

SEPTEMBER 12, 2017



SUBMITTED BY:

DR. PEGGY HINCKLEY
EMERGENCY MANAGER

AND

PAUL PASTOREK
CHIEF OF STAFF

EMERGENCY MANAGER UPDATE AND
REQUEST FOR INTERIM FINANCING

GARY COMMUNITY SCHOOL CORPORATION

1988 POLK STREET
GARY, INDIANA

219-886-6400 Office
219-881-5401 Direct Dial

As Submitted To:
DISTRESSED UNIT APPEALS BOARD
DEPARTMENT OF LOCAL GOVERNMENT FINANCE
Indiana Government Center South
Conference Room C
402 W. Washington Street
Indianapolis, Indiana 46204



TABLE OF CONTENTS

I. STATUS OF WORK AND EARLY ASSESSMENT 1

II. FINANCIAL REQUEST 9

III. KEY DELIVERABLES..... 11

IV. COMMUNITY ENGAGEMENT 12

 COMMUNITY ENGAGEMENT PLAN (WORKING DRAFT)12

 COMMUNITY ENGAGEMENT ACTIVITIES.....12

 FUTURE COMMUNITY ENGAGEMENT ACTIVITIES.....13

I. STATUS OF WORK AND EARLY ASSESSMENT

I: OVERVIEW

1. On July 31, MGT was awarded the contract to serve as Emergency Manager for the Gary Community School Corporation (the “Corporation”) pursuant to SB 567 and Dr. Peggy Hinckley was named its Emergency Manager.
2. On August 1, Dr. Hinckley and her team took control of the Corporation. She began to lead Operation: Smooth Start – to open schools smoothly on the opening day of school.
3. Seventeen days later, on August 17, Gary schools were successfully opened with a Smooth Start.
4. While it is still difficult to get a precise insight into the financial picture of the Corporation, we can readily see that costs exceed revenues by a substantial margin and must be rationalized quickly.
5. There are significant limitations which impair the ability of the Emergency Manager from being able to rapidly bring costs under control. Two major limitations are:
 - a. The inability to quickly rationalize the workforce to the student population.
 - b. The Corporation pays higher costs and has difficulty hiring quality contactors and service providers because of their concern over future uncertainty being paid and past due accounts payable.
6. We recognize that the state of Indiana and the City of Gary believe that the Corporation should be given the opportunity to recover. We likewise agree, from a governance and educational perspective, that a local community should have a healthy school district to manage the delivery of quality educational options for parents and students. However, in order to do so, it will require tough decisions, not only for the Corporation, but for the state of Indiana and the City of Gary.

II. KEY ACTIONS TAKEN TO DATE

1. As of today, September 12, 2017, we have begun to make several changes to the operations of the Corporation, the schools, the facilities, and the finances.
 - a. These changes include:
 - i. Vision

Creating a clear and consistent vision for The Corporation – that it will improve academics, financials, and enrollment of the Corporation. We will make the necessary financial adjustments, but we will also focus on the investments that need to be made to grow its revenues.
 - ii. Education
 1. Adopt a consistent curriculum and instruction model across all schools.
 2. Adopt a system wide use of Indiana’s 8 Step Program.

I. STATUS OF WORK AND EARLY ASSESSMENT



3. Adopt a system wide use of a common formative assessment model.
 4. Put student schedules in place and creating teacher assignments promptly.
 5. Build Principals' capacity to execute teacher evaluations with fidelity.
 6. Purchase state of the art text books for use in all schools, K-12.
 7. Bring in Principal mentors to help principals to better run schools.
- iii. Finances
1. Gaining an understanding of the financial condition of Gary Community School District.
 2. Develop a meaningful cash flow model.
 3. Begin the development of payroll controls.
 4. Begin the development of financial controls.
 5. Begin the development of a Corporation budget.
- iv. Expenditure Controls – limitations/controls on:
1. Overtime pay.
 2. Out of district travel.
 3. Step up pay.
 4. Leave.
- v. Financial Controls - Payroll
1. Begin to institute controls on payroll. Changing the oversight of the payroll system from Accounting and placing it under Human Resources so that proper controls can be put in place to avoid the possibility of ghost payrolls. Numerous exceptions have been noted and are being evaluated. In addition, we are requiring the accounting office to reconcile payroll which serves as a check and balance on the payroll function.
- vi. Filling critical vacant positions in the District Office, including
1. Title 1.
 2. Special Education.
 3. Business Manager.
 4. Executive Director of Academics, Curriculum and Instruction.
- vii. Schools
1. Occupied (12)

