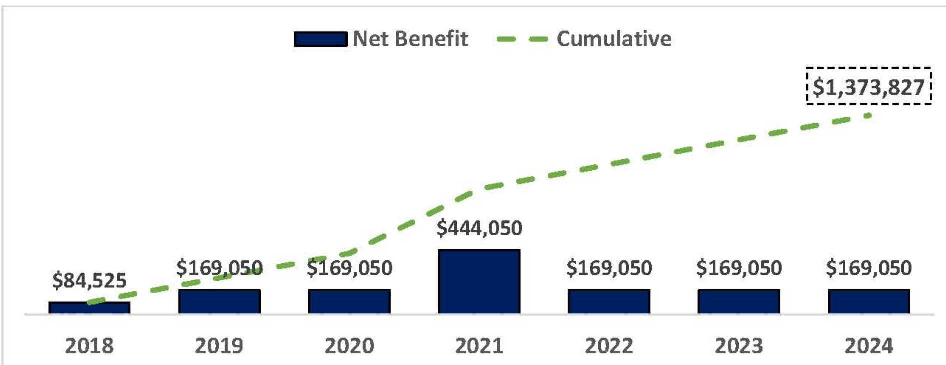
2.V. RELOCATE ADMINISTRATION OFFICE

GCSC administrative and business office personnel, such as Finance, Human Resources, and Information Technology, are located in the former Lincoln Elementary School. No instructional employees or activities are housed in this former school.

Several current elementary schools with GCSC have the capacity for administrative offices and associated personnel. One of these schools could be configured to separate the administrative offices, administrative personnel, and visitors from the students and the learning environment.

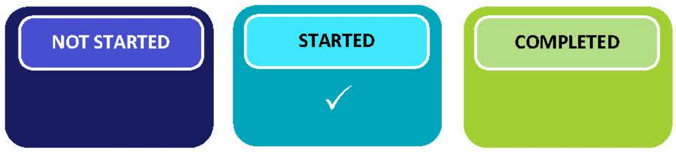
Co-locating the administration office and associated personnel into an occupied elementary school building will generate cost savings in reduced custodial, maintenance, and utility costs from a sole building never designed for administration offices and personnel.

FISCAL IMPACT



2.V. UPDATE #1 JULY 31, 2018

STATUS BAR



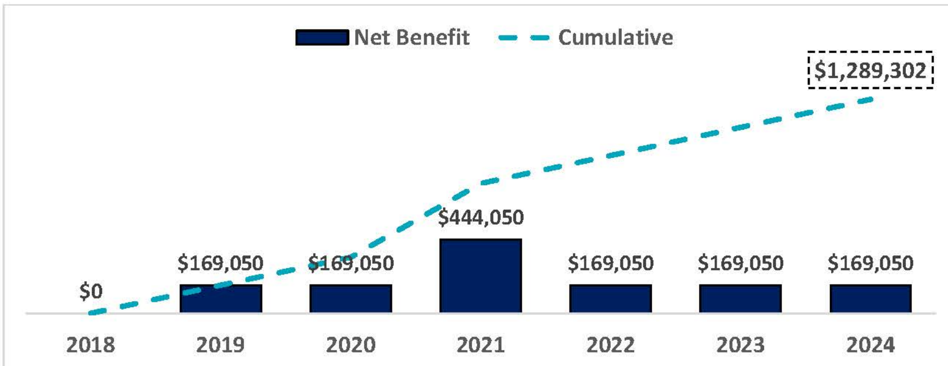
STATUS

Moving administrative personnel and operations from the former Lincoln Elementary School to another occupied building is rescheduled from the summer of 2018 to late in 2018. Closing and relocating Wirt Emerson High School to Westside Leadership Academy and establishing Gary Middle School is taking all available resources between June and August of 2018. Therefore, no cost savings are projected for the remainder of 2018. Once the relocation of Wirt Emerson and establishment of Gary Middle School are completed and stabilized, moving the administrative personnel and operations will take place and cost savings will start to accrue in 2019.

VARIANCE TABLE

VDRP submitted 01/31/18	**VDRP Update #1 07/31/18**	**VARIANCE**
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



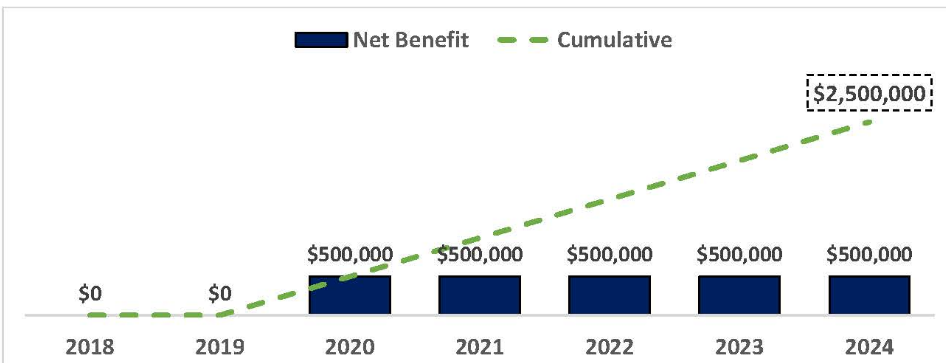
2.W. NEGOTIATE REDUCTION OF LEGACY ACCOUNTS PAYABLE

In addition to over $8,400,000 in claims asserted by the IRS, there are over $6,000,000 in reported legacy accounts payable to numerous vendors and suppliers. This amount is substantially the accumulation of years of non-payment for materials, supplies, and services, provided to GCSC.

Negotiating with vendors and suppliers to reduce the approximately $6,000,000 accumulated accounts payable amount could generate material one-time cost savings to GCSC. To regain positive business relationships with vendors and suppliers and to not jeopardize the outcome of negotiations to reduce the legacy accounts payable amount, the financial net benefit to GCSC is not included in this plan.

Included in this plan, however, is cost savings generated in future years by adherence to internal controls for purchasing and procurement, proactively negotiating terms and conditions for materials, supplies, and services not applicable to purchases through a purchasing cooperative, utilizing payment discounts when applicable, and maintaining positive business relationships with vendors and suppliers through on-time accounts payable payments.

FISCAL IMPACT



2.W. UPDATE #1 JULY 31, 2018

STATUS BAR

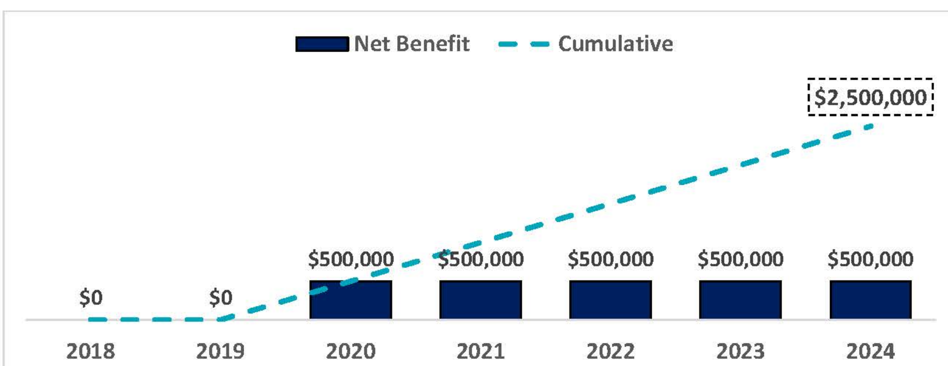
STATUS

GCSC short-term accounts payable has decreased from over $16,000,000 in August 2017 to approximately $4,000,000 as of June 2018. Remaining current with vendors and establishing good credit history over the next two years will allow GCSC to seek the most fiscally advantageous pricing and terms in the future. Estimated cost savings in future years are still applicable.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



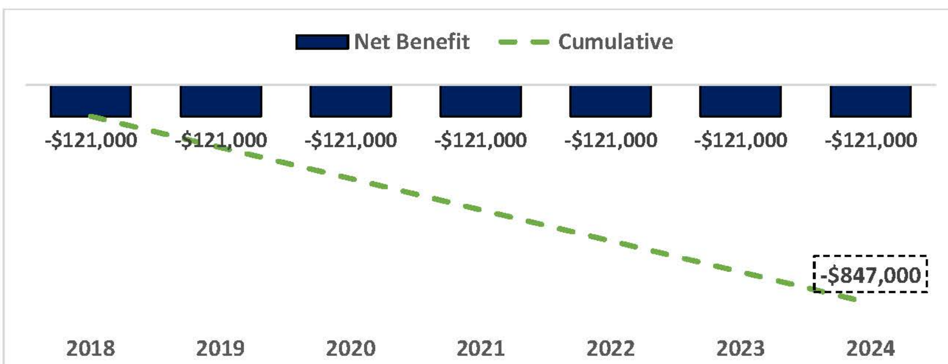
2.X. MARKETING AND COMMUNITY COMMUNICATION

One of the major initiatives proposed in this VDRP is to increase student enrollment. This initiative, as well as several other initiatives, are dependent on communicating the turnaround progress of GCSC to parents, students and the greater Gary community. Every success throughout GCSC, at the school-level, class-level or even student-level, must be communicated so parents, students and residents understand GCSC is on an upward trajectory.

Communication takes places in numerous ways including community outreach and engagement which is detailed in a separate report submitted to DUAB on December 31, 2017. In addition to community outreach and engagement, GCSC should communicate the positive actions occurring in a variety of ways. Communication methods include traditional options such as flyers and newsletters as well as technology-based options such as social media and electronic messaging.

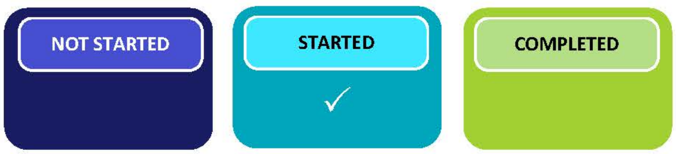
While technology-based communication options can lower the overall unit costs of each communication message, there are costs to maintain a social media presence and create content. These costs are investments that will help push the narrative of progress and improvement which, in turn, will yield increased enrollment and associated revenue for GCSC.

FISCAL IMPACT



2.X. UPDATE #1 JULY 31, 2018

STATUS BAR



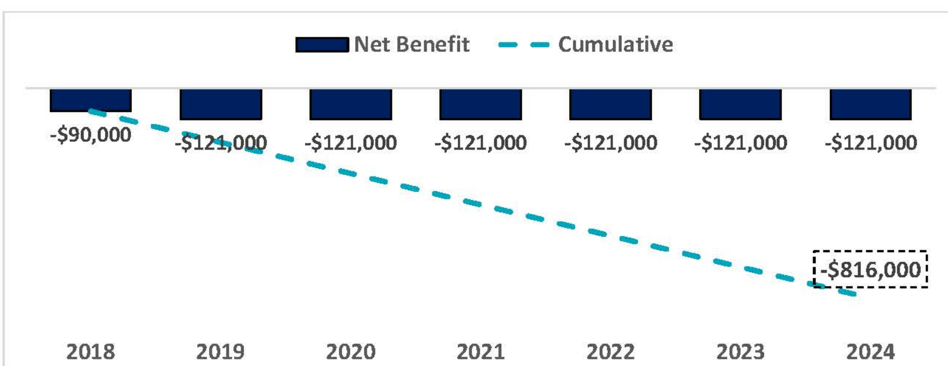
STATUS

In addition to general community communication and outreach, GCSC will initiate a specific enrollment campaign in July 2018 for the 2018-19 school year. Both general communication and specific enrollment communication includes multiple mediums and methods for delivering messages throughout the Gary and Lake County communities.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$-60,500	**$-30,000**	**$30,500**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



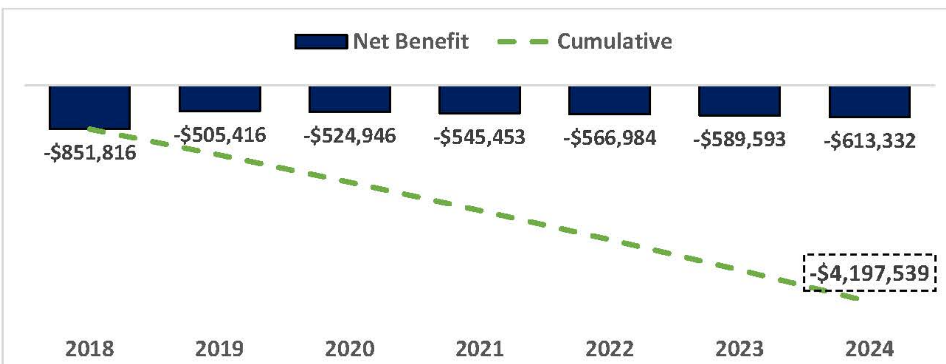
2.Y. INVEST IN HARDWARE, SOFTWARE, AND SHARED SERVICES

The GCSC technology hardware infrastructure is antiquated, long past life expectancy, and patched together to maintain only absolute minimum daily operations. The GCSC accounting, payroll, human resources, and student records software are several versions behind current and are not linked or integrated. The combination of very old hardware and dated, essentially stand-alone software creates financial inefficiencies as well as lost productivity throughout GCSC. These systems and processes are documented in the *Review, Evaluation and Recommendations of Process and Systems Report* submitted to DUAB on December 31, 2017.

While an investment in hardware, software and shared services (cloud-based software as a service) does not generate revenue and increases rather than decreases costs, the investment is necessary to improve efficiency and productivity and implement many of the recommendations in the *Review, Evaluation and Recommendations of Process and Systems Report*. Conversely, if investments are not made in hardware and software for GCSC, systems and equipment will end in failure creating a work environment unable to retain productive personnel or produce and process even the most minimal necessary information.

The estimated costs for hardware, software and shared services are placeholder estimates based on very cursory hardware, software specifications and system implementation plan. The estimated costs are conservative, meaning they represent the upper end of potential costs. Actual investment costs may be less than estimated.

FISCAL IMPACT



2.Y. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
	✓	

STATUS

PowerSchool accounting software will be purchased in July 2018. Implementation of PowerSchool will occur in the fall of 2018. The cost for PowerSchool includes a one-time initial purchase, an annual subscription and additional charges for as-needed services such as supplemental training and customization.

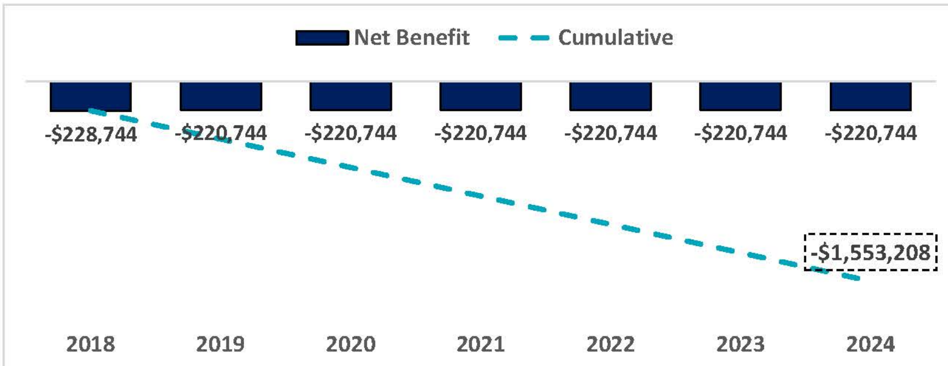
Vibe Human Resources software was purchased in June 2018. Implementation for Vibe will occur in the fall of 2018 as well. The costs for Vibe includes a one-time initial purchase, implementation, and additional charges for as-needed services such has extra processing or reporting.

Initial and ongoing costs for both PowerSchool and Vibe were significantly less than originally estimated.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$-851,816	**$-228,744**	**$623,072**

FISCAL IMPACT UPDATE



2.Z. SELL ASSETS – ART, BUILDINGS, AND LAND

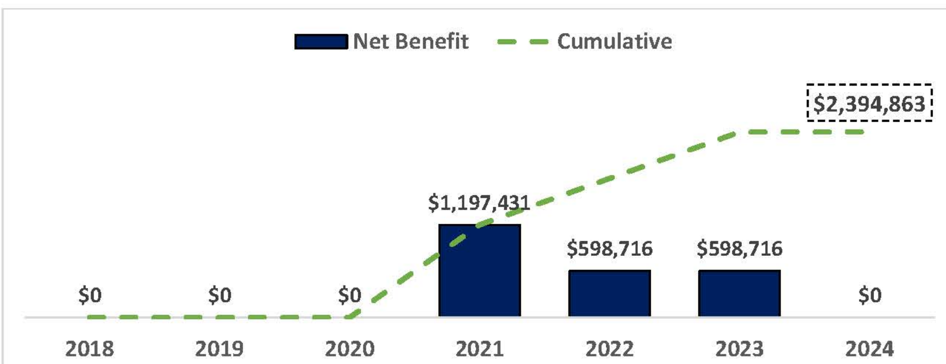
The GCSC art collection is an asset presumably with market value. However, the GCSC art collection is a tremendous source of pride within the school corporation community as well as the overall city of Gary community. Some of the art work has historical and intrinsic value for educational and instructional purposes for current and future GCSC students.

