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# STATE OF INDIANA

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DISTRESSED UNIT APPEAL BOARD



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## Distressed Unit Appeal Board Meeting Memorandum

June 4, 2018

**Call to Order:** A meeting of the Distressed Unit Appeals Board (“DUAB” or “Board”) was held on June 4, 2018, at 3:00 p.m. EDT at the Indiana Government Center South Building, Conference Room 4, Indianapolis, Indiana. Members of the Board attending the meeting in-person include Micah Vincent, Wes Bennett, Paul Joyce, Tracy Brown, Rebecca Kubacki, Representative Milo Smith and Representative Vernon Smith. Senator Eric Bassler attended by phone. Courtney Schaafsma, Executive Director, was also in attendance.

Chairman Vincent called the meeting to order and recognized compliance with the Open Door Law. Chairman Vincent presented the minutes for the May 4, 2018 meeting. Ms. Kubacki moved to approve the minutes, and Mr. Joyce seconded. The Board voted 5-0 to approve the minutes.

Ms. Schaafsma presented the Executive Director’s Report. For Gary Community School Corporation (“GCSC”), Ms. Schaafsma indicated that the emergency management team had held a community meeting on May 17 to discuss the master facilities plan. She also highlighted three contract approvals that had been completed for GCSC, which include Vibe HCM Payroll Software and Processing Services, Bloomington Ford for the purchase of three security vehicles, and PowerSchool ERP Software for accounting and finance. For Muncie Community Schools (“MCS”), Ms. Schaafsma noted that Ball State University had adopted a resolution to serve as the appointing authority for MCS, pursuant to House Enrolled Act 1315(ss). The emergency management team is holding regular meetings with Ball State. She also indicated that she had approved a contract for Medicaid-Eligible billing services with ClaimAid Consulting Group. Ms. Schaafsma also noted that DUAB has a new webpage – [www.in.gov/duab](http://www.in.gov/duab).

Representative Vernon Smith asked about the purchase of vehicles for GCSC through Bloomington Ford and why a Bloomington entity was being used. Ms. Schaafsma indicated that the purchase was done through a State Quantity Purchase Agreement, which offers various vendors for a variety of products. Senator Bassler asked how often Ms. Schaafsma is in contact with the emergency managers. Ms. Schaafsma explained that she has regularly scheduled phone calls with the emergency management teams in addition to other non-scheduled contact. Senator Bassler then asked how often Ms. Schaafsma travels to GCSC and MCS and attends public meetings. Ms. Schaafsma indicated that she attends meetings at the school corporations as needed and mentioned recent meetings in April at GCSC and May at MCS.

Chairman Vincent introduced the next agenda item – appointment to the Fiscal and Qualitative Indicators Committee. Ms. Schaafsma explained that HEA 1315(ss) has established a Fiscal and Qualitative Indicators Committee (“Committee”) to identify indicators to be used to evaluate the financial condition of school corporations. DUAB has an appointment to the Committee, and the DUAB

appointment will serve as chair of the Committee. The DUAB appointment must be an employee of DUAB. Mr. Bennett made a motion that DUAB appoint Ms. Schaafsma to serve on the Committee, and Ms. Kubacki seconded. The Board approved the motion 5-0. Representative Milo Smith asked if the appointment could be delegated if DUAB had additional employees. Ms. Schaafsma indicated that the Board would have to approve an appointment change. Ms. Schaafsma then provided DUAB with information on the upcoming meetings for the Committee and highlighted that a listserv was being created to allow people to receive information on the Committee's actions.

Chairman Vincent then introduced the agenda item for the consideration of the custodial contract renewal for MCS. Ms. Schaafsma explained that the contract is a renewal with the current provider (Southeast Service Corporation) and includes a negotiated cost savings of \$120,000. Mr. Steve Edwards, MCS Emergency Manager, provided additional details on the contract. He indicated that the contract renewal cost is \$3,556,289.40 for the 2018-2019 school year and requested DUAB's approval. Representative Vernon Smith asked about the closure of buildings and the impact to the cost savings. Mr. Edwards indicated that those buildings had been previously closed and were not included in the contract. Representative Milo Smith asked whether MCS had considered providing this service in-house to create jobs in the community. Mr. Edwards explained that custodial services had been provided in-house previously and that many of the vendor's employees had been hired from MCS when the decision was made to outsource. Ms. Kubacki made a motion that DUAB approve the contract between MCS and Southeast Service Corporation for custodial and maintenance services for the period of July 1, 2018 through June 30, 2019 at a cost of \$3,556,289.40. Mr. Joyce seconded. The Board approved the motion 5-0.