I. STATUS OF WORK AND EARLY ASSESSMENT



- a. We have undertaken repairing the buildings on a temporary basis to make them properly habitable.
- b. Begun to address fire code violations.
2. Unoccupied schools (28)
 - a. Addressing numerous issues of associated with the failure to properly decommission, including:
 - i. Security.
 - ii. Arsonists.
 - iii. Vagrants.
 3. Creating an initial plan and acting to remove valuable contents (e.g. computers and smart boards) of unoccupied buildings and place them in occupied buildings for use.
- viii. Policies and Procedures
 1. Evaluating existing policies and procedures and making changes where appropriate. Examples include:
 - a. Title 1.
 - b. Special education.
 - c. Regular district policies.
- ix. Evaluating Existing Contracts
 1. Undertaking an assessment of the contracts and looking at opportunities to reduce cost.
 2. Undertaking the preparation of a collective bargaining plan with the various unions.

III. PRELIMINARY ASSESSMENT OF THE CONDITIONS OF THE GARY COMMUNITY SCHOOL CORPORATION

1. The Corporation faces very serious financial, academic, and facilities challenges.
 - a. Enrollment - Enrollment continues to track lower this year, which, unfortunately, is consistent with prior years.



EXHIBIT I: GARY COMMUNITY SCHOOL CORPORATION ENROLLMENT SUMMARY

SCHOOL	ATTENDANCE FOR	ATTENDANCE FOR 9/4/17	ATTENDANCE FOR 9/6/16	ATTENDANCE FOR 9/5/17	ATTENDANCE FOR 9/7/16	ATTENDANCE FOR 9/6/17	ATTENDANCE FOR 9/8/16	ATTENDANCE FOR 9/7/17	ATTENDANCE FOR 9/9/16	ATTENDANCE FOR 9/8/17
BAILLY		LABOR DAY	392	437	398	449	403	440	406	428
BANNEKER			501	473	501	475	501	471	501	473
BETHUNE KG			62	87	62	87	62	82	62	85
BEVERIDGE			370	516	372	516	374	516	377	594
GLEN PARK			583	514	590	514	593	521	589	525
MARQUETTE			411	341	404	338	403	332	408	326
MCCULLOUGH			434	402	433	404	434	404	434	408
WILLIAMS			440	514	437	517	440	523	440	517
JEFFERSON			308		317		318		317	
WATSON			109		109		110		116	
WILLIAMS ANNEX			206		220		220		220	
ELEMENTARY										
WIRT/EMERSON			440	560	440	561	441	553	443	538
WEST SIDE		706	673	706	676	708	684	709	684	
LINCOLN		35	26	35	26	31	27	31	27	
NEW TECH		204		212		200		192		
SECONDARY										
GRAND TOTALS			5201	4543	5236	4563	5238	4553		4605

BETHUNE PRE-K			479	468	481	468	422	468	484
CAREER CENTER			123		125		127		

*2016 Counts included closed locations (Jefferson, Watson, Williams Annex and New Tech)

b. Financial

- i. The Corporation has been running an approximately \$1.7M-1.9M budget deficit for several months. While some cuts have been made by the financial specialist (Jack Martin) and we are making additional tough choices, the Corporation will continue to run deficits.
- ii. There are audit findings from 2014 that have not been properly responded to.

I. STATUS OF WORK AND EARLY ASSESSMENT



c. Academic

- i. Academic achievement is very low, in some cases in the single digits. (See EXHIBIT 2: Gary Community School Corporation 2017 ISTEP Scores)

EXHIBIT 2: GARY COMMUNITY SCHOOL CORPORATION 2017 ISTEP SCORES

SCHOOL	ENGLISH	MATH	PASSING*
Bailly Preparatory Academy	24.7%	15.0%	9.5%
Benjamin Banneker Achievement Center	67.7%	66.0%	53.5%
Beveridge Elementary School	9.9%	6.5%	2.5%
Daniel Hale Williams Elementary School	15.3%	8.6%	5.5%
Frankie W McCullough Academy for Girls	48.7%	58.7%	42.2%
Glen Park Academy for Excellence in Learning	23.6%	12.1%	9.3%
Jacques Marquette Elementary School	34.2%	19.5%	13.6%
Wirt/Emerson High School	6.2%	11.2%	13.0%
West Side High School	28.6%	27.7%	18.2%

