Gary Community School Corporation
Doing What is Best for Students - Today - Tomorrow - Everyday

EMERGENCY MANAGER REPORT

DISTRESSED UNIT APPEALS BOARD (DUAB)

February 14, 2019

Prepared by

Gary Schools Recovery, LLC

Distressed Unit Appeals Board

Emergency Manager Report
Prepared by Gary Schools Recovery, LLC
February 14, 2019

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1.0 EMERGENCY MANAGER UPDATE

COMMUNITY ENGAGEMENT

During the month of January, parent meetings were held in each GCSC building. In an effort to better accommodate parent needs, meetings were held in the morning and in the evening. The parent responses were terrific and feedback was very helpful. I also made two appearances on WLTH radio.

As a District Team, we are working to create a positive culture and improve our stature in the Gary Community and Northwest Indiana. We must always work to improve communication with our community, listen to concerns, and celebrate when appropriate!

The academic partnerships we are developing are just the beginning in improving our relationship with our local Higher Education partners. IVY Tech is key to Gary's success at the Vocational Education Level. PNW and IUN are also key to our success academically by providing a "pipeline" of talent and programs that will be the key to our growth and success.

STUDENT ACHIEVEMENT

GCSC has instituted a two hour after school remediation program open to all students enrolled in grades K-12. To date more than 600 students are enrolled in this Monday thru Friday program. Each day, every student receives one hour of Math remediation and one hour of English Language Arts (ELA) remediation. Also, each child receives an after school snack, dinner, and transportation home.

GCSC has also developed a very positive relationship with the Purdue University Northwest College of Education. This semester alone, we have over 25 PNW student assistants serving as instructional tutors, student teachers, or classroom assistants. Furthermore, through our partnership with Indiana University Northwest, we have more than 20 IUN students involved as well.

EXPAND STUDENT ENROLLMENT AND PROGRAM OFFERINGS AT THE GARY AREA CAREER CENTER

The Gary Community School Corporation's relationship with Ivy Tech has grown. I have worked with Louie Gonzalez, Northwest Chancellor, at offering more programs for our students and community. Beginning, January 2019, we began offering courses in Construction Technology and Welding. Together we are working to offer Diesel Mechanics, auto mechanics, auto body and CDL certification through Drive Co, Ivy Tech's CDL Instructional Provider.

2.0 2019 BUDGET REVIEW

Gary Community Schools Corporation
All Funds
Internal Budget
Calendar Year 2019

	Total 2019	Total 2018	Variance
Revenue			
Net Local Sources	**840,000**	**163,000**	**677,000**
Net Intermediate Sources	**300,000**	**275,000**	**25,000**
State Sources			
State Tuition	38,912,604		
Common School Loan	(5,906,694)		
Roosevelt	(5,160,000)		
TRF PERF	(2,760,000)		
Net Monthly Tuition Revenue	**25,085,910**	**31,401,624**	**(6,315,714)**
Net Federal Sources	**420,000**	**150,000**	**270,000**
Food Service Fund 011	**-**	**2,500**	**(2,500)**
Debt Service Fund 020	**6,313,628**	**8,696,192**	**(2,382,564)**
Debt Service Fund 029	**2,235,086**	**1,369,312**	**865,774**
Capital Projects Fund 035	**2,367,978**	**869,245**	**1,498,733**
Transportation Fund 041	**3,323,532**	**1,354,550**	**1,968,982**
Net Food Service Fund	**180,000**	**350,000**	**(170,000)**
Net Textbook Rental Fund	**200,000**	**354,000**	**(154,000)**
Self Insurance Fund 110	**300,000**	**200,000**	**100,000**
Bond Proceeds Fund 293	**-**		
Retirees' Health, Dental, and Life Ins	**240,000**		**240,000**
Perkins	**258,000**		**258,000**
ECLG, SIG, HAG	**360,000**		**360,000**
SPED	**1,800,000**		**1,800,000**
Title I II III IV	**6,544,613**	**8,000,000**	**(1,455,387)**
Total Revenue	**50,768,747**	**53,185,423**	**(2,416,676)**
Expenditures			
Personnel Related Expenditures			
Monthly Salaries	**27,300,000**	**32,500,000**	**(5,200,000)**
Monthly Benefits	**9,727,520**	**16,652,180**	**(6,924,660)**
Monthly Building and Utilities	**7,937,680**	**6,217,380**	**1,720,300**

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Gary Community Schools Corporation
All Funds
Internal Budget
Calendar Year 2019

	Total 2019	Total 2018	Variance
Monthly Professional Services	321,000	225,000	96,000
Monthly Supplies and Other	4,002,492	3,055,344	947,148
Monthly Legacy A/P	-	1,200,000	(1,200,000)
Monthly Transportation	4,200,000	4,196,000	4,000
Monthly Academic Expenditures	600,000		
Monthly Debt and Loan Payments	6,282,053		
Capital Expenditures	1,320,000		
Total Expenditures	61,690,745	71,367,314	(9,676,569)
Revenue Less Expenditures	(10,921,998)	(18,181,891)	7,259,893

Questions
Will TRCCA intercept decrease?
Will retirees health dental life decrease (with corresponding expenditure decrease)?

Revenue Assumptions
Local Sources remains constant
Intermediate Sources remains constant
State Sources remains constant - no increase in enrollment revenue
Federal Sources remains constant
Debt Services is 90% of 2018 collection
Capital is 90% of 2018 collection
Transportation is 90% of 2018 collection
Food Services Fund represents transfer from General Fund
Textbook Rental based on formula
Self Insurance Fund remains constant
Perkins based on annual estimate divided by 12
ECLG, SIG, HAG based on annual estimate divided by 12
SPED based on annual estimate divided by 12
Title based on annual estimate divided by 12

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3.0 VIABLE DEFICIT REDUCTION PLAN UPDATE #2 (EXECUTIVE SUMMARY)

VIABLE DEFICIT REDUCTION PLAN UPDATE #2

DISTRESSED UNIT APPEALS BOARD (DUAB)

Executive Summary Only

January 31, 2019

Gary Schools Recovery, LLC

Distressed Unit Appeals Board

Viable Deficit Reduction Plan Update #2
January 31, 2019

VDRP, VDRPU1 AND VDRPU2 REPORT STRUCTURE

The Viable Deficit Reduction Plan (VDRP), Viable Deficit Reduction Plan Update #1 (VDRPU1) and Viable Deficit Reduction Plan Update #2 (VDRPU2) 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.

