
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

Distressed Unit Appeal Board Meeting Memorandum

March 10, 2017

Call to Order: The meeting of the Distressed Unit Appeal Board (DUAB or Board) was held on Friday, March 10, 2017 from 10:01 A.M.-11:50 A.M. EDT. The meeting was held in Conference Room 12 of the Indiana Government Center South Building, 302 W. Washington St., Indianapolis, Indiana. Board members in attendance were Kent Hatcher, Paul Joyce, Courtney Schaafsma, and Micah Vincent, Chairman. Participating telephonically was Board member Sen. Ryan Mishler. Staff member in attendance was Mike Duffy, Department of Local Government Finance (DLGF) General Counsel. Members of the Jack Martin Group, representatives of Gary Community School Corporation (GCSC), and other persons were also present.

Discussion: The March 10, 2017 meeting of the DUAB was called to order by Mr. Vincent. Mr. Vincent noted compliance with the Open Door Law and asked the Board members to introduce themselves. He also stated the Board needed to adopt the minutes from the DUAB's September 23, 2016 meeting and entertained a motion to do so.

Motion: Mr. Joyce moved to approve minutes from the DUAB's September 23, 2016 meeting. Ms. Schaafsma seconded the motion.

Vote: Ms. Schaafsma voted yes. Sen. Mishler voted yes. Mr. Joyce voted yes. Mr. Hatcher voted yes. Mr. Vincent voted yes. The motion carried by a vote of 5-0.

Discussion of Meeting Focus: Mr. Vincent then discussed the meeting's agenda and introduced Mr. Jack Martin, GCSC's financial consultant.

Presentation: Mr. Martin proceeded with his presentation. He began by addressing GCSC's deficit elimination plan and then responded to questions from the Board members. He then turned to GCSC's 2017 cash flow projections and responded to additional questions. Mr. Martin stated that GCSC's requested \$12 million common school fund loan should be conditioned upon GCSC making budget cuts, and that funds should be released monthly upon GCSC's showing that cuts have actually been implemented.

Public Testimony: Mr. Vincent then opened the floor to public testimony.

Jim Nowacki, a member of the public and a resident of Gary, expressed opposition to GCSC's proposed loan request and suggested that DUAB think about how best to serve the students of GCSC.

Sen. Eddie Melton discussed Senate Bill 567, which is a measure he and Sen. Luke Kenley are working on to aid GCSC. He asserted that GCSