
STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD



ONE NORTH CAPITOL AVENUE, SUITE 900
INDIANAPOLIS, IN 46204
PHONE (317) 234-2273

Distressed Unit Appeal Board Meeting Memorandum

March 26, 2018

Call to Order: A meeting of the Distressed Unit Appeals Board (DUAB or Board) was held on March 26, 2018, at 3:00 p.m. EDT at the Indiana Government Center South Building, Conference Room 1, Indianapolis, Indiana. Members of the Board attending the meeting in-person include Paul Joyce, Wes Bennett, and Tracy Brown. Rebecca Kubacki and Representative Cherrish Pryor attended by phone. Courtney Schaafsma, Executive Director, was also in attendance. Mr. Joyce chaired the meeting.

Mr. Joyce called the meeting to order and recognized compliance with the Open Door Law. Mr. Joyce presented the minutes for the March 2, 2018 and March 8, 2018 meetings, as well as the memorandum for the March 8, 2018 executive session. Mr. Bennett moved to approve the minutes, and Ms. Kubacki seconded. The Board voted 4-0 to approve the minutes.

Ms. Schaafsma provided the Executive Director's Report. For Gary Community School Corporation (GCSC), Ms. Schaafsma highlighted a recent Kindergarten Round-Up held to encourage kindergarten registration for the 2018-2019 school year. She also stated that GCSC had been awarded a grant for STEAM curriculum for the new middle school for next school year. For Muncie Community Schools (MCS), Ms. Schaafsma indicated that the emergency management team had accepted an offer from Ball State University for the sale of Mitchell and Sutton Elementary Schools. The purchase price is \$435,000, and closing is expected in mid-April. Ms. Schaafsma also mentioned that she had provided a contract approval to MCS for the purchase and installation of 80 wireless access points. The total cost of these access points is just under \$50,000, but MCS has also applied for E-Rate funding for this project. If the E-Rate funding comes through as anticipated, it would cover 85% of the cost, leaving MCS with an expense of around \$7,500.

Mr. Joyce presented the next agenda item which was consideration of property insurance contracts for GCSC. Dr. Peggy Hinckley, Emergency Manager for GCSC, first provided the Board with an update regarding a fire that had occurred at a Gary apartment building over the weekend. Dr. Hinckley provided contact information for assistance for the benefit of Gary community members watching the meeting. Mr. Leonard Moody, Chief Financial Officer for GCSC, then presented the request for approval of property insurance contracts. He explained that the contracts included a \$10 million primary insurance layer and a \$90 million secondary insurance layer. The total cost of the contracts is \$448,950. Mr. Moody indicated that GCSC had moved forward with the contracts prior to DUAB approval due to the prior insurance nearing expiration, and the action item before DUAB would complete the necessary approvals.

Mr. Joyce asked for an explanation of the difference between the primary and secondary insurance layers and the total value of the properties covered by the insurance. Mr. Moody indicated that GCSC

did not have current appraisals of all of the GCSC properties but that many of the properties are in poor condition. He indicated that he felt the \$100 million in coverage was sufficient as it would be unlikely that all of the properties would be impacted at one time. Mr. Moody explained that the primary insurance with Axis Surplus Insurance Company would be the insurance that would be first impacted if there was a claim, while the secondary insurance with Homeland Insurance Company would cover any claim over \$10 million. Mr. Joyce asked if the insurance covered claims based on percent insured. Mr. Moody indicated he would work with the insurance companies on these questions and would provide additional information to the Board. Mr. Bennett asked if an inventory of the building assets had been provided, including a value for such assets. Mr. Moody indicated that GCSC has an inventory of the building assets but that the value for these building was still being developed. Ms. Kubacki asked why there was no state insurance fraud language in the policy for Indiana. Mr. Joyce indicated that he believed Indiana did not require such language.

Ms. Kubacki moved that the Board approve the property insurance contracts in the amount of \$448,950, including \$377,200 for Axis Surplus Insurance Company and \$71,750 for Homeland Insurance Company. Ms. Brown seconded the motion. The Board voted 4-0 to approve the motion.

Mr. Joyce then presented the next agenda item being consideration of the transportation contract for GCSC with Illinois Central Bus Company for three years, starting with the 2018-2019 school year and including the option to renew the contract for an additional two years. The actual cost of the contract is dependent on the routes run, but the estimated annual cost of the contract is \$3,392,689. The contract would also result in new school buses for GCSC and an additional amount supporting GCSC. The total estimated savings for the contract is \$1 million over the current cost of transportation for GCSC.

Mr. Moody explained that GCSC had a team that prepared a Request for Proposals (“RFP”). A pre-bid meeting was held, and GCSC received good interest in the RFP. The original bids received were varied, so the team requested a best and final offer, specifying the format in which the offer should be made. In total, GCSC received three bids. Two of the bids included new buses and additional support for GCSC in the form of a donation. The most responsive bidder was Illinois Central. Representative Pryor asked if the new contract would provide service to the same number of students or if the cost savings associated with the contract was the result of less service being provided to the students. Mr. Moody indicated that GCSC has not reduced service and the savings are the result of reduced rates. Dr. Hinckley added that GCSC was adding an additional route for the Gary Area Career Center in addition to routes servicing the new single high school and single middle school. As a result, she felt that enhanced services would be provided to Gary students under this contract.

Representative Pryor asked if Illinois Central is located in Indiana. Mr. Moody indicated that Illinois Central had been the current provider for a number of years. Ms. Schaafsma added that the cost of contract for the 2018-2019 school year may have been impacted by outstanding payment obligations by GCSC. At current time, GCSC is current on all payments to the transportation provider, which may have increased interest in the RFP and the competitiveness of the bids received. Ms. Kubacki asked about the impact of increased fuel costs on the contract. Ms. Schaafsma indicated that the contract calls for the vendor to cover the cost of the fuel and absorb the risk of any increased fuel costs. Representative Pryor asked if the school buses would include seat belts. Dr. Hinckley indicated that GCSC is in compliance with the transport requirements for pre-school students but that seat belts would not be included in the contract. Mr. Bennett noted that Illinois Central is based in Joliet, Illinois.

Mr. Bennett moved that the Board approve the contract with Illinois Central for three years, commencing with the 2018-2019 school year. Ms. Brown seconded the motion. The Board voted 4-0 to approve the motion.

New business: Mr. Bennett noted that the M.A.T.H. Bowl team for East Washington Academy for MCS was the 2018 State tournament champion.

Adjournment: Mr. Joyce adjourned the meeting at 3:35 p.m.