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1.0 EXECUTIVE SUMMARY UPDATE #2 JANUARY 31, 2019

SUMMARY STATEMENT

As of December 2018, the Gary Community Schools Corporation (GCSC) projects an annual operating fiscal deficit of approximately $11,000,000. 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, when 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 $93,000,000 and short-term debt of approximately $4,000,000 for a total debt of approximately $97,000,000. 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 $87,500,000 was long-term debt and approximately $16,500,000 was short-term debt.

This report presents the original Viable Deficit Reduction Plan (VDRP), the first VDRP update (VDRPU1) and the second VDRP update (VDRPU2). The original VDRP and the updated VDRPs document 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

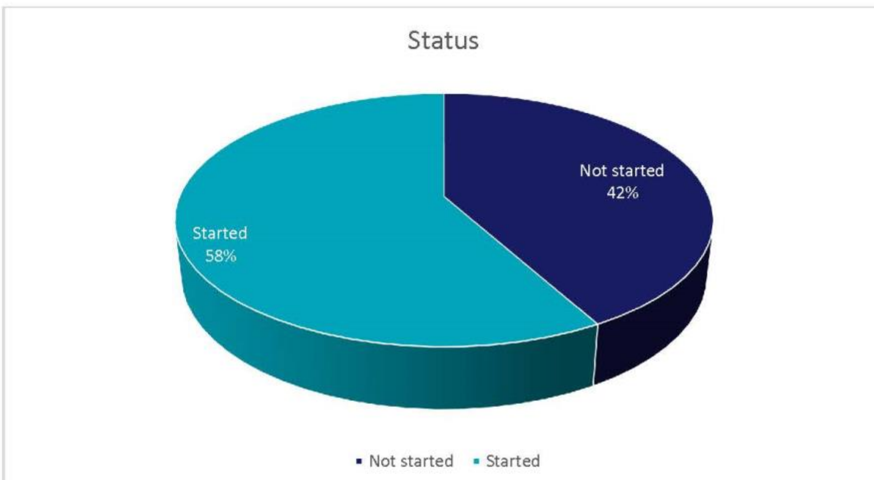
The original VDRP identified and documented 28 present and three future initiatives to eliminate the annual deficit and begin to pay down the accumulated long-term debt.

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

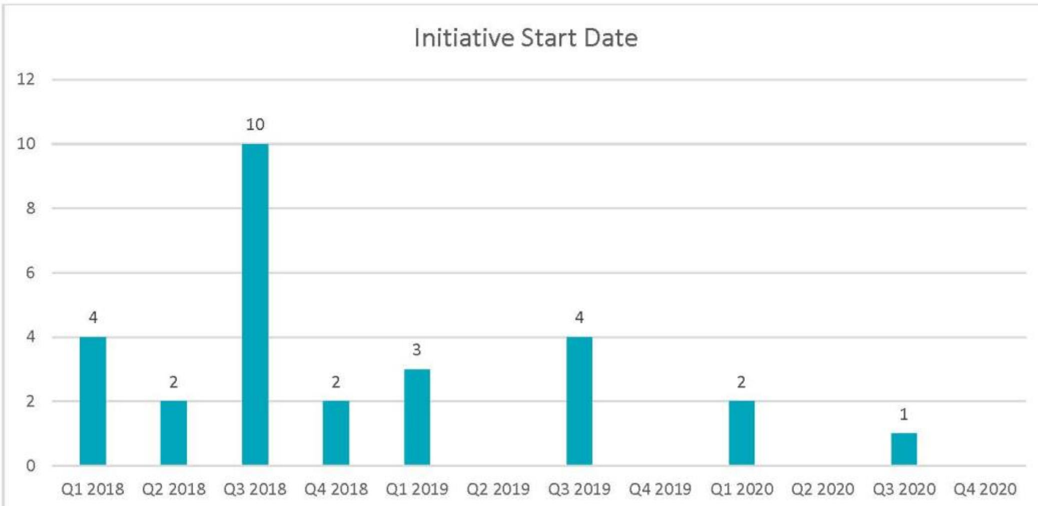
1. Not started

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 December 2018.

INITIATIVE	VDRP SUBMITTED 01/31/18 PROJECTED DEFICIT REDUCTION AS OF DECEMBER 31, 2018	VDRP UPDATE #2 01/31/19 ACTUAL DEFICIT REDUCTION AS OF DECEMBER 31, 2018	VARIANCE	STATUS	ESTIMATED DEFICIT REDUCTION START DATE
2.A.	$4,120,754	$0	-$4,120,754	Not Started	Q3 2019
2.B.	$500,000	$220,000	-$280,000	Started	Q3 2018
2.C.	$37,500	$0	-$37,500	Not Started	Q1 2019
2.D.	$0	$0	$0	Not Started	Q1 2020
2.E.	$0	$0	$0	Not Started	Q3 2020
2.F.	$1,182,000	-$320,100	-$1,502,100	Started	Q3 2018
2.G.	$145,528	$6,120	-$139,408	Started	Q3 2018
2.H.	$157,838	$0	-$157,838	Not Started	Q3 2019
2.I.	$0	$12,600	$12,600	Started	Q3 2018
2.J.	$95,467	$9,055	-$86,412	Started	Q4 2018
2.K.	$36,000	$36,000	$0	Started	Q1 2018
2.L.	$40,000	$40,000	$0	Started	Q2 2018
2.M.	$357,866	$399,367	$41,501	Started	Q3 2018
2.N.	$187,500	$180,469	-$7,031	Started	Q1 2018
2.O.	$1,007,752	$0	-$1,007,752	Not Started	Q1 2019