Currently, GCSC owns 28 vacated buildings and the associated land. Similar to the art collection, these buildings and associated land presumably have market value. Due to the conditions of the vacated buildings, a reasonable assumption is the land associated with the vacated buildings has more market value than the vacated buildings.

No valid appraisal or market analysis has been completed for the art collection, the vacated buildings or the associated land.

Due to the claims asserted by the IRS of over $8,400,000 from GCSC, the IRS has placed liens on all GCSC buildings and land and has expressed an interest in the value of the art collection. Any of these assets with market value cannot be liquidated to generate revenue until the IRS situation is resolved. Once the IRS situation is resolved, liquidating a part of the art collection that is not essential for educational and instructional purposes could generate one-time revenue for debt relief. Similarly, once the IRS situation is resolved, liquidating buildings and land could generate one-time revenue for debt relief.

FISCAL IMPACT



2.Z. UPDATE #1 JULY 31, 2018

STATUS BAR

STATUS

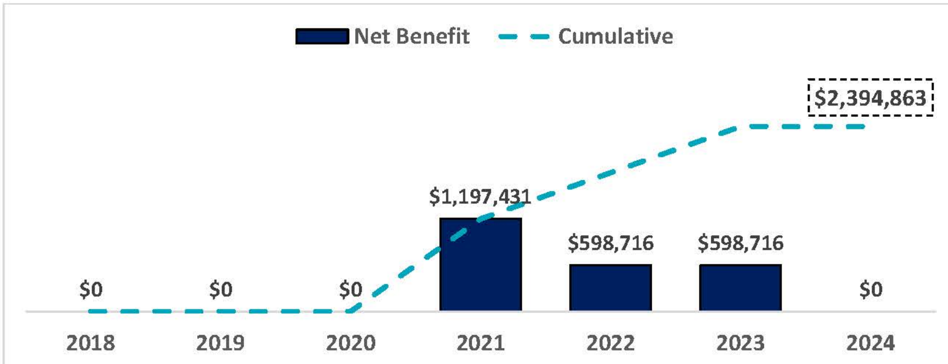
Due to the resolution of the GCSC IRS obligation in the Spring 2018, liens on GCSC property and assets have been released. GCSC property has been appraised and is being marketed in compliance with Indiana statutes. No sales are imminent as of July 2018. However, sale of some property could occur before the original estimated time frame of 2021 therefore accelerating deficit reduction.

The art collection is scheduled for an updated appraisal in 2019. After the appraisal, decisions will be made to sell some, all or none of the art collection. Similar to property sales, art may be sold before the original estimated time frame of 2021 therefore accelerating deficit reduction.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



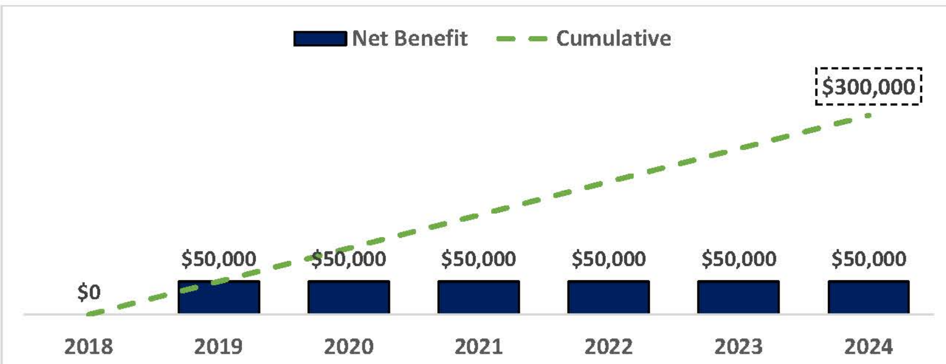
2.AA. CORPORATE PARTNERS

It is not uncommon for major corporations within a community to form partnerships with the local school corporation. Many different opportunities exist for a partnership between corporations in and around Gary and GCSC.

Examples of opportunities that exist for a corporate partnership include sponsorships of a specific activity or athletic programs or teams, establishing an endowment for instructional applications, outright financial contributions, or sharing or loaning corporate personnel for tutoring, coaching, or other support roles.

Partnering with corporations or other entities in or around Gary could generate either direct, net financial benefit or offset current costs within the GCSC general fund. There is no limit to the possibilities or applications of corporate partnerships.

FISCAL IMPACT



2.AA. UPDATE #I JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

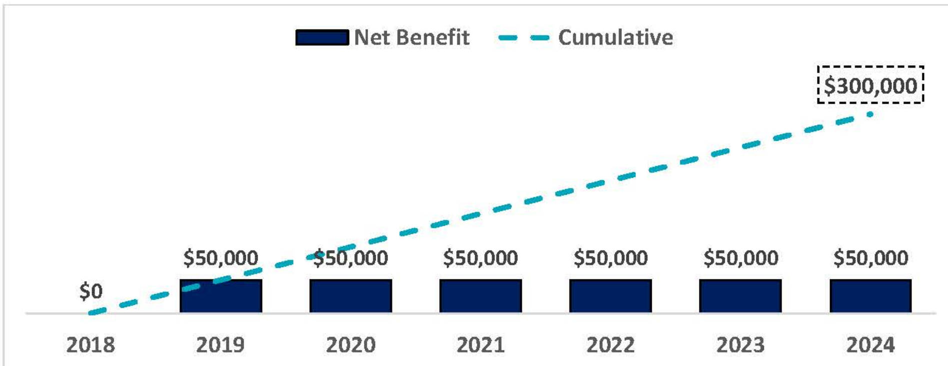
STATUS

As GCSC demonstrates progress towards fiscal sustainability and community awareness of overall progress across GCSC operations and academics is increased, corporate sponsorships will be solicited. In late 2018 and early 2019 specific partnerships programs or activities will be identified for presentation and solicitation.

VARIANCE TABLE

VDRP submitted 01/31/18	VDRP Update #1 07/31/18	VARIANCE
Projected Deficit Reduction as of June 30, 2018	Actual Deficit Reduction as of June 30, 2018	
$0	**$0**	**$0**

FISCAL IMPACT UPDATE #1 JULY 31, 2018



2.AB. INTERNAL BUDGET CONTROL

GCSC will have an internal budget in 2018. The budget is not only a fiscal projection of 2018 revenue and expenditures, it is a control document to monitor and increase adherence to projected revenue and expenditures. While there is no actual revenue increase or cost decrease from implementing an internal budget, the control mechanisms within the process of tracking budget to actual revenue and, especially, expenses will contain costs and identify fiscal inefficiencies and priority improvements.

FISCAL IMPACT

Not applicable.

2.AB. UPDATE #1 JULY 31, 2018

STATUS BAR

STATUS

Work has begun on the 2019 Indiana Department of Local Government Finance (DLGF) budget which is due in early November 2018. Additionally, work has also begun on a 2019 internal site-based budget which will also be completed in early November 2019. The internal budget provides transparency and accountability for GCSC stakeholders. The internal 2018 budget will be the basis for both the 2019 external and 2019 internal budgets.

FISCAL IMPACT UPDATE #1 JULY 31, 2018

Not applicable.

3.0 FUTURE INITIATIVES

3.A. FOUNDATION AND PHILANTHROPIC INVOLVEMENT

Investment or in-kind support from charitable foundations and philanthropic organizations is a future initiative to generate a net financial benefit for GCSC. Charitable foundations and philanthropic organizations can invest financial and human resources into educational organizations, especially highly impacted educational organizations.

At this time, the turnaround process for GCSC is still in an early stage, and while demonstrated progress has been made, it is not yet strategically prudent to approach charitable foundations and philanthropic organizations for support.

As GCSC demonstrates substantial progress in the turnaround process and is on a clear and sustainable upward academic, fiscal, and operational trajectory, various charitable foundations and philanthropic organizations may grant, loan, or invest fiscal or human resources, generating one-time and/or ongoing financial support for GCSC.

FISCAL IMPACT

Not applicable.

3.A. UPDATE #1 JULY 31, 2018

STATUS BAR

STATUS

Foundation and philanthropic involvement will be addressed late in 2019.

FISCAL IMPACT UPDATE #1 JULY 31, 2018

Not applicable.

3.B. OUTSIDE CAPITAL INVESTMENTS

GCSC has not had the financial resources to spend on capital outlay for many years. The combination of property tax caps (i.e. "circuit breakers"), relatively low property tax collection rates, high debt service obligations, and raiding capital funds for operating needs has left GCSC with a significant capital expenditure backlog for repairs, maintenance and replacement. The very limited capital expenditures that have occurred over the past several years have only happened at asset failure a greater cost than an ideal repair and replacement cycle and with disruption to learning.

As GCSC demonstrates substantial progress in the turnaround process and is on a clear and sustainable upward academic, fiscal and operational trajectory, capital investment(s) from outside entities could be solicited. Securing capital investment(s) from outside entities could improve facilities, extend the operating life of assets, improve the learning environment, and free up general fund revenue for operating expenditures.

FISCAL IMPACT

Not applicable.

3.B. UPDATE #1 JULY 31, 2018

STATUS BAR

NOT STARTED	STARTED	COMPLETED
✓		

STATUS

Outside capital investments will be addressed late in 2019.

FISCAL IMPACT UPDATE #1 JULY 31, 2018

Not applicable.

3.C. REQUEST GRANTS OR INTEREST-FREE LOANS IF NEEDED

This VDRP documents multiple initiatives and potential pathways that will lead to fiscal solvency for GCSC. However, fiscal solvency will not occur instantly, or even by the end of the calendar year 2018.

The years of fiscal mistakes, errors, miscalculations, and bad decisions at GCSC cannot be reversed in a matter of months. In time, GCSC will realize fiscal solvency and will begin to pay down accumulated long-term debt. In the short term, however, financial support will be required from the state of Indiana to provide the necessary time for the VDRP to take effect.

One form of support to GCSC from the state of Indiana is to provide grants to assist with operating costs until the annual deficit is eliminated. Another form of support to GCSC from the state of Indiana is to provide interest-free loans to assist with operating costs until the annual deficit is eliminated.

FISCAL IMPACT

Not applicable.

3.C. UPDATE #1 JULY 31, 2018

STATUS BAR

STATUS

Requests for grants or loans will be addressed in 2019.

FISCAL IMPACT UPDATE #1 JULY 31, 2018

Not applicable.

4.0 RECONFIGURE GCSC

GSR was requested to prepare financial models for the following three distinct scenarios.

1. Reconfigure GCSC as a K-8 only corporation.
2. Reconfigure GCSC as a K-6 only corporation.
3. Reconfigure GCSC with a smaller geographic boundary.

These scenarios do not imply or infer any decisions have been made by any group or individuals. This information has only been requested for analysis and consideration.

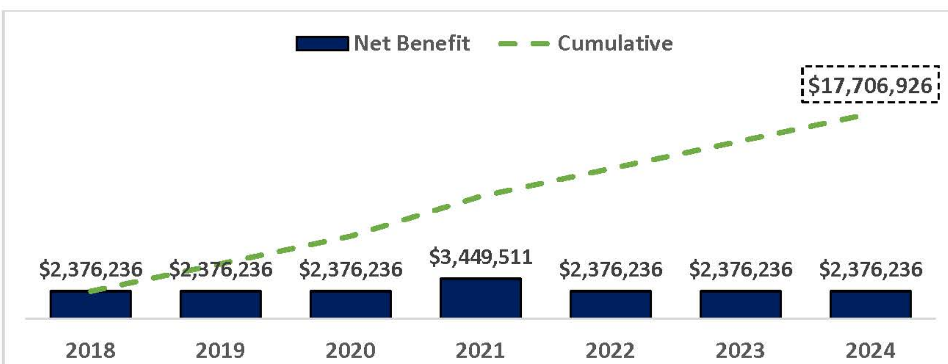
4.A. GCSC AS A K-8 ONLY

GSR prepared a financial model recasting GCSC as a K-8 only district. The fiscal impact calculation below represents recasting the district as K-8 without applying any of the initiatives identified in Sections 2.0 and 3.0.

Several of the initiatives in Sections 2.0 and 3.0 would contradict reconfiguring GCSC as a K-8 only district. All initiatives identified in Sections 2.0 and 3.0 would require review, analysis, and recalculation if a decision is made to configure GCSC as a K-8 only corporation.

Cost savings are calculated by reductions in labor, utilities, custodial, maintenance, transportation and other operating costs by closing Westside and Wirt Emerson High Schools.

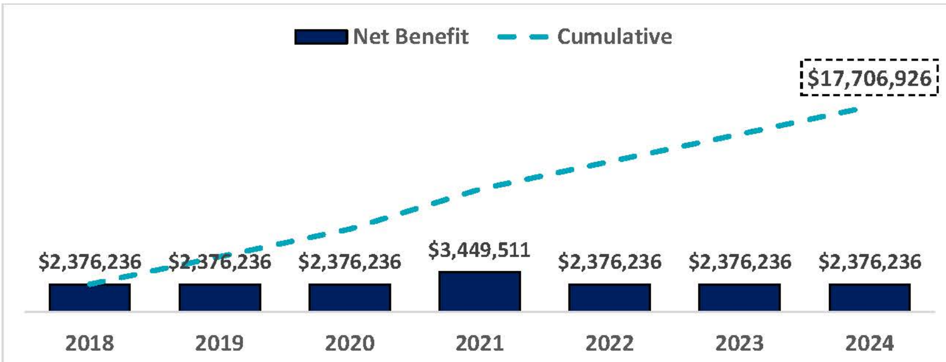
FISCAL IMPACT



4.A. UPDATE #1 JULY 31, 2018

If requested, updated calculations to GCSC as a K-8 only district will be included in the second VDRP update scheduled for January 31, 2019.

FISCAL IMPACT UPDATE #1 JULY 31, 2018



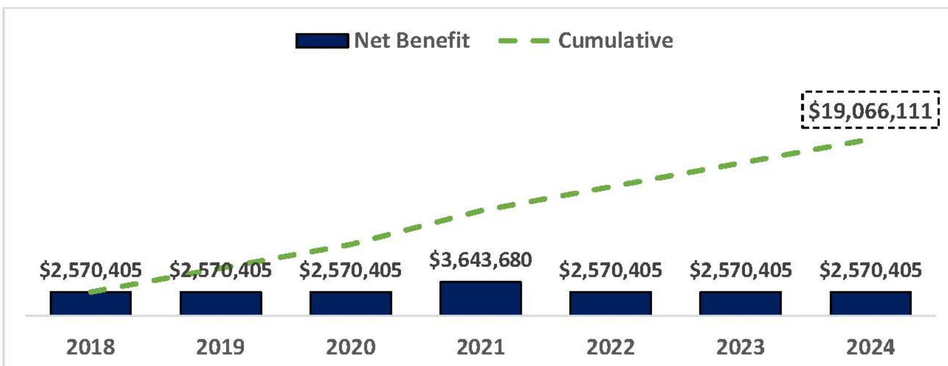
4.B. GCSC AS A K-6 ONLY

GSR prepared a financial model recasting GCSC as a K-6 only district. The fiscal impact calculation below represents reconfiguring the GCSC as K-6 only without applying any of the initiatives identified in Sections 2.0 and 3.0.

Several of the initiatives in Sections 2.0 and 3.0 would contradict reconfiguring GCSC as a K-6 only district. All initiatives identified in Sections 2.0 and 3.0 would require review, analysis, and recalculation if a decision is made to configure GCSC as a K-6 only corporation.

Cost savings are calculated by reductions in labor, utilities, custodial, maintenance, transportation and other operating costs by closing Westside and Wirt Emerson High Schools and eliminating sixth and seventh grades at Bailey, Banneker, and McCullough schools.