The next agenda item was consideration of the food services contract renewal for MCS. Ms. Schaafsma explained that the contract with a renewal with the current provider (Chartwells) and includes a slight cost increase of \$41,183 over the 2017-2018 school year. Mr. Edwards provided additional details on the contract. Chairman Vincent asked if the full contract amount had been previously spent, and Mr. Edwards indicated that he thought it had but that he would need to further review the actuals. Ms. Kubacki asked what happens if the cost comes in lower than the contract amount and Mr. Edwards indicated that MCS would not pay above the services provided. Mr. Joyce asked how the cost increase compared to other school corporations. Mr. Edwards indicated that this analysis had not been performed. Representative Vernon Smith asked when the contract had initiated, and Mr. Edwards indicated March 2016. Representative Vernon Smith then asked about the job impact of outsourcing these services. Mr. Edwards answered that the majority of MCS food services employees had been hired when the contract was outsourced in 2016. He explained that the cost savings were being driven by efficiencies. Representative Milo Smith asked how the per-meal cost compared to other school corporations. Mr. Edwards answered that the meal price for students had been set but that an analysis had not been performed to compare the price to other school corporations. Mr. Joyce made a motion that DUAB approve the contract between MCS and Chartwells for food services for the period of July 1, 2018 through June 30, 2019 at an estimated cost of \$2,761,198. Mr. Bennett seconded. The Board approved the motion 5-0.

Chairman Vincent then introduced the next agenda item – termination of distressed status for MCS. Ms. Schaafsma explained that HEA 1315(ss) calls for DUAB to terminate MCS' status as a distressed political subdivision if the Ball State University Board of Trustees adopt a resolution to become the appointing authority for MCS. The proposed resolution would terminate distressed status for MCS as of July 1, 2018, which is the same date on which Ball State's authority would begin. Chairman Vincent

clarified that DUAB's oversight would end July 1, when MCS is no longer a distressed unit. Ms. Schaafsma indicated that DUAB would be implementing the transition services provisions in the contract to allow the emergency management team to remain at MCS for up to 60 days to allow for the transition to the new governing body. Representative Vernon Smith asked how the termination of distressed status corresponds with the existing contract for the emergency manager. Ms. Schaafsma explained that the contract expires June 30, 2018. Ms. Brown made a motion that DUAB approve Resolution 2018-1 terminating MCS' status as a distressed political subdivision. Ms. Kubacki seconded. The Board approved the motion 5-0.

The next agenda item was the consideration of a food services contract renewal for GCSC. Ms. Schaafsma explained that the contract renewal would be with the existing provider (SodexoMagic) and the estimated cost is \$3,742,565. Mr. Leonard Moody, Chief Financial Officer for GCSC, provided additional details on the contract, including the generation of surplus revenue that allows GCSC to make upgrades to food service equipment and facilities. Mr. Joyce asked about the per-meal comparison for the contract. Mr. Moody indicated that he would look into it further. Representative Vernon Smith asked about the provision of snacks during the day. Dr. Peggy Hinckley, GCSC emergency manager, indicated that GCSC has a contract with the federal government to provide fresh fruit to students. Representative Vernon Smith also indicated that he hears good comments on food services. Mr. Joyce asked if administrators eat with the cafeteria food on a regular basis to ensure quality, and Dr. Hinckley indicated that they could look into that for next school year. Ms. Brown asked about the timing for the transition of food services payment to revert back to GCSC, and Mr. Moody indicated that would occur shortly. Ms. Kubacki made a motion that DUAB approve the contract between GCSC and SodexoMagic for food services for the period of July 1, 2018 through June 30, 2019 at an estimated cost of \$3,742,565. Mr. Bennett seconded. The Board approved the motion 5-0.

The next agenda item was the consideration of a contract for custodial, trades and maintenance services for GCSC. Ms. Schaafsma explained that GCSC had gone through a proposal process to solicit bids on the outsourcing of these services. The contract for consideration is with Alpha Building Maintenance Services. Mr. Moody explained that GCSC had analyzed the costs associated with custodial and maintenance services, which total \$5.489 million. The proposed contract with Alpha for total outsourcing of these services would yield an annual cost savings of \$1.7 million. Mr. Moody indicated the current contract with custodial employees expired in 2007. While GCSC has continued to abide by the contract, GCSC would now like to withdraw from the agreement and outsource custodial and maintenance services. Mr. Moody indicated that not all of the savings would be realized at once, as portions of services would be outsourced over time, but the first year savings is still expected to be approximately \$1.3 million. Mr. Moody said that GCSC had requested that Alpha interview existing employees. Chairman Vincent asked how the savings compared to the savings identified in the Viable Deficit Reduction Plan ("VDRP"). Mr. Moody indicated the VDRP had estimated an annual savings of \$363,000.

Representative Vernon Smith asked how the cost savings was being generated. Mr. Moody answered that the wage rates and benefits for employees would differ from the current compensation package, and employees may have expanded responsibilities. Representative Vernon Smith asked if the closing of schools impacted the cost comparison, and Mr. Moody indicated that closing of schools had been accounted for in the cost comparison. Representative Vernon Smith asked about the provision allowing for GCSC employees to interview for positions if available and expressed concern that the positions may not be available. He also asked about whether Indiana firms had applied. Mr. Moody answered that

some Northwest Indiana firms provided responses but that they did not offer comprehensive services. Representative Vernon Smith also expressed concern that the quality of services may decline over time or costs may increase. Mr. Moody and Chairman Vincent both indicated that the emergency management team would be regularly tracking this to ensure compliance with anticipated cost savings. Mr. Joyce moved that DUAB approve the contract between GCSC and Alpha Building Maintenance Services for custodial and maintenance services for the period of July 1, 2018 through June 30, 2019, at an estimated cost of \$2,892,708.45 with options to renew for an additional two years as outlined in the contract. Ms. Kubacki seconded. The Board approved the motion 5-0.

Dr. Hinckley then provided additional updates on GCSC. She indicated the emergency management team was working to identify the legal requirements for selling properties and would be providing notice soon. She also stated that the middle school principal had been hired and was working on getting the new middle school set up for next school year. Dr. Hinckley explained that, similar to the custodial contract, GCSC would withdraw from the existing agreement with the secretaries, which expired in 2007. The existing contract provides benefits and compensation that GCSC cannot support financially. In addition, GCSC's new payroll system would require less manual processing at the secretary level. GCSC would be posting available positions and existing staff members would be allowed to apply for these positions. Mr. Joyce asked how this change would impact the tracking of Extra-Curricular Activity funds. Dr. Hinckley indicated that they would ensure they had sufficient support to tracking these funds at both the high school and middle school levels, in addition to having these responsibilities covered at the elementary level. Representative Vernon Smith asked how the payroll system would impact the responsibilities of secretaries and the reporting of time-off for salaried employees. Dr. Hinckley indicated that the manual timesheets would no longer be necessary as this would be done in the new software. She also indicated she would further explore the capabilities for tracking time-off for employees in the software. Representative Vernon Smith asked how many positions may be eliminated. Dr. Hinckley indicated it could be around twelve positions, but that those analyses were still be completed.

**New business:** Ms. Schaafsma presented two items for new business. First, she indicated she had provided the Board with copies of the updated tracking document for various initiatives at GCSC. Secondly, Ms. Schaafsma discussed a Fee for Service Agreement from Administrator Assistance. She explained that the agreement is to provide bookkeeping services to MCS. These services were being provided by a consultant with a different firm. That firm had recently closed, and Administrator Assistance had brought on the consultant. The agreement was being presented to DUAB because the contract between DUAB and Administrator Assistance restricts Administrator Assistance's ability to contract directly with MCS while the DUAB contract is in place. As such, Ms. Schaafsma indicated that in order to allow Administrator Assistance to proceed with the agreement with MCS to allow for continuity at MCS, the Board would need to acknowledge the conflict of interest and allow Administrator Assistance to proceed despite the conflict. Mr. Bennett made a motion that DUAB acknowledge the conflict of interest and allow Administrator Assistance to proceed with the presented agreement. Ms. Kubacki seconded the motion. The Board approved the motion 5-0. A conflict of interest statement would be filled out to document this action.

**Adjournment:** Chairman Vincent adjourned the meeting at 4:30 p.m.