- ii. Two schools have been in F status for 5 and 6 continuous years and are subject to takeover by the Indiana State Board of Education.
- iii. Significant investments in teacher quality and principal leadership are needed.

d. Personnel

- i. There has been an inability to mobilize the talented people of the Corporation to be successful.
- ii. There is a lack of capacity in the District Office to effectively oversee the operations of the schools as many positions are vacant or were vacant for, in some cases, long periods of time.

e. Infrastructure is Woeful

- i. The finance system is a DOS based system. The only person knowledgeable on operating the payroll module is scheduled to retire in November 2017. This system must be upgraded.
- ii. The employee roster is non-existent. The HR function was not connected to the Payroll system.

I. STATUS OF WORK AND EARLY ASSESSMENT



- iii. The data and IT systems are very antiquated and inefficient and requires IT personnel just to run reports that managers need for basic management tasks.
- f. Facilities
 - i. As of August 1, conditions were abysmal and dire. Prohibitive of school opening.
 - 1. 6 of 12 roofs were in serious disrepair.
 - 2. 40-50% of toilets and sinks were broken or inoperable.
 - 3. Most bathrooms did not have toilet paper dispensers, soap dispensers, or towel dispensers. There was no toilet paper, soap, nor towels in most bathrooms.
 - 4. Fire alarm and suppression systems have been in violation of the state and local Fire Codes since at least 2013 and have never been fully corrected.
 - ii. There are 28 schools that have been closed in Gary, many of which are unmaintained, unprotected, and are a blight on the Gary community.
 - 1. Few of the unoccupied facilities were ever properly decommissioned.
 - a. In most cases, they have valuable and usable property inside of them as of August 1, 2017, including smartboards, computers, books, band instruments, desks, and other furniture. We have made progress in removing computers and smartboards from these schools and distributed them to open schools.
 - b. In many cases, the closed schools still contain transcripts of the students who went there. In one closed school, the transcripts are in a flooded basement in hazardous conditions that must be negotiated by a Corporation employee wearing protective gear to collect transcripts. The transcripts have not been brought to a central location for preservation, protection, and access.
 - 2. The closed schools represent a nuisance and often a blight to their communities. They have become the target of repeated arson – at least 6 fires this year.
 - 3. The closed schools represent a hazard to fire fighters, EMS, and police because of the dangers associated with protecting them and addressing fires.
 - 4. In some instances, they are hangouts for drug usage and vagrants creating a further hazard to the community.
 - 5. Based on a recent interview with a staff person at the Corporation, we believe the following Exhibit presents a factual description of vacant buildings.



EXHIBIT 3: CLOSED FACILITIES CONDITIONS

SCHOOL	MOLD	“TENANTS”	FIRE DAMAGE	DOGS	MISC. COMMENTS
Aetna	X				
Ambridge	X				
Banneker (Old)	X				
Brunswick	X		X		Stripping Metal Window Frames
Carver	X		X		All Window Frames Missing
Chase	X				Stripping Window Frames
Duncan	X				
Edison	X	X	X	X	Vandals Currently Stripping Gym Flooring
Franklin	X				Some Window Frames Missing
Horace Mann	X	X	X		
Ivanhoe	X	X	X		
Lew Wallace	X	X	X		In Process of Being Stripped
Melton	X		X		Stripped
Noble					Back Side of Building Missing Bricks
Norton	X	X	X		Stripped
Pyle	X				
Riley	X		X		Partial Stripping of Outside Doors
Service Center 620 E. 10 th Pl.	X				Dumping Garbage Outside in Main Parking Lot, Broken Glass
Vohr	X				

6. This situation creates a hazard for the community, the City, and the Gary Fire Department. At least minimal steps should be taken to secure the buildings and reduce the risk of harm to the community. Steps should also be considered to reduce the loss to the buildings.

IV. WE MUST RATIONALIZE SPENDING, BUT WE MUST INVEST TO GROW GARY

- a. The long-term key to success for the Corporation is to grow the quality of teaching and learning and grow enrollment. Enrollment is the ultimate measure of the faith of parents in the schools and of the community at large. We believe that if we pursue a

I. STATUS OF WORK AND EARLY ASSESSMENT



System of Great Schools and pursue the 365-day plan, we will see outcomes for students grow and increased enrollment for next year.

- b. We are working on a model that will approach the problem not just from a reduction of expense perspective (which is necessary), but a strategy to increase revenues. When all you plan to do is cut, it becomes obvious that you cannot simply cut your way out of the problem. You must invest to grow while making judicious cuts.
- c. This will mean that while we will make many hard decisions to rationalize spending, some modest and measured investments must be made in the Corporation if it is to come out of this downward spiral.

II. FINANCIAL REQUEST

Gary Community Schools Corporation

Operating (General) Fund

Funds Requested

Based on Estimated Cash Flow Statement

School Year 2017-2018

Description	Oct-17
1 CIGNA August 2017 Premium	\$ 450,000
2 CIGNA August 2017 Agreement for Past Due	\$ 150,000
3 Classroom Materials Bridge Loan	\$ 375,000
4 October 13, 2017 Payroll	\$ 1,250,000
5 SEIU	\$ 800,000
6 Essential Business Equipment	\$ 86,000
Total Request	\$ 3,111,000

FOOTNOTES

- 1 GCSC is behind in premium payments to CIGNA. In 2017, GCSC paid CIGNA \$860,309 for 2014 premiums. GCSG also paid premiums in 2017 for several, but not all, months of 2017. These funds will be used to pay the CIGNA August 2017 premium.
- 2 In early 2017, GCSC and CIGNA reached an agreement for GCSC to make payments on an accumulated debt of over \$2,000,000. GCSC agreed to stay current with monthly premiums and pay an additional \$150,000 per month. Through the end of August 2017, only one \$150,000 payment has been made in 2017. The accumulated debt is now approximately \$4,000,000. Paying the August and September 2017 premiums and agreed amounts for August and September will reduce the accumulated debt to approximately \$3,000,000.
- 3 GCSC has Title money from 2017 eligible for classroom materials. This money should not impact the General Fund. However, due the GCSC's credit history with Pearson Education, any purchase must be paid in advance. Purchases with Title funds, however, cannot be pre-paid. Therefore, GCSC paid for approximately 60% of a classroom materials order with General Fund money and will claim reimbursement from Title funds in September. The net impact to the General Fund is zero except for cash flow. The remaining 40% of the material order will be placed in September

II. FINANCIAL REQUEST



with expected reimbursement in October. Waiting until October to place the remaining order will push back delivery of classroom materials into October which is detrimental to academic achievement. GCSC is requesting the amount of \$375,000 for cash flow purposes to expedite the classroom materials order. Federal reimbursement of \$375,000 will be requested and should be received in late October. At that time, the \$375,000 will then be applied to another specific obligation.

- 4 GCSC will not have enough cash on hand to meet the October 13, 2017, payroll.
- 5 SEIU provides employee benefits for designated GCSC employees. GCSC is behind in payments to SEIU. Several payments were made to SEIU in 2016 and several have been made in 2017. However, no payment has been made since May 2017. Additionally, GCSC has been accruing penalties and interest on the outstanding amount due dating back to 2014 or before. To date, the past due amount for premiums, penalties, and interest is approximately \$800,000. Clearing the account will help with conversations and costs for 2018 benefit costs.
- 6 GCSC requires essential business equipment to maintain minimum office productivity capabilities. These funds will be applied to equipment necessary for daily operations.

III. KEY DELIVERABLES

MGT is working on the following deliverables:

- ◆ An Operating Deficit Reduction Plan;
- ◆ An Operating Budget for the remainder of the 2017-18 School Year;
- ◆ A Facilities Utilization Assessment;
- ◆ A Transition Plan (called for in the SB 567); and
- ◆ Specific Performance Deliverables (as provided for in the contract with DUAB).

IV. COMMUNITY ENGAGEMENT

COMMUNITY ENGAGEMENT PLAN (WORKING DRAFT)

The following is a working draft outline of the community engagement plan developed, to date, for GSCS. The plan is premised on the following:

- ◆ Primary community engagement targets are parents with children enrolled in Gary Schools or other schools in the Gary community.
- ◆ The Gary community is also a primary community engagement target given its vested interest in the success of the GSCS.
- ◆ Individuals who can influence and shape community opinions and perceptions are critical to community engagement efforts.
- ◆ Community engagement must be continuous and provide information and updates on progress being made, challenges that must be addressed, and opportunities to provide support.
- ◆ Community engagement must provide opportunities for community stakeholders to provide input about issues, concerns, questions, and what is wanted or desired for Gary Schools.
- ◆ Community engagement will be executed using a variety of methods including community meetings/forums, small group meetings, one-on-one meetings, and various media/surveys.
- ◆ Community engagement plans are not static and will be revised as needed.

COMMUNITY ENGAGEMENT ACTIVITIES

Parent Meetings - MGT is working with the Districtwide F.A.C.E. (Family and Community Engagement) Coordinator to organize and conduct parent meetings. The first parent meetings are September 19th at 10am and 5pm at the Gary Area Career Center. Monthly parent meetings will be conducted at each school in coordination with the F.A.C.E. Coordinator and F. A. C. E. Parent Liaisons. NOTE: To date, MGT has met with several parents on an individual basis with the help of the F.A.C.E. Coordinator (Mrs. Foster).

F.A.C.E. Parent Liaison Meetings - Starting September 7th, MGT will meet monthly with F. A. C. E. Parent Liaisons to plan and conduct monthly parent meetings at each school. In addition, the meetings will be used to reinforce the Liaisons' resource role in the schools and help maintain communication with parents to solicit feedback.

Community Meetings – MGT, in coordination with Trinity United Church of Christ, will conduct a community “town hall” meeting September 28th at Trinity United Church of Christ at 6pm. MGT and Reverends Mosley and Dena Holland-Neal have discussed coordinating and conducting periodic town hall meetings at Trinity United Church of Christ following the September 28th meeting. In addition to the town hall meetings at Trinity United Church of Christ, MGT will reach out to other churches and community organizations to plan, schedule, and conduct meetings related to GCSC.

IV. COMMUNITY ENGAGEMENT



Media – Dr. Peggy Hinckley will appear on Jeffrey Smith’s Mid-Day News and Talk show on WLTH September 19th at 12:30 pm. Following the September 19th show, arrangements are being finalized for a segment every other Tuesday on the Jeffrey Smith show. What this means is there will be an opportunity to reach out to the community on a regular basis to provide progress updates and information about the transformation taking place at GCSC. In addition, WLTH and other stations such as WJOB in Hammond, have recently expressed an interest in Dr. Hinckley making an on-air appearance to talk about what’s happening with GCSC.

Briefings - Regular briefings will be conducted with the media on a monthly basis to provide information and maintain visibility for transformation efforts currently underway.

Meetings with Groups/Individuals - Meetings are planned with the following in the next two weeks:

- ◆ NAACP - Steve Mayes, President.
- ◆ Urban League - Dr. Vanessa Allen McCloud/Rev. Prothro/Rev. Walker regarding One Church One School.
- ◆ Pastor Charles Emery - Pilgrim Missionary Baptist Church.
- ◆ Pastor R.E. Robinson - St. John Baptist Church.

Future meetings will be scheduled with individuals and groups as they are identified and suggested by key stakeholders.

FUTURE COMMUNITY ENGAGEMENT ACTIVITIES

- ◆ Monthly Parent Meetings - From this point forward there will be meetings at each school with parents and monthly meetings with F.A.C.E. Parent Liaisons.
- ◆ Regular Community Meetings - At least one community or town hall-type meeting will be planned, organized, and conducted monthly to keep the community informed and give community members an opportunity to ask questions and share concerns and issues they may have related GCSC.
- ◆ Meetings with Community Groups/Stakeholders - These meetings will be continuous and ongoing. MGT will seek to identify and meet with community stakeholders that represent various community segments in Gary.
- ◆ Parent Survey - At the end of each semester parents will be asked to respond to a brief survey regarding their experience with GCSC. The parent survey will enable MGT to collect hard data from the most critical enrollment decision-maker.
- ◆ Plan Revisions - The community engagement plan will be reviewed each week to determine effectiveness and review progress on community engagement activities. The plan will be revised and updated as needed.