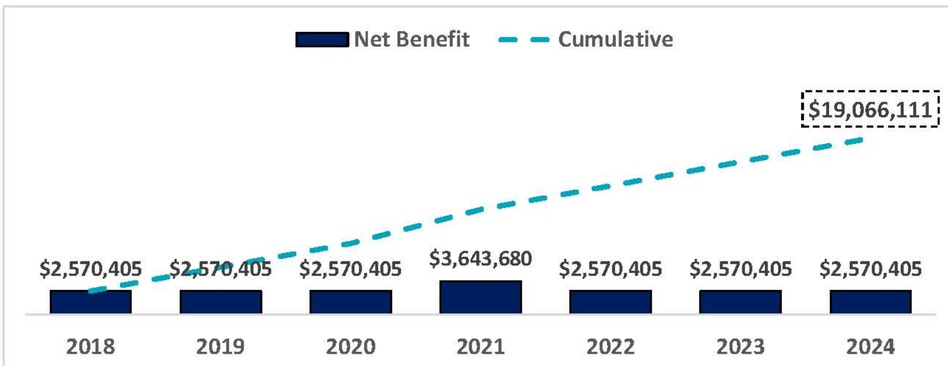
FISCAL IMPACT



4.B. UPDATE #1 JULY 31, 2018

If requested, updated calculations to GCSC as a K-6 only district will be included in the second VDRP update scheduled for January 31, 2019

FISCAL IMPACT UPDATE #1 JULY 31, 2018



4.C. GCSC RE-BOUNDARY

Without specific boundary changes requested, until the following initiatives from Section 2.0 are implemented or resolved, it is not feasible to accurately model GCSC with a smaller geographic boundary.

- 2.H. System of Great Schools
- 2.Q. Building Energy Efficiency and Utility Rate Audits
- 2.U. School Closure / Consolidation
- 2.V. Relocate Administration Office

FISCAL IMPACT

Not applicable.

4.C. UPDATE #1 JULY 31, 2018

If requested, calculated cost saving from a GCSC re-boundary will be included in the second VDRP update scheduled for January 31, 2019

FISCAL IMPACT UPDATE #1 JULY 31, 2018

Not applicable.

5.0 POTENTIAL DEFICIT REDUCTION BY INITIATIVE AND YEAR

5.A. VDRP JANUARY 2018

The following table displays the projected deficit reduction by initiative and year.

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.A.	Suspend Common School Loan Payments	$4,120,754	$4,120,754	$4,120,754	$4,120,754	$0	$0	$0
2.B.	Maximize Federal Funds	$500,000	$507,500	$518,665	$533,706	$550,785	$573,092	$602,892
2.C.	Maximize Medicaid Funds	$37,500	$75,000	$76,125	$77,648	$79,356	$81,776	$84,802
2.D.	Pay for Success	$0	$5,000,000	$5,000,000	$5,000,000	$0	$0	$0
2.E.	Local Referendum	$0	-$500,000	$7,000,000	$7,000,000	$7,000,000	$7,000,000	$7,000,000
2.F.	Increase Enrollment	$1,182,000	$1,418,400	$1,489,320	$1,563,786	$1,641,975	$1,724,074	$1,810,278
2.G.	Co-location and Co-branding GACC and Ivy Tech	$145,528	$245,832	$310,457	$350,293	$350,399	$350,082	$350,082
2.H.	System of Great Schools	$157,838	$157,838	$157,838	$157,838	$157,838	$157,838	$157,838
2.I.	Acquire / Implement On-line Program	$0	$416,400	$832,800	$874,440	$918,162	$964,070	$1,012,274
2.J.	Community Crowdfunding	$95,467	$95,467	$95,467	$95,467	$95,467	$95,467	$95,467

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.K.	Rent Building Space	$36,000	$36,000	$36,000	$36,000	$36,000	$36,000	$36,000
2.L.	Joint Purchasing Cooperative	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
2.M.	Food Service Fund Accounting	$357,866	$357,866	$357,866	$357,866	$357,866	$357,866	$357,866
2.N.	Labor Cost Controls	$187,500	$187,500	$187,500	$187,500	$187,500	$187,500	$187,500
2.O.	Debt Restructuring	$1,007,752	$1,007,752	$1,007,752	$1,007,752	$1,007,752	$1,007,752	$1,007,752
2.P.	Reduce Cost of Employee Health Insurance	$550,000	$550,000	$0	$0	$0	$0	$0
2.Q.	Building Energy Efficiency and Utility Rate Audits	-$1,215,548	$533,759	$533,759	$2,419,145	$2,419,145	$2,419,145	$2,419,145
2.R.	Compete Custodian Services	$0	$363,155	$363,155	$363,155	$363,155	$363,155	$363,155
2.S.	Compete Transportation Contract	$0	$630,000	$630,000	$630,000	$630,000	$630,000	$630,000
2.T.	Reduction in Force and Attrition	$1,691,575	$4,059,781	$4,059,781	$4,059,781	$4,059,781	$4,059,781	$4,059,781
2.U.	School Closure / Consolidation	$898,095	$898,095	$898,095	$898,095	$898,095	$898,095	$898,095
2.V.	Relocate Administration Office	$84,525	$169,050	$169,050	$444,050	$169,050	$169,050	$169,050
2.W.	Negotiate Reduction of Legacy Accounts Payable	$0	$0	$500,000	$500,000	$500,000	$500,000	$500,000
2.X.	Marketing and Community Communication	-$121,000	-$121,000	-$121,000	-$121,000	-$121,000	-$121,000	-$121,000

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.Y.	Invest in Hardware, Software and Shared Services	-$851,816	-$505,416	-$524,946	-$545,453	-$566,984	-$589,593	-$613,332
2.Z.	Sell Assets – Art, Buildings and Land	$0	$0	$0	$1,197,431	$598,716	$598,716	$0
2.AA.	Corporate Partners	$0	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
2.AB.	Internal Budget Control	$0	$0	$0	$0	$0	$0	$0
3.A.	Foundation and Philanthropic Involvement	$0	$0	$0	$0	$0	$0	$0
3.B.	Outside Capital Investments	$0	$0	$0	$0	$0	$0	$0
3.C.	Request Grants or Interest-Free Loans If Needed	$0	$0	$0	$0	$0	$0	$0
	Grand Total	$8,904,035	$19,793,733	$27,788,438	$31,298,254	$21,423,057	$21,552,866	$21,097,645

5.B. VDRP UPDATE #1 JULY 2018

The following table displays the projected deficit reduction by initiative and year based on the July 2018 update.

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.A.	Suspend Common School Loan Payments	$0	$4,120,754	$4,120,754	$4,120,754	$0	$0	$0
2.B.	Maximize Federal Funds	$500,000	$507,500	$518,665	$533,706	$550,785	$573,092	$602,892
2.C.	Maximize Medicaid Funds	$37,500	$75,000	$76,125	$77,648	$79,356	$81,776	$84,802
2.D.	Pay For Success	$0	$5,000,000	$5,000,000	$5,000,000	$0	$0	$0
2.E.	Local Referendum	$0	$0	$3,500,000	$7,000,000	$7,000,000	$7,000,000	$7,000,000
2.F.	Increase Enrollment	$1,182,000	$1,418,400	$1,489,320	$1,563,786	$1,641,975	$1,724,074	$1,810,278
2.G.	Co-location and Co-branding GACC and Ivy Tech	$145,528	$245,832	$310,457	$350,293	$350,399	$350,082	$350,082
2.H.	System of Great Schools	$0	$157,838	$157,838	$157,838	$157,838	$157,838	$157,838
2.I.	Acquire / Implement On-line Program	$0	$320,000	$480,000	$640,000	$640,000	$640,000	$640,000
2.J.	Community Crowdfunding	$47,734	$95,467	$95,467	$95,467	$95,467	$95,467	$95,467
2.K.	Rent Building Space	$36,000	$36,000	$36,000	$36,000	$36,000	$36,000	$36,000
2.L.	Joint Purchasing Cooperative	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000

5.0 POTENTIAL DEFICIT REDUCTION BY INITIATIVE AND YEAR

SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.M.	Food Service Fund Accounting	$357,866	$357,866	$357,866	$357,866	$357,866	$357,866	$357,866
2.N.	Labor Cost Controls	$187,500	$187,500	$187,500	$187,500	$187,500	$187,500	$187,500
2.O.	Debt Restructuring	$1,007,752	$1,007,752	$1,007,752	$1,007,752	$1,007,752	$1,007,752	$1,007,752
2.P.	Reduce Cost of Employee Health Insurance	$550,000	$550,000	$0	$0	$0	$0	$0
2.Q.	Building Energy Efficiency and Utility Rate Audits	($1,215,548)	$533,759	$533,759	$2,419,145	$2,419,145	$2,419,145	$2,419,145
2.R.	Compete Custodian Services	$160,417	$800,000	$800,000	$800,000	$800,000	$800,000	$800,000
2.S.	Compete Transportation Contract	$375,000	$900,000	$900,000	$900,000	$900,000	$900,000	$900,000
2.T.	Reduction in Force and Attrition	$1,691,575	$4,059,781	$4,059,781	$4,059,781	$4,059,781	$4,059,781	$4,059,781
2.U.	School Closure / Consolidation	$374,206	$898,095	$898,095	$898,095	$898,095	$898,095	$898,095
2.V.	Relocate Administration Office	$0	$169,050	$169,050	$444,050	$169,050	$169,050	$169,050
2.W.	Negotiate Reduction of Legacy Accounts Payable	$0	$0	$500,000	$500,000	$500,000	$500,000	$500,000
2.X.	Marketing and Community Communication	($90,000)	($121,000)	($121,000)	($121,000)	($121,000)	($121,000)	($121,000)
2.Y.	Invest in Hardware, Software and Shared Services	($228,744)	($220,744)	($220,744)	($220,744)	($220,744)	($220,744)	($220,744)

Gary Schools Recovery, LLC

Viable Deficit Reduction Plan Update #1 ◆ Distressed Unit Appeals Board ◆ July 31, 2018
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SECTION	INITIATIVE	YEAR						
		2018	2019	2020	2021	2022	2023	2024
2.Z.	Sell Assets – Art, Buildings and Land	$0	$0	$0	$1,197,431	$598,716	$598,716	$0
2.AA.	Corporate Partners	$0	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
2.AB.	Internal Budget Control	$0	$0	$0	$0	$0	$0	$0
3.A.	Foundation and Philanthropic Involvement	$0	$0	$0	$0	$0	$0	$0
3.B.	Outside Capital Investments	$0	$0	$0	$0	$0	$0	$0
3.C.	Request Grants Or Interest-Free Loans If Needed	$0	$0	$0	$0	$0	$0	$0
	Grand Total	$5,158,786	$21,188,850	$24,946,685	$32,095,368	$22,197,980	$22,304,489	$21,824,804

APPENDIX A
EXECUTIVE SUMMARY FROM ORIGINAL VDRP

SUMMARY STATEMENT

The Gary Community Schools Corporation (GCSC) projects an annual operating fiscal deficit of approximately $18,000,000 for the calendar year 2018. In addition to the annual operating fiscal deficit, GCSC has accumulated a long-term debt of approximately $100,000,000.

This report presents a Viable Deficit Reduction Plan (VDRP) prepared by Gary Schools Recovery LLC (GSR), a subsidiary of MGT of America Consulting, LLC (MGT), that documents a credible plan for GCSC to eliminate the annual fiscal deficit and begin to pay down the accumulated long-term debt.

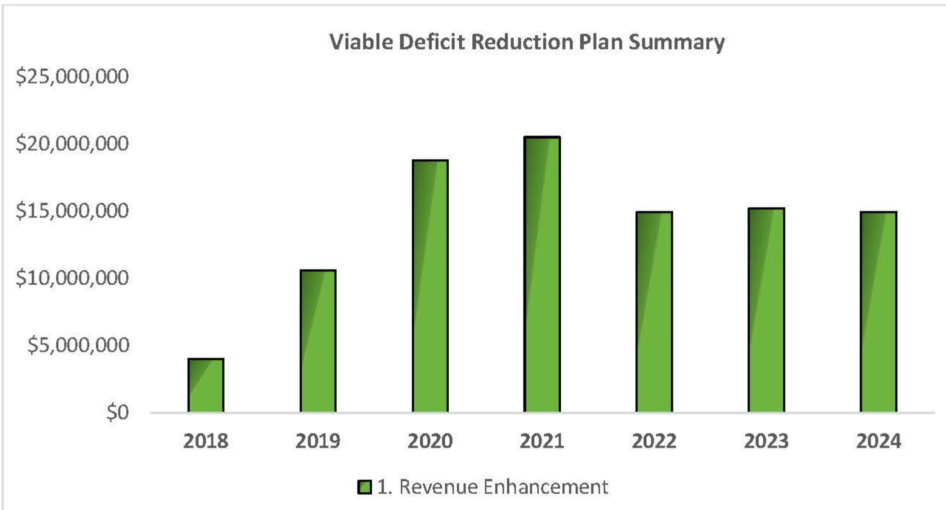
FISCAL IMPACT SUMMARY

The VDRP details 28 present and three future initiatives for GCSC to eliminate the annual deficit and begin to pay down the accumulated long-term debt. The present initiatives detailed in the VDRP may generate revenue, reduce costs, require an investment, or a combination of these actions. The net benefit for each present initiative is the sum of all revenue generated, costs reduced, or investment required for each initiative

The charts on the following pages detail the fiscal impact of all present initiatives.

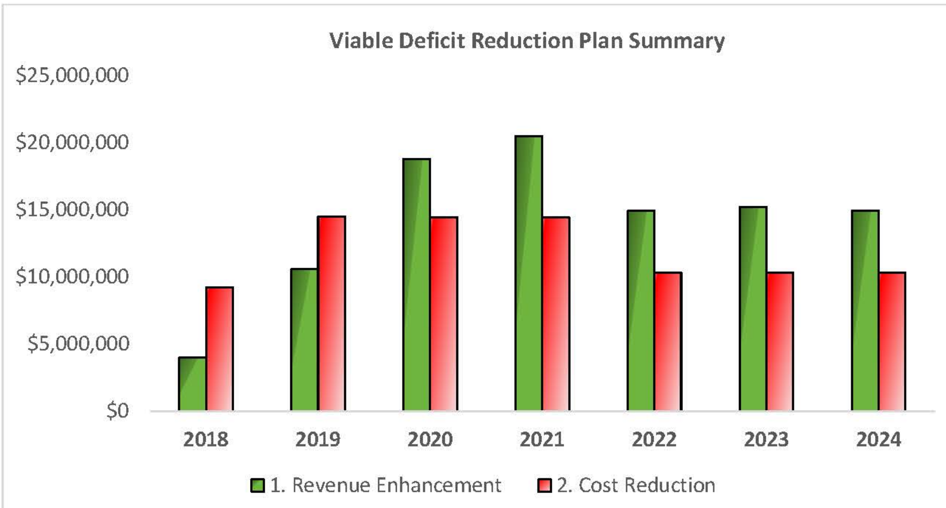
REVENUE ENHANCEMENT

The following chart details the sum of revenue generated for all present initiatives by year. Revenue generated is represented as the green bars.



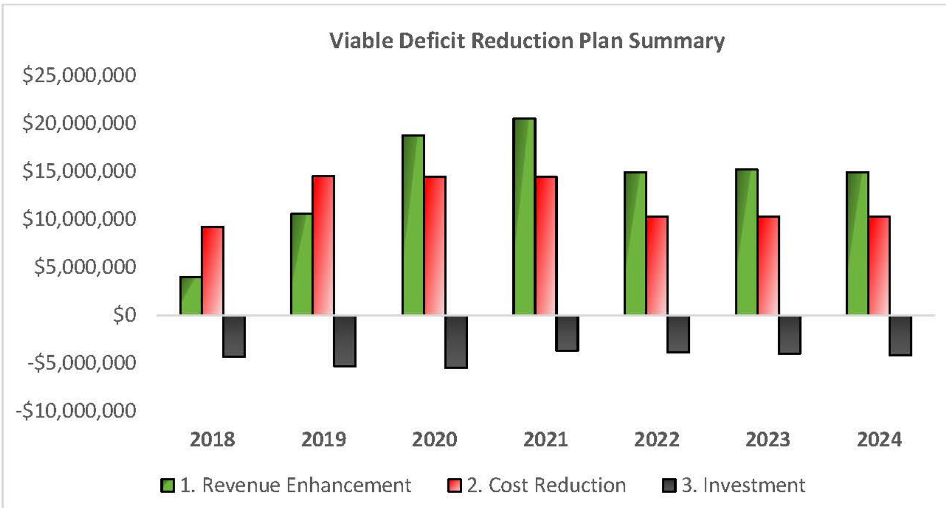
REVENUE ENHANCEMENT AND COST REDUCTION

The following chart details the sum of revenue generated and cost reductions for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars.



REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

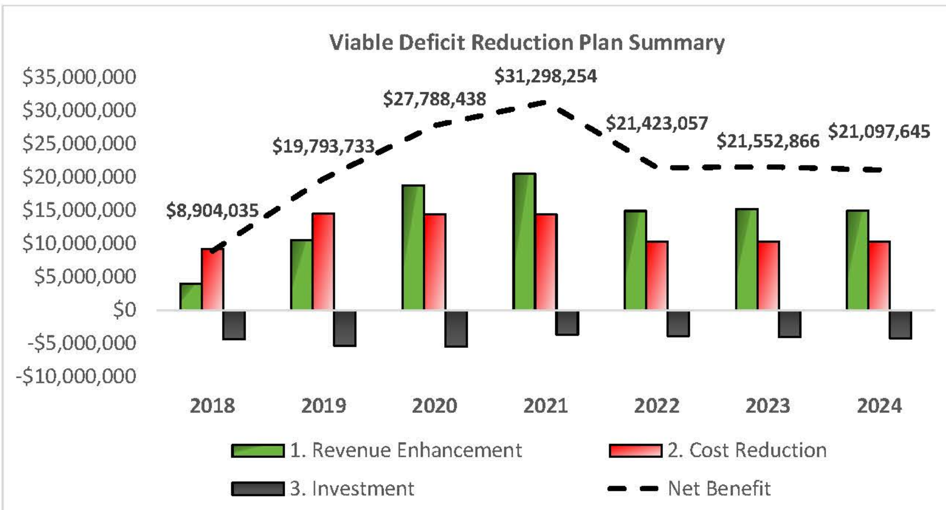
The following chart details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is presented as the green bars. Cost reduction is represented as the red bars. Required investments is represented as the black bars.



APPENDIX A
EXECUTIVE SUMMARY FROM ORIGINAL VDRP

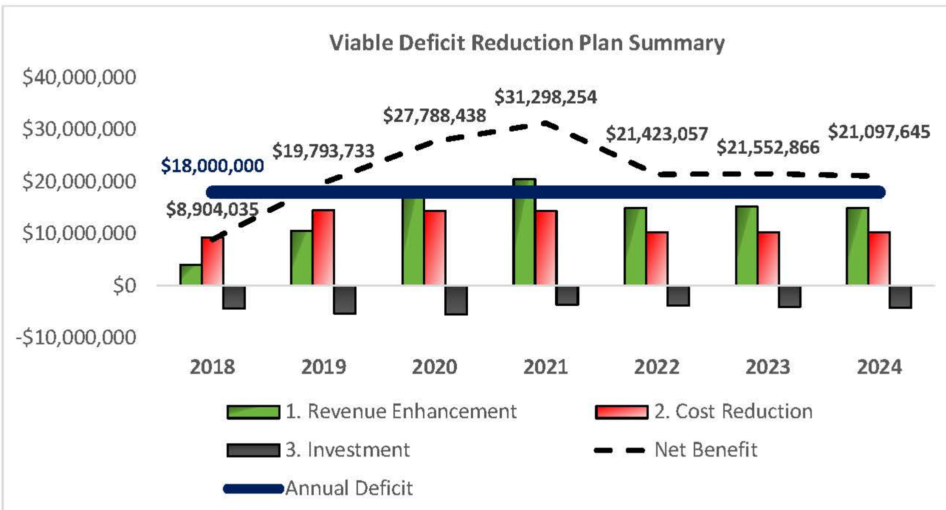
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

The following chart adds the net benefit calculation and details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



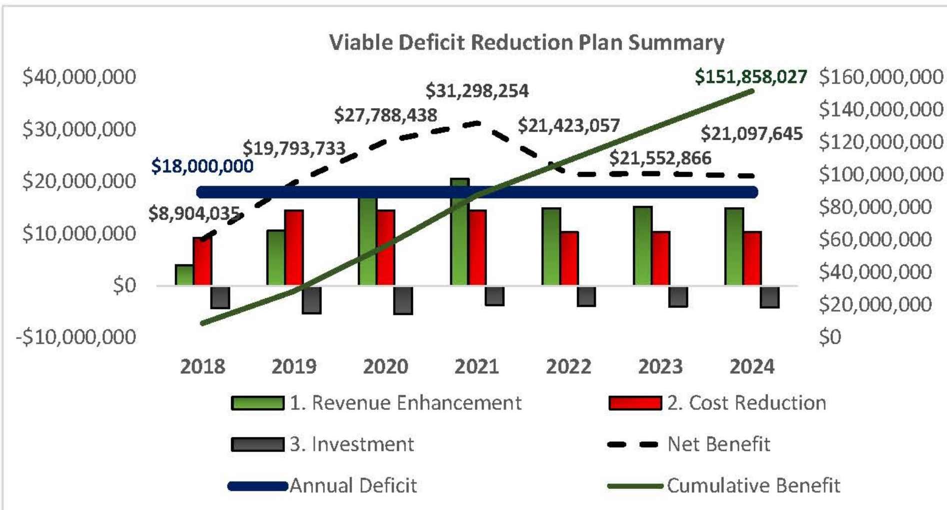
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT

The following chart adds a horizontal black bar representing the $18,000,000 annual deficit of GCSC. As previously presented, the net benefit calculation details the sum of revenue generated, cost reductions and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



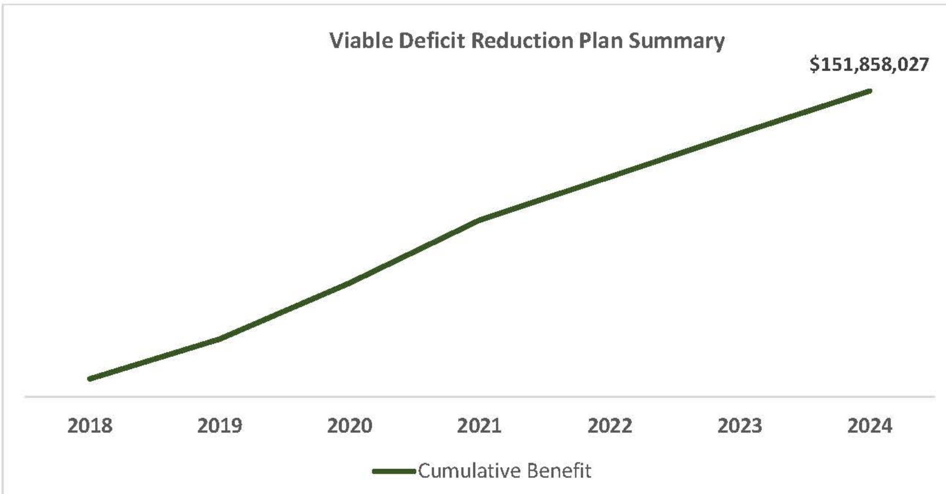
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT WITH CUMULATIVE BENEFIT

The following chart adds a diagonal green line representing the cumulative benefit of all present initiatives and a right axis corresponding to the cumulative benefit. As previously presented, the net benefit calculation details the sum of revenue generated, cost reductions, and required investments for all present initiatives by year. Revenue generated is represented as the green bars. Cost reduction is represented as the red bars. Required investments are represented as the black bars. The net benefit is represented as the dashed line. The net benefit is the cumulative amount of all present initiatives by year.



NET FISCAL IMPACT

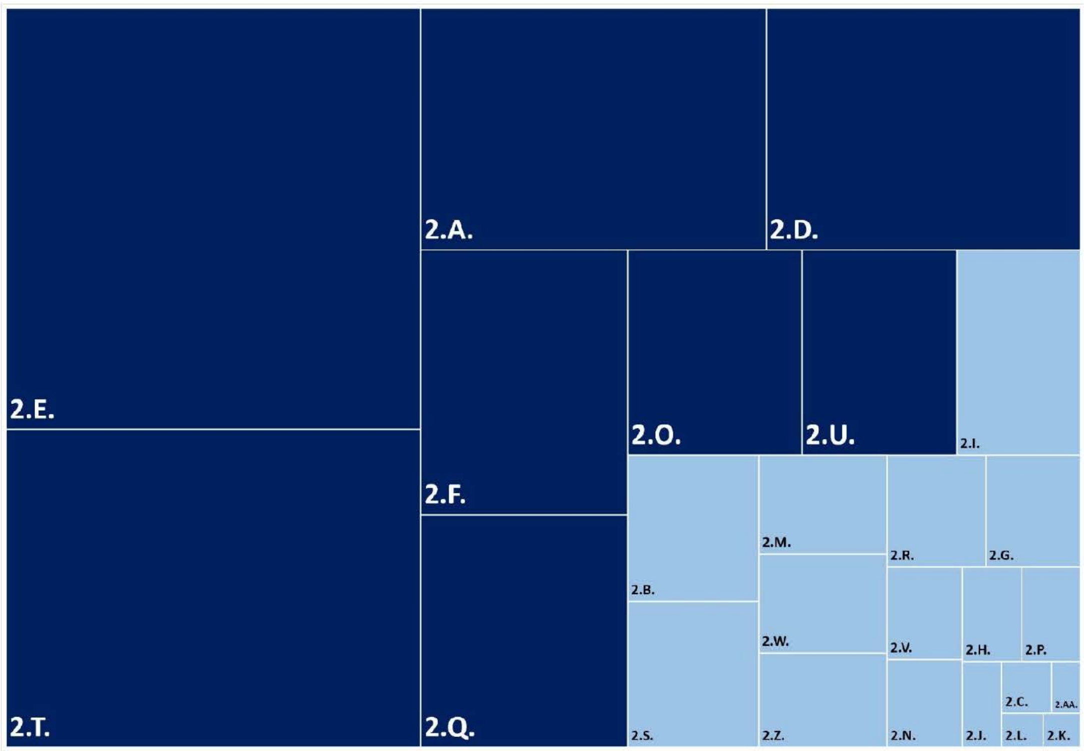
The cumulative net benefit of this VDRP is approximately $151,000,000 over a seven-year time frame represented in the chart below.