1.0 EXECUTIVE SUMMARY UPDATE #2 JANUARY 31, 2019

INITIATIVE	VDRP SUBMITTED 01/31/18 PROJECTED DEFICIT REDUCTION AS OF DECEMBER 31, 2018	VDRP UPDATE #2 01/31/19 ACTUAL DEFICIT REDUCTION AS OF DECEMBER 31, 2018	VARIANCE	STATUS	ESTIMATED DEFICIT REDUCTION START DATE
2.P.	$550,000	$550,000	$0	Started	Q1 2018
2.Q.	-$1,215,548	$0	$1,215,548	Started	Q4 2018
2.R.	$0	-$46,435	-$46,435	Started	Q3 2018
2.S.	$0	$454,603	$454,603	Started	Q3 2018
2.T.	$1,691,575	$4,824,321	$3,132,746	Started	Q3 2018
2.U.	$898,095	$169,232	-$728,863	Started	Q3 2018
2.V.	$84,525	$0	-$84,525	Not Started	Q3 2019
2.W.	$0	$0	$0	Not Started	Q1 2020
2.X.	-$121,000	-$46,500	$74,500	Started	Q2 2018
2.Y.	-$851,816	-$228,744	$623,072	Started	Q3 2018
2.Z.	$0	$0	$0	Started	Q1 2019
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	$8,904,036	$6,259,988	-$2,644,048		

Gary Schools Recovery, LLC Viable Deficit Reduction Plan Update #2 ◆ Distressed Unit Appeals Board ◆ January 31, 2019

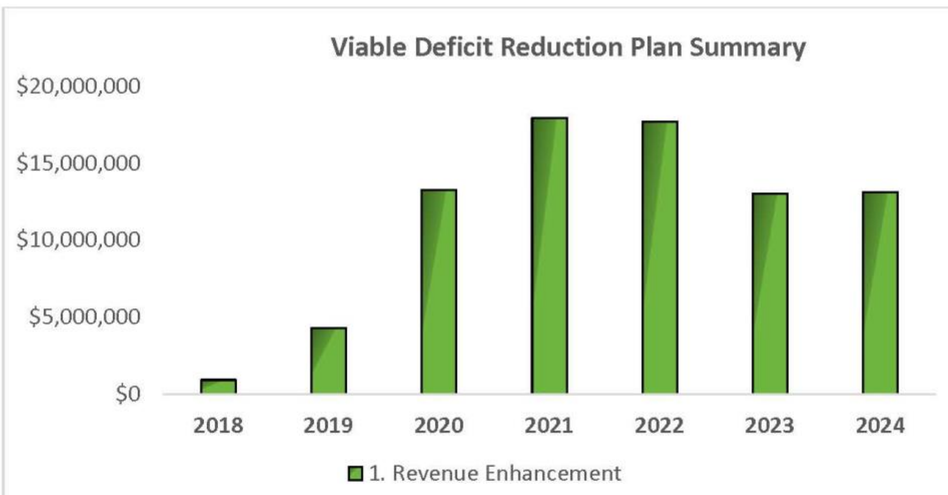
FISCAL IMPACT SUMMARY

The VDRP, VDRPU1 and VDRPU2 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, VDRPU1 and VDRPU2 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 VDRPU2 initiatives.

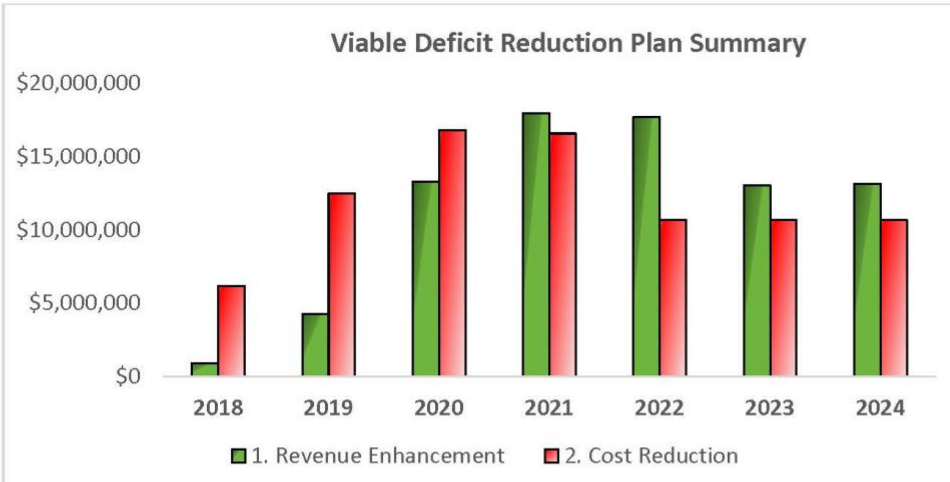
REVENUE ENHANCEMENT

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



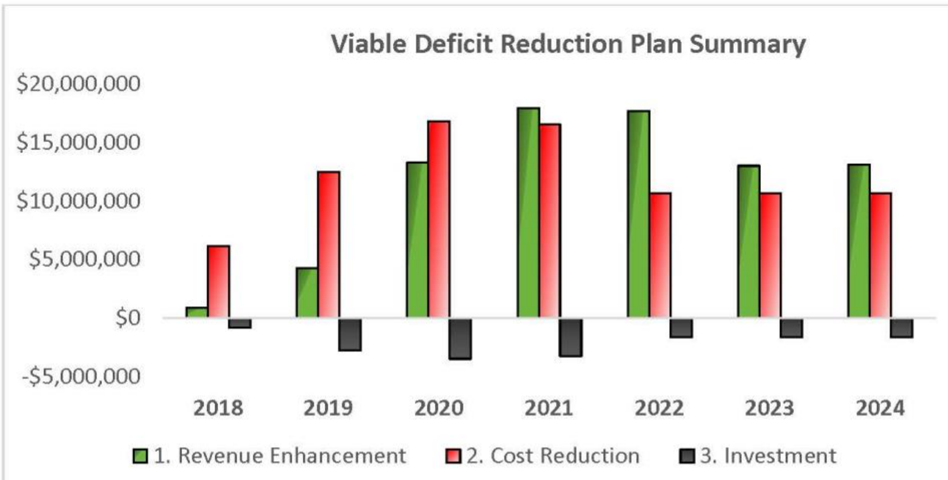
REVENUE ENHANCEMENT AND COST REDUCTION

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.



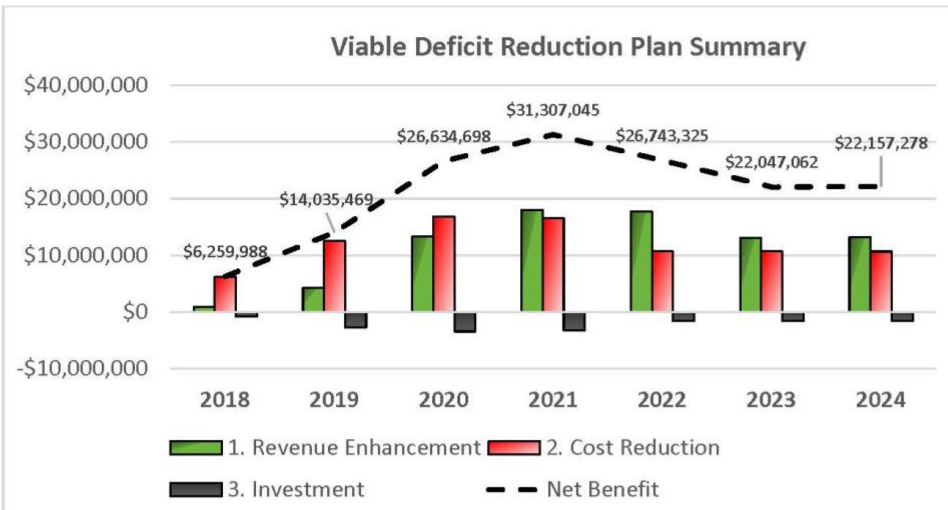
REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

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.



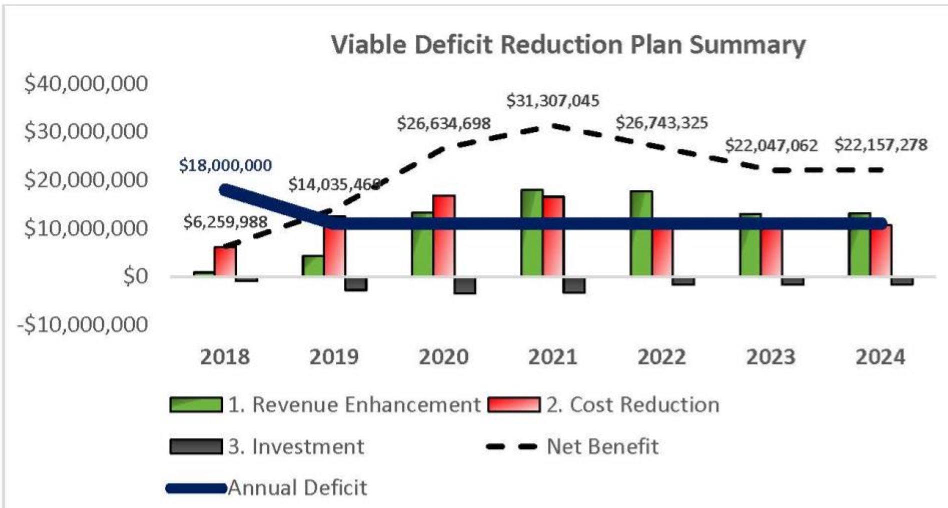
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS

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.



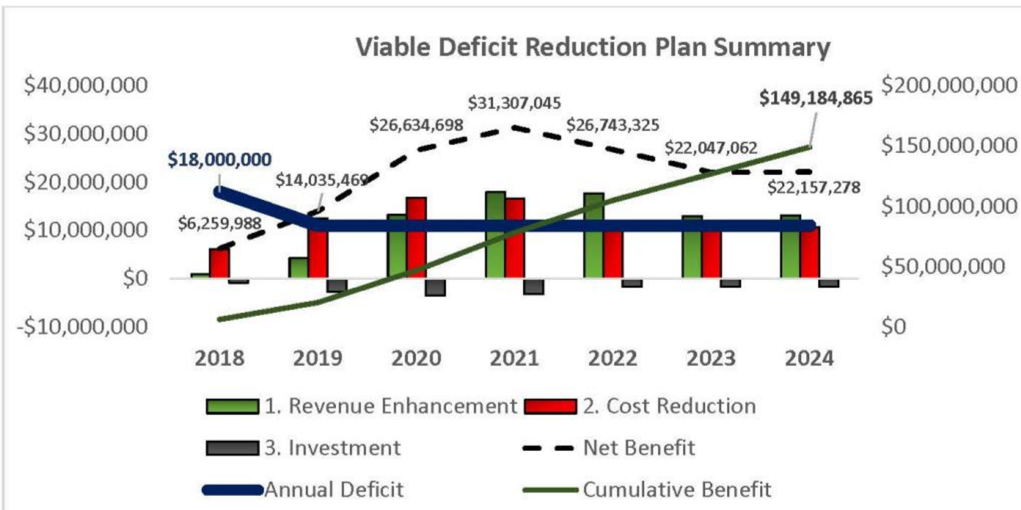
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT

The following chart adds a horizontal blue bar representing the $11,000,000 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.



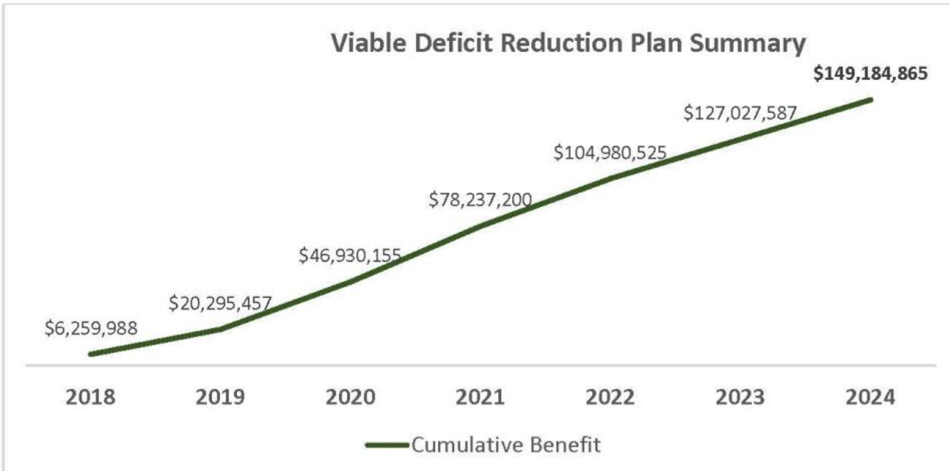
NET BENEFIT OF REVENUE ENHANCEMENT, COST REDUCTION, AND INVESTMENTS COMPARED TO ANNUAL DEFICIT WITH CUMULATIVE BENEFIT

