

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Distressed Unit Appeal Board Meeting Memorandum May 20, 2016

Call to Order: The meeting of the Distressed Unit Appeal Board (DUAB) was held on Friday, May 20, 2016 from 2:01 P.M.-3:07 P.M. EDT. The meeting was held in Room 425 of the Indiana State Library, 140 North Senate Avenue, Indianapolis, Indiana. Board members in attendance were Lisa Acobert, Representative Milo Smith, Tammy White (designee of Paul Joyce), Courtney Schaafsma, and Micah Vincent, Chairman. Staffmember in attendance was Mike Duffy, Department of Local Government Finance (DLGF) General Counsel. Members of the Jack Martin Group and various state officials and other persons were also present.

Discussion: The May 20, 2016 meeting of the DUAB was called to order by Board Chairman Vincent. Mr. Vincent asked the Board members to introduce themselves and he noted compliance with the Open Door Law. Mr. Vincent explained that the Board needed to adopt the minutes from the DUAB's October 22, 2015 meeting and entertained a motion to do so.

Motion: Ms. Schaafsma moved to approve minutes from the DUAB's October 22, 2015 meeting. Ms. Acobert seconded the motion.

Vote: Mr. Vincent voted yes. Ms. Schaafsma voted yes. Rep. Smith voted yes. Ms. White voted yes. Ms. Acobert voted yes. The motion carried by a vote of 5-0.

Discussion of Meeting Focus: Mr. Vincent indicated that the Jack Martin Group would be making a presentation concerning Gary Community School Corporation (GCSC), which is seeking a grant pursuant to Section 4 of House Enrolled Act 1179-2016.

Presentation: Jack Martin offered an introduction to the petition presentation. Mr. Martin explained that GCSC suffers from crumbling infrastructure due to a lack of investment and poorly-trained staff. GCSC has long experienced a lack of funding to maintain the school district. The grant being requested would be directed to Roosevelt High School. Using the grant to help Roosevelt's HVAC problems would benefit GCSC's other school buildings by freeing up capital projects funds that would otherwise be spent at Roosevelt. Mr. Martin noted that GCSC's capital projects fund is not a protected fund and that GCSC receives about 39% of the levy for this fund after taking into account circuit breakers.

Mark Schrupp offered a Powerpoint presentation detailing Roosevelt's HVAC problems and how the grant money would be used. Mr. Schrupp pointed out that GCSC has a long list of capital needs. He answered questions from the Board.

Discussion: The Board discussed how there would be oversight of the grant dollars, totaling \$500,000. The suggestion was made to have GCSC report regularly to the Board. Mr. Martin indicated that there

would be monthly status reports and that the funds would be released as bills come due. Ms. White asked if the grant money would be accounted for in a separate fund, to which Mr. Martin replied it would be. Mr. Vincent and Rep. Smith discussed how the Board could ensure there would be long-term attention given to maintenance of Roosevelt's HVAC system. Mr. Vincent proposed sending a letter to the GCSC school board on behalf of the DUAB directing GCSC to develop an ongoing maintenance plan.

Mr. Vincent then entertained a motion to approve a grant of \$500,000 pursuant to Section 4 of House Enrolled Act 1179-2016.

Motion: Rep. Smith moved to recommend approval of the grant and Ms. Acobert seconded the motion.

Vote: Mr. Vincent voted yes. Ms. Schaafsma voted yes. Rep. Smith voted yes. Ms. White voted yes. Ms. Acobert voted yes. The motion carried by a vote of 5-0.

Discussion: Mr. Vincent then directed discussion to a general update concerning GCSC.

Presentation: Mr. Martin addressed several topics of significance. First, he explained that GCSC has many vacant administrative positions, which GCSC has had difficulty filling due to a lack of qualified applicants. Consequently, Mr. Martin's team is left to perform a variety of day-to-day tasks. Mr. Martin proceeded to discuss GCSC's cash flow and deficit problems, pointing out that GCSC has had delays in meeting paydays and that by July/August, 2016, GCSC may have challenges paying critical vendors. He explained that by the end of July, 2016, approximately 195 GCSC staff members will be coming off the payroll, although GCSC has significant severance costs. Mr. Martin discussed a working group comprised of representatives from various unions, the local community, the mayor's office, and the GCSC school board and superintendent who are looking at key areas. Mr. Martin believes that four of GCSC's schools should be closed, but that there is no political will to do so. Mr. Martin emphasized that enrollment is the key, as it was in Detroit. He noted that GCSC features a lot of substitutes (substitute teachers, bus drivers, etc.), and that GCSC has a generous time-off program. Overall, Mr. Martin indicated that he felt less optimistic about GCSC now than he did last year. Mr. Martin also provided an update on the repayment of GCSC's common school fund loan.

Discussion: Mr. Vincent then addressed the extension of Mr. Martin's contract pursuant to Section 1 of House Enrolled Act 93-2016. This legislation extends Mr. Martin's period of service from 12 months to 24 months. Mr. Vincent indicated he would tend to this through the Department of Administration and other necessary channels.

Ms. White asked if the Board prescribed a format for the grant reports. Mr. Vincent offered to develop a format. Mr. Vincent also indicated that he wants the consent of the GCSC school board to have the Office of Management and Budget work with Mr. Martin's team as to when the grant money will be released.

Adjournment: The proceedings were adjourned at 3:07 P.M. EDT.