
STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD



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Distressed Unit Appeal Board Meeting Memorandum

September 13, 2018

Call to Order: A meeting of the Distressed Unit Appeals Board (DUAB or Board) was held on September 13, 2018, at 10:00 a.m. EDT at the Indiana Government Center South Building, Conference Room 5, Indianapolis, Indiana. Members of the Board attending the meeting in-person include Micah Vincent, Tracy Brown, Representative Milo Smith and Senator Eric Bassler. Rebecca Kubacki and Wes Bennett 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.

Ms. Schaafsma presented the Executive Director's Report. For Gary Community School Corporation ("GCSC"), Ms. Schaafsma highlighted that the emergency management team has been conducting various meetings including meeting with the Advisory Board and the Fiscal Management Board on the 2019 budget. She also noted that GCSC had received six bids on six properties. GCSC is currently reviewing the bids received and have scheduled a community meeting on September 25 to allow the community to discuss the plans with the bidders. In addition, Ms. Schaafsma provided an update on the School Corporation Fiscal and Qualitative Indicators Committee ("Committee"). Ms. Schaafsma explained that the Committee met the prior week to reduce the indicators down to a group of approximately 20 indicators still under consideration. She then noted that the Committee would meet on September 27 to take public comment and on October 4 to finalize the proposed indicators. The indicators would be presented to the State Budget Committee on October 16. Senator Bassler asked about the plan for the September 27 meeting. Ms. Schaafsma noted that would be a public comment meeting for the Committee and that comments had been received throughout the process. Representative Milo Smith asked how many GCSC properties were for sale and if there was a minimum bid required on those properties. Ms. Schaafsma indicated that 33 properties were for sale but no minimum bid was required. She noted that one other property had also been sold to the City of Gary. Representative Milo Smith asked how GCSC would determine if they would accept the bid. Ms. Schaafsma noted that GCSC would rely upon available information from the township assessor's office as well as possibly obtaining appraisals on the properties.

Chairman Vincent then introduced the next agenda item – delegation authority for approval of the budget advertisement to the DUAB executive director. Ms. Schaafsma explained that the DUAB statutes required DUAB to approve both the advertisement and final approval of budgets, levies and tax rates for a distressed school corporation. She explained that the budget advertisement is not necessarily final and simply creates ceilings above which the school corporation cannot budget or levy. By delegating the approval of the budget advertisement to the executive director, DUAB would be able to focus on the final budget approval later in the process rather than reviewing the budget twice. Resolution 2018-3 would delegate this authority to the DUAB executive director. Ms. Brown made a motion that DUAB

approve Resolution 2018-3, and Ms. Kubacki seconded. The Board voted 3-0 to approve the motion (Mr. Bennett was not accessible for the vote).

Chairman Vincent introduced the next agenda item – consideration of a Common School Fund loan request for GCSC. Mr. Eric Parish, member of the GCSC emergency management team, explained that the last loan request was in April 2018 and the next loan request is projected to occur in Spring 2019. Chairman Vincent asked how this compared to expectations. Mr. Parish indicated that he believed they were going longer between loan requests than originally anticipated. Mr. Parish stated that, if this loan request is approved, GCSC would have borrowed \$10.8 million in 2018 and repaid \$4.6 million in 2018, with a net borrowing of \$6.2 million in 2018. He indicated that the loan requests followed what was anticipated in the Viable Deficit Reduction Plan previously presented. The loan request is for payroll in October and November. Mr. Parish explained that the amount needed for each payroll is now less due to staff reductions. Senator Bassler asked about the need for the loan in Spring 2019. Mr. Parish estimated that the loan would be for payroll but could not say for certain. Senator Bassler asked what the total amount of the borrowing was and Mr. Parish noted that the total was approximately \$40 million. Ms. Schaafsma noted that she could provide the Board with a schedule showing all the Common School Fund loans provided to date. Representative Milo Smith asked what payrolls the loan request would fund, and Mr. Parish clarified that the loan request would address payrolls in October and November. He then indicated that property tax draws in November and December would assist GCSC in getting through to the spring without additional loans. Mr. Parish indicated the plan would be to use the loan for the second payroll in October and the two payrolls in November.

Ms. Schaafsma clarified that the motion needed to include information on the repayment schedule and the term of the loan. She indicated that she would recommend that the loan, if approved, would start repayment in January 2020 with equal monthly payments for ten years, starting from the date of the first draw. Representative Milo Smith asked about the note in the document that indicated that GCSC would have sufficient money to meet October payrolls. Mr. Parish indicated that without the loan, GCSCs fund balance would run dangerously low. Senator Bassler asked if the loan was interest-free, and Ms. Schaafsma confirmed that it would be. Senator Bassler then asked what month “Spring” might be, and Mr. Parish indicated he anticipated the next loan request in March 2019.

Ms. Brown made a motion that DUAB approve the loan request in the amount of \$3.3 million for the purposes of the October 24, November 8 and November 22 payrolls, with a maximum amount of \$1.1 million for each payroll. She also included that the loan would be for a term of 10 years, with repayment to begin in January 2020 in equal monthly payments. Mr. Bennett seconded. Representative Milo Smith asked if the motion should state that the loan was for a maximum of \$3.3 million. Ms. Schaafsma explained that the approved loan is a maximum amount but, using claims, only the amount necessary would be drawn. The Board voted 4-0 to approve the motion.

New business: None.

Adjournment: Chairman Vincent adjourned the meeting at 10:23 a.m.