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

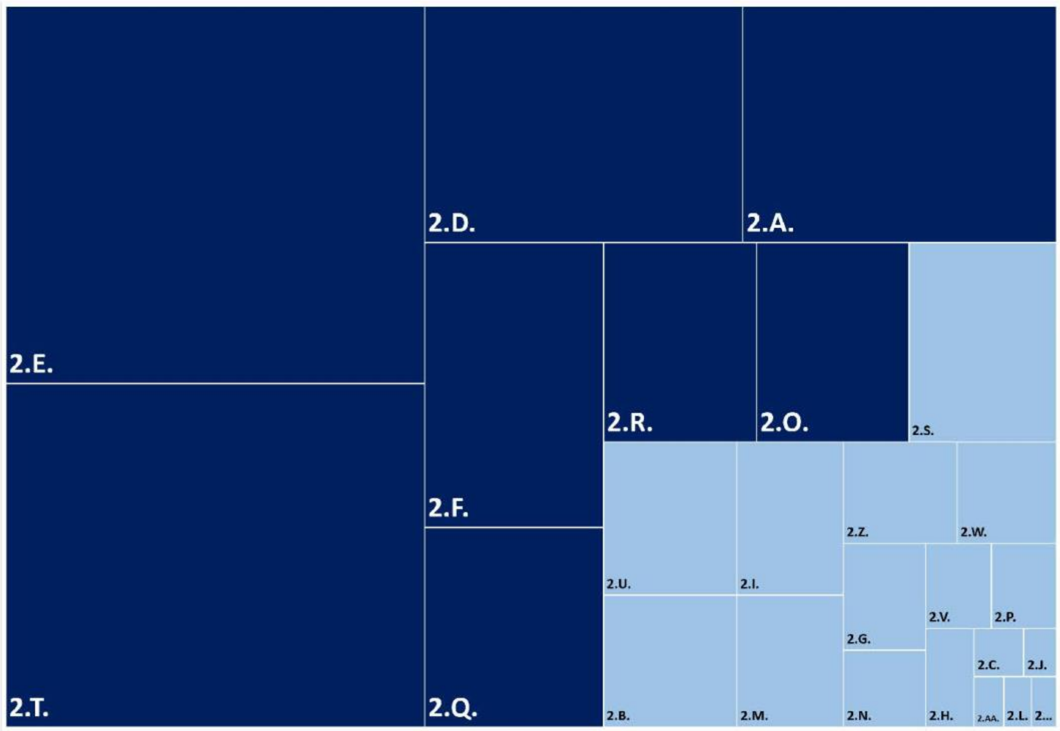
The cumulative net benefit of the VDRPU2 is approximately $149,000,000 over a seven-year time frame represented in the chart below.



The VDRPU2 cumulative net benefit over a seven-year time frame is approximately $2,700,000 or 1.8 percent less than the cumulative net benefit over a seven-year time frame in the original 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 79 percent of net benefits are derived from eight initiatives, or 26 percent 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.D. Pay for Success
4. 2.A. Suspend Common School Loan Payments
5. 2.F. Increase Enrollment
6. 2 Q. Building Energy Efficiency and Utility Rate Audit
7. 2.R. Compete Custodian Services
8. 2.O. Debt Restructuring

All other initiatives derive the remaining approximate 21 percent 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.W.**	Negotiate Reduction of Legacy Accounts Payable
2.D.	Pay for Success	**2.G.**	Co-location and Co-branding GACC and Ivy Tech
2.A.	Suspend Common School Loan Payments	**2.N.**	Labor Cost Controls
2.F.	Increase Enrollment	**2.V.**	Relocate Administration Office
2.Q.	Building Energy Efficiency and Utility Rate Audits	**2.P.**	Reduce Cost of Employee Health Insurance
2.R.	Compete Custodian Services	**2.H.**	System of Great Schools
2.O.	Debt Restructuring	**2.C.**	Maximize Medicaid Funds
2.S.	Compete Transportation Contract	**2.J.**	Community Crowdfunding
2.U.	School Closure / Consolidation	**2.AA.**	Corporate Partners
2.B.	Maximize Federal Funds	**2.L.**	Joint Purchasing Cooperative
2.I.	Acquire / Implement On-line Program	**2.K.**	Rent Building Space
2.M.	Food Service Fund Accounting		

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. In November 2018, Dr. Pete Morikis replaced Dr. Hinckley as Emergency Manager.

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, VDRPU1 and VDRPU2 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, VDRPU1 and VDRPU2 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 original VDRP, the VDRPU1 and the VDRPU2 is included in this report. The next update will be provided to DUAB on or before July 31, 2019.

4.0 STUDENT INFORMATION SYSTEM

Each school district uses a Student Information System track student progress, collect test information, monitor attendance and discipline as generate required reports to the State. Most systems also collect registration information, build master schedules and interface with other information systems such as bus systems and cafeteria systems. Sungard, a product of Power School, is the current GCSC student information system. This system is nearly obsolete. After Power School purchased the system, they discontinued upgrades and are looking to sunset it completely. GCSC has been encouraged by Power School to adopt a new system. The current contract with Sungard expires July 1, 2019.

DATA PROCESSING CONTRACT OR LICENSE AGREEMENTS

A purchasing agent may make a special purchase of data processing contracts or license agreements for software programs or supplies or services when only one source meets the using agency's reasonable requirements. [IC 5-22-10-7].

Eight faculty and staff members considered super-users of the student information system determined the needs of a new system and invited five system providers to demonstrate their product to the team. See included rubric.

Team: Tanya Housing, Mike Gillespie, Anthony Laingren, Terrance Little, Mark Campbell, Sheridan Smith, Amy Marsh, Eric McMahon.

The team determined that the system to be procured must have integrated ENL, RTII, 504 and Special Education tracking as well as a parent phone access application, registration and master scheduling and exceptional responsiveness in customer service.

Vendor	Meeting Date/Time
Power School	December 11 1:00 – 2:30
Infinite Campus	December 19 1:00 – 2:30
Harmony	December 12 3:00 – 4:30
Skyward	December 19 3:00 – 4:30
Alma	December 12 1:00 – 2:30

With the expectations described, the only provider able to fulfill the needs defined by the team is **Harmony**. Harmony also is the most cost efficient of these options. Harmony is an Indiana-based company that only serves Indiana companies.

Harmony is the best all-inclusive provider to engage parents, ease registration processes, and provide all users with immediate customer service.

Full implementation with on-site training and data conversion is anticipated by **July 1, 2019**.

RUBRIC FOR STUDENT INFORMATION SYSTEM

System Name ______________________________**Date of Presentation** ________

Element	Score (1=low, 5=high) 1-5	Justification
Reporting		
Scheduling		
Connectivity to other systems		
Customer Service		
Ease of Use		
Alert Systems		
Parent/Home Access		
Conversion Support		
TOTAL		

5.0 GCSC PROPERTY INSURANCE POLICY

COMMERCIAL PROPERTY RENEWAL

HFA

HAYWOOD AND FLEMING ASSOCIATES
Risk Management ♦ Insurance ♦ Employee Benefits

January 3, 2019

Mr. Leonard Moody
Chief Financial Officer
Gary Community School Corporation
1988 Polk Street
Gary, Indiana 46406

Re: Commercial Property Renewal
Effective: January 15, 2019- January 15, 2020

Dear Mr. Moody:

Happy New Year! Thank you for continuing to work with our local firm in addressing the insurance and risk management needs of the Gary Community School Corporation. We worked diligently with the carriers to keep the premium in line with the current terms. The Primary is moving to Lexington from Axis. Axis only wanted to quota share 50% of the primary limit this year. They also wanted to increase the deductible to $500,000.00. Therefore, we were able to get Lexington to provide coverage at 100% of the $10M primary and keep the deductible at $250,000.00, without increasing the overall premium. The premium increased based on adding the $2,000,000.00 in laptops.

Therefore, we are pleased to offer renewal terms for the District's Commercial Property Insurance program. The 2019-2020 premium is $458,905.83 for $100,000,000.00 insured property values. Please note that the deductible is $250,000.00, which means that the District will be responsible for any claim under that amount.

In closing, we continue to appreciate the confidence you have in us as your broker/consultant as we continue to provide high quality insurance and risk management services to meet the needs of the Gary Community School Corporation.

Sincerely,

Roosevelt Haywood III
President/CEO

Leslie L. Skinner-Leslie
Vice President Marketing & Operations

www.haywoodandfleming.com
650 South Lake Street ♦ Gary, Indiana 46403 ♦ Tel (219) 938-5025 ♦ Fax (219) 938-0230
111 East Chestnut Street, Suite 56F ♦ Chicago, Illinois 60611 ♦ Tel (312) 794-7309 ♦ Fax (312) 624-7701

Invoice

Haywood And Fleming Associates
650 South Lake Street
Gary, IN 46403

(219)938-5025

Gary Community School Corporation 2

1988 Polk Street
Gary, IN 46407

(219)881-5401

Invoice Date: **1/3/2019**
Invoice Number: **1100**
Policy Number: **TBD**
Account Number: **TBD**
Company: **Lexington Insurance Company**
Rep: **Leslie, Leslie**

Terms: **Annual** Effective Date: **1/15/2019** Expiration Date: **1/15/2020**

Inv. Date	Qty.	Invoice Description	Invoice Amount	Extension
1/3/2019	1	Commercial Property	$458,905.83	$458,905.83
				$0.00

Total Invoice:	$458,905.83
Total Payments:	$0.00
Balance Due:	$458,905.83

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COMMERCIAL PREMIUM FINANCE AGREEMENT

LENDER:

FIRST INSURANCE FUNDING
A WINTRUST COMPANY

COMMERCIAL
PREMIUM FINANCE AGREEMENT

450 Skokie Blvd, Ste 1000

Northbrook, IL 60062-7917
P:(800) 837-2511 F:(800) 837-3709
www.firstinsurancefunding.com

Quote #: 16279010

INSURED/BORROWER Customer ID: N/A	AGENT or BROKER
(Name and Address as shown on Policy) Gary Community School Corporation 1988 Polk Street Gary, IN 46407	(Name and Business Address) Haywood and Fleming Associates 650 South Lake Gary, IN 46403

LOAN DISCLOSURE

Total Premiums, Taxes and Fees	Cash Down Payment	Unpaid Premium Balance	Documentary Stamp Tax (only applicable in Florida)	Amount Financed (amount of credit provided on your behalf)	FINANCE CHARGE (dollar amount the credit will cost you)	Total of Payments (amount paid after making all scheduled payments)	ANNUAL PERCENTAGE RATE (cost of credit as a yearly rate)
458,905.83	150,000.00	308,905.83	0.00	308,905.83	6,978.96	315,884.79	5.390 %

YOUR PAYMENT SCHEDULE WILL BE: *Mail Payments to: FIRST Insurance Funding, PO Box 7000, Carol Stream, IL 60197-7000*

Number of Payments	Amount of Each Payment	First Installment Due	02/15/2019
9	35,098.31	Installment Due Dates	15th (Monthly)

SECURITY INTEREST. INSURED/BORROWER ("Insured") grants and assigns FIRST Insurance Funding, A Division of Lake Forest Bank & Trust Company, N.A. ("LENDER") a security interest in the financed policies and any additional premiums required under the financed policies, including (but only to the extent permitted by applicable law) all return premiums, dividend payments, and loss payments which reduce unearned premium, subject to any mortgagee or loss payee interest. If any circumstances exist in which premiums related to any financed policy could become fully earned in the event of loss, LENDER shall be named a loss-payee with respect to such policy.
FINANCE CHARGE. The finance charge begins accruing on the earliest effective date of the policies listed in the Schedule of Policies. The finance charge may include a nonrefundable service charge equal to the maximum amount permitted by law. The finance charge is computed using a 365-day calendar year.
LATE PAYMENT. A late charge will be assessed on any installment at least 5 days in default (7 days in VA; 10 days in MA & TX; or later date as required by law.). This late charge will equal 5% of the delinquent installment or the maximum late charge permitted by law, whichever is less (greater of $10 or 5% in FL; greater of $25 or 1.5% in NJ; $5 maximum in DE, MT and ND; $100 maximum in MD; 5% in VA).
PREPAYMENT. Insured is entitled to a refund of the unearned finance charge if the loan is prepaid in full. The refund shall be computed according to applicable law.

SCHEDULE OF POLICIES

Policy Number	Full Name of Insurance Company and Name of General Agent or Company Office to Which Premium is Paid	Coverage	Policy Term	Effective Date	Premiums, Taxes and Fees
TBD	C00067-LEXINGTON INSURANCE COMPANY G00039-MAXIMUM INDEPENDENT BROKERAGE [ME:35.000 %, CX:0] [90%PR]	PROP	12	01/15/2019 ERN TXS/FEES FIN TXS/FEES	377,613.00 100.00 9,442.83
TBD	C00192-HOMELAND INS CO OF NY G00039-MAXIMUM INDEPENDENT BROKERAGE [ME:25.000 %, CX:0] [90%PR]	PROP EX	12	01/15/2019 ERN TXS/FEES FIN TXS/FEES	70,000.00 0.00 1,750.00
				TOTAL	458,905.83

Q# 16279010, PRN: 010719, CFG: 0Internal - No Restrictions, RT: G00039-20D, DD: 20, BM: Coupon, Qtd For: G00039 Original, Memo 1

INSURED'S AGREEMENT:

1. In consideration of the premium payment by LENDER to the insurance companies listed in the Schedule of Policies, their representative or the Agent or Broker listed above, Insured promises to pay, to the order of LENDER, the Total of Payments subject to all of the provisions of this Agreement.
2. POWER OF ATTORNEY. INSURED IRREVOCABLY APPOINTS LENDER AS ITS "ATTORNEY-IN-FACT" with full power of substitution and full authority, in the event of default under this Agreement, to (i) cancel the financed policies in accordance with the provisions contained herein, (ii) receive all sums assigned to LENDER, and (iii) execute and deliver on behalf of Insured all documents relating to the insurance policies listed on the Schedule of Policies ("Financed Policies") in furtherance of this Agreement (clauses (ii) and (iii) are not applicable in Florida). This right to cancel will terminate only after Insured's indebtedness under this Agreement is paid in full.
3. SIGNATURE & ACKNOWLEDGEMENT. Insured has signed and received a copy of this Agreement. If Insured is not an individual, the undersigned is authorized to sign this Agreement on behalf of Insured. All named Insured(s), jointly and severally if more than one, agree to all provisions set forth in this Agreement. Insured acknowledges and understands that entry into this financing arrangement is not required as a condition for obtaining insurance coverage.

NOTICE TO INSURED: (1) Do not sign this Agreement before you read both pages of it, or if it contains any blank space. (2) You are entitled to a completely filled-in copy of this Agreement. (3) Under the law, you have the right to pay off in advance the full amount due and under certain conditions to receive a partial refund of the finance charge. (4) Keep a copy of this Agreement to protect your legal rights. (5) See last page of Agreement for your consent to electronic statement and notice delivery.

4. EFFECTIVE DATE. This Agreement will not become effective until it is accepted in writing by LENDER.

Signature of Insured or Authorized Agent   Date   Signature of Agent   Date

The undersigned hereby warrants and agrees to the Agent or Broker Representations and Warranties set forth herein.

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Insured: Gary Community School Cc
Quote #: 16279010

ADDITIONAL PROVISIONS OF PREMIUM FINANCE AGREEMENT

5. DEFAULT/CANCELLATION. Insured is in default under this Agreement if (a) a payment is not received by LENDER when it is due, (b) a proceeding in bankruptcy, receivership, insolvency or similar proceeding is instituted by or against Insured, or (c) Insured fails to comply with any of the terms of this Agreement; provided, however, when required by law, Insured may be deemed in default only under clause (a) above. Clauses (b) and (c) are not applicable in FL, MD, NV, NC or VA. At any time after default, LENDER can demand and has the right to receive immediate payment of the total unpaid amount due under this Agreement even if LENDER has not received any refund of unearned premium. If Insured is in default, LENDER has no further obligation under this Agreement to pay premiums on Insured's behalf, and LENDER may pursue any of the remedies provided in this Agreement or by law. If a default by Insured results in cancellation of the Financed Policies, Insured agrees to pay a cancellation charge where allowed by law (not permitted in AK, FL, KS, KY, NV, NY, NC, PA, SC, TX or VA). If cancellation or default occurs, Insured agrees to pay LENDER interest on the balance due at the contract rate or at the maximum lawful rate, whichever is less, until the balance is paid in full or until such other date as provided by law.

6. LIMITATION OF LIABILITY. Insured understands and agrees that LENDER or its assignee is not liable for any losses or damages to Insured or any person or entity upon the exercise of LENDER's right of cancellation, except in the event of willful or intentional misconduct by LENDER, except in KY.

7. RETURNED CHECK CHARGE. If Insured's check is dishonored for any reason and if permitted by law, Insured will pay LENDER a returned check charge equal to the maximum fee permitted by law ($0 in KY; $15 in FL & NV; $20 in VA; maximum of $25 in MD).

8. REINSTATEMENT. Once a Notice of Cancellation has been sent to any insurance company, LENDER has no duty to ask that the Financed Policy be reinstated, even if LENDER later receives a payment from Insured. If LENDER requests reinstatement, such request does not guarantee coverage will be reinstated by the insurance company. Payments that LENDER receives after sending a Notice of Cancellation may be applied to Insured's account without changing any of LENDER's rights under this Agreement.

9. LENDER'S RIGHTS AFTER THE POLICIES ARE CANCELLED. After any Financed Policy is cancelled by any party or if a credit is otherwise generated, LENDER has the right to receive all unearned premiums and other funds assigned to LENDER as security herein and to apply them to Insured's unpaid balance under this Agreement or any other agreement between Insured and LENDER (in VA, only to this Agreement). Receipt of unearned premiums does not constitute payment of installments to LENDER, in full or in part. Any amounts received by LENDER after cancellation will be credited to the balance due with any excess paid to Insured; the minimum refund is the greater of $1.00 or the minimum amount allowed by law (no minimum in VA). Any deficiency shall be immediately paid by Insured to LENDER. Insured agrees that insurance companies may rely exclusively on LENDER's representations about the financed policies.

10. ASSIGNMENT. Insured may not assign any Financed Policy or this Agreement without LENDER's prior written consent. LENDER may transfer its rights under this Agreement without the consent of Insured.