After 2018, the long-term debt for GCSC will be approximately $108,000,000. Therefore, the net fiscal benefit of the present initiatives is approximately 140% of the GCSC long-term debt.

INITIATIVES 7 YEAR NET BENEFIT

The following chart presents each present initiative in scale to the order of net benefit generated. The larger the box, the larger the net benefit. The number in the box corresponds to the initiative. Below this chart is a table of initiatives by number.



Approximately 83% of net benefits are derived from eight initiatives, or 26% of the total initiatives and are represented in the dark blue boxes

1. 2.E. Local Referendum
2. 2.T. Reduction in Force and Attrition
3. 2.A. Suspend Common School Loan Payments
4. 2.D. Pay for Success
5. 2.F. Increase Enrollment
6. 2 Q. Building Energy Efficiency and Utility Rate Audit
7. 2.O. Debt Restructuring
8. 2.U. School Closure / Consolidation

All other initiatives derive the remaining approximate 17% of net benefits represented in the light blue boxes.

Please refer to the following table to crosswalk the initiative number to the initiative, presented in order from most to least net benefit.

LEGEND			
2.E.	Local Referendum	**2.Z.**	Sell Assets – Art, Buildings and Land
2.T.	Reduction in Force and Attrition	**2.R.**	Compete Custodian Services
2.A.	Suspend Common School Loan Payments	**2.G.**	Co-location and Co-branding GACC and Ivy Tech
2.D.	Pay for Success	**2.V.**	Relocate Administration Office
2.F.	Increase Enrollment	**2.N.**	Labor Cost Controls
2.Q.	Building Energy Efficiency and Utility Rate Audits	**2.H.**	System of Great Schools
2.O.	Debt Restructuring	**2.P.**	Reduce Cost of Employee Health Insurance
2.U.	School Closure / Consolidation	**2.J.**	Community Crowdfunding
2.I.	Acquire / Implement On-line Program	**2.C.**	Maximize Medicaid Funds
2.B.	Maximize Federal Funds	**2.AA.**	Corporate Partners
2.S.	Compete Transportation Contract	**2.L.**	Joint Purchasing Cooperative
2.M.	Food Service Fund Accounting	**2.K.**	Rent Building Space
2.W.	Negotiate Reduction of Legacy Accounts Payable		

SEA 567-2017 LEGISLATION

In 2017 the Indiana State Legislature passed Indiana Senate Enrolled Act 567 (SEA 567), which designated GCSC as a distressed political subdivision. This legislation also designated an Emergency Manager to assume operational control of GCSC. Effective August 1, 2017, GSR was named GCSC Emergency Manager and began operating GCSC. GSR appointed Dr. Peggy Hinckley as the operating Emergency Manager and Mr. Eric Parish as the Fiscal Officer.

GSR is required to submit this VDRP to the Distressed Units Appeals Board (DUAB) per the following section of SEA 567.

The Emergency Manager will deliver a viable structural deficit (annual expense versus annual revenues) reduction plan within six (6) months of taking over as Emergency Manager, i.e. not later than January 31, 2018, for DUAB review and approval. The structural deficit reduction plan shall identify the steps required to eliminate the School Corporation's deficit over a reasonable period of time through a combination of strategies, including cost-reduction, debt-restructuring and revenue enhancement while providing for the on-going operations of the School Corporation.

Also included in SEA 567 are the following two reports:

3. Audit and Financial Plan – Develop financial plans
4. Debt Resolution Plan – Long-term plan to retire all outstanding obligations

Due to the similarities and overlapping analysis and content of these two reports, they have been combined into the VDRP.

MULTIPLE PATHS TO FISCAL SOLVENCY

This VDRP identifies and details 31 initiatives to eliminate the GCSC annual fiscal deficit and address the accumulated long-term debt. The overarching theme of the VDRP is that there are multiple pathways to fiscal solvency for GCSC.

These multiple pathways are analogous to a candidate winning the U.S. presidency by securing at least 270 electoral college votes. In a presidential election there are multiple pathways to at least 270 electoral college votes. Throughout a campaign the candidates path to at least 270 electoral college votes may change based on evolving assumptions, analysis, conditions, and situations. While the goal of at least 270 electoral college votes remains constant, the path to secure these votes may change.

The path to fiscal solvency for GCSC is similar to the path for at least 270 electoral college votes for a presidential campaign. The initial strategy may require change due to evolving assumptions, analysis, conditions, and situations. While the goal of fiscal solvency remains constant, the strategy and pathways taken will likely change based on numerous factors. Some initiatives may unfold and materialize as planned. Other initiatives may not materialize as planned or may change from the initial plan.

However, the 31 initiatives detailed in this report will allow GSR the flexibility to follow multiple pathways, change pathways as needed, and even develop new pathways as needed to achieve the ultimate goal of fiscal solvency for GCSC.

VDRP REPORT STRUCTURE

This VDRP is presented in the following sections:

SECTION 1.0 – EXECUTIVE SUMMARY

A credible plan for GCSC to eliminate the annual fiscal deficit and begin to pay down the accumulated long-term debt.

SECTION 2.0 – PRESENT INITIATIVES

Each present initiative is presented individually with a brief narrative describing the initiative and a chart detailing the net fiscal benefit by year.

The net fiscal benefit is the sum of an initiative's revenue generation, cost reduction and/or required investment.

SECTION 3.0 – FUTURE INITIATIVES

Each future initiative is presented individually with a brief narrative describing the initiative.

SECTION 4.0 – RECONFIGURE GCSC

A financial model is presented for the following three distinct scenarios.

4. Reconfigure GCSC as a K-8 only corporation.
5. Reconfigure GCSC as a K-6 only corporation.
6. Reconfigure GCSC with a smaller geographic boundary.

SECTION 5.0 – POTENTIAL DEFICIT REDUCTION BY INITIATIVE AND YEAR

The net fiscal benefit of all present and future initiatives is presented by initiative and by year.

VDRP UPDATES

GSR is required to submit updates to this VDRP to the DUAB at least once every six months per the following section of SEA 567.

The Emergency Manager shall update the written financial plan at least once every (6) months after the date of providing the original written financial plan to DUAB or more

> *frequently as needed in order to allow the written financial plan to reflect the most current financial status of the School Corporation.*

The first update to the VDRP will be provided to DUAB on or before July 31, 2018.

INTERNAL CONTROLS REPORT OVERVIEW

From SEA 567:
The Emergency Manager will develop and adopt internal controls of the major financial systems of the School Corporation by December 31, 2017. The Emergency Manager shall provide DUAB with a letter documenting the policies and procedures for internal controls of the School Corporation's major financial systems. DUAB, in consultation with the SBOA, shall review the policies and procedures for internal controls for sufficiency and compliance with requirements of SBOA.

A complete Internal Controls manual was created for Gary Community School Corporation. In addition to the manual, an existing Business Office Procedures manual was updated and cross indexed to the new Internal Controls manual. Both manuals were submitted to DUAB on January 31, 2018.

SBOA reviewed the Internal Controls manual and requested changes, additions and enhancements. Those changes, additions and enhancements were incorporated into version 2.0 of the Internal Controls Manual and both manuals were resubmitted for review.

Highlights of the Internal Controls manual include very detailed actions, timelines and personnel responsibilities for each of the following major financial systems:

- Payroll
- Human Resource Management
- Procurement
- Accounts Payable
- Revenue
- Accounting
- Budget
- Asset Management

Check lists for periodic self-audits are also included in each section of the major financial systems.