11. AGENT OR BROKER. Insured agrees that the Agent or Broker issuing the policies or through whom the policies were issued is not the agent of LENDER, except for any action taken on behalf of LENDER with the express authority of LENDER, and LENDER is not bound by anything the Agent or Broker represents to Insured, orally or in writing, that is not contained in this Agreement. Where permissible by law, LENDER may pay some portion of the finance charge or other form of compensation to the Agent or Broker executing this Agreement for aiding in the administration of this Agreement. In NY, the Agent or Broker may assess a fee to Insured for obtaining and servicing the Financed Policies pursuant to NY CLS Ins § 2119. Any questions regarding this payment should be directed to the Agent or Broker.

12. COLLECTION COSTS. Insured agrees to pay reasonable attorney fees, court costs, and other collection costs to LENDER to the extent permitted by law if this Agreement is referred to an attorney or collection agent who is not a salaried employee of LENDER to collect money that Insured owes.

13. GOVERNING LAW. This Agreement is governed by and interpreted under the laws of the state where Insured resides, except for conflict of laws principles thereof. If any court finds any part of this Agreement to be invalid, such finding shall not affect the remaining provisions of this Agreement.

14. WARRANTY OF ACCURACY. Insured represents and warrants that to the best of its knowledge (i) the Financed Policies are in full force and effect and that Insured has not and will not assign any interest in the policies except for the interest of mortgagees and loss payees, (ii) that none of the Financed Policies are for personal, family or household purposes, (iii) the Cash Down Payment and any past due payments have been paid in full to the Agent or Broker in cash or other immediately available funds, (iv) all information provided herein or in connection with this Agreement is true, correct, complete and not misleading, (v) Insured is not insolvent nor presently involved in any insolvency proceeding, (vi) Insured has no indebtedness to the insurers issuing the Financed Policies, and (vii) there is no provision in the Financed Policies that would require LENDER to notify or obtain consent from any other party to effect cancellation of such policies.

15. ADDITIONAL PREMIUMS. Insured agrees to fully and timely comply with all audits and pay to the insurance company any additional amount due in connection with the Financed Policies. The Amount Financed shall be applied to the Financed Policies' premium amounts and Insured shall be responsible for any additional premiums or other sums. Insured, or Agent/Broker, may request that LENDER finance additional policies and/or additional premium during the term of this Agreement, and if LENDER agrees, this Agreement shall be deemed amended accordingly. Should LENDER assign an account number to further extensions of credit, then a) this Agreement and loan documents identified by the assigned account number(s) shall be deemed to comprise a single and indivisible loan transaction, b) Insured shall irrevocably appoint LENDER as its attorney in fact in connection with additional amount financed, c) default under any component of the transaction shall constitute a default under the entire transaction, and d) unearned premium relating to any component of the transaction may be collected and applied to the entire loan transaction balance.

16. CORRECTIONS. LENDER may insert the names of the insurance companies and policy numbers, if this information is not known at the time Insured signs this Agreement. LENDER is authorized to correct patent errors or omissions in this Agreement (not applicable in KY or VA).

17. NON-WAIVER. Not Applicable.

18. THIRD PARTY FEE. Not Applicable.

19. ELECTRONIC STATEMENT AND NOTICE DELIVERY. By executing this Agreement, Insured agrees to receive all billing statements, notices, and other communications via electronic delivery in PDF format as permitted by applicable law. It is Insured's responsibility to provide LENDER with true, accurate, and complete e-mail and contact information related to this Agreement and to maintain and update promptly any changes to this information. If Insured wishes to (i) opt out of electronic statement and notice delivery, or (ii) update contact information, Insured can log into Insured's account on www.firstinsurancefunding.com or call (800) 837-2511.

AGENT OR BROKER REPRESENTATIONS AND WARRANTIES

Unless previously disclosed in writing to LENDER or specified in the Schedule of Policies, the Agent or Broker executing this Agreement expressly represents, warrants, and agrees as follows: (1) Insured has received a copy of this Agreement and has authorized this transaction, Insured's signature is genuine, and the cash down payment has been received from Insured, (2) the information contained in the Schedule of Policies including the premium amount is correct and accurately reflects the necessary coverage, (3) the policies listed in the Schedule of Policies (a) are in full force and effect, (b) are cancellable by Insured or LENDER (or its successors or assigns), (c) will generate unearned premiums which will be computed on the standard short rate or pro rata basis, and (d) do not contain any provisions which affect the standard short rate or pro rata premium computation, including but not limited to direct company bill, audit, reporting form, retrospective rating, or minimum or fully earned premium, (4) the Agent or Broker is either the insurer's authorized policy issuing agent or the broker placing the coverage directly with the insurer, except where the name of the Issuing Agent or General Agent is listed in the Schedule of Policies, (5) to the best of the Agent or Broker's knowledge, there are no bankruptcy, receivership, or insolvency proceedings affecting Insured, (6) Agent or Broker will hold harmless and indemnify LENDER and its successors and assigns against any loss or expense (including attorney's fees, court costs, and other costs) incurred by LENDER and resulting from Agent or Broker's violations of these Representations and Warranties or from Agent or Broker's errors, omissions, or inaccuracies in preparing this Agreement, (7) Agent or Broker will (a) hold in trust for LENDER any payments made or credited to Insured through or to Agent or Broker by the insurance companies or LENDER, and (b) pay these monies and the unearned commissions to LENDER upon demand to satisfy the outstanding indebtedness under this Agreement, and (8) to fully and timely assist with all payroll audits.

California Borrowers: FOR INFORMATION CONTACT THE DEPARTMENT OF FINANCIAL INSTITUTIONS, STATE OF CALIFORNIA

FIF0617P

6.0 FRANKIE MCCULLOUGH SCHOOL UPDATE

As Emergency Manager of the Gary Community School Corporation, I respectfully ask the Board consider allowing Frankie McCullough Girls Academy conversion to Frankie McCullough Elementary School. This would make McCullough a co-educational facility. Some of the reasons for this request are listed below; however, it has been made very clear to me that families feel underserved because they cannot send their child/children to the neighborhood public school. Furthermore, families have been forced to choose other educational options to keep siblings and family members together. In summary, a co-educational facility would:

- Better serve our Community and the children of Gary
- Provide a possible second pre-school location to serve the children and families who reside on the western side of Gary
- Current enrollment 273
- Building capacity 799

I have personally held two community meetings at McCullough School. I have also met with the faculty and staff at McCullough School. I believe the conversion to a co-educational facility would best serve the children of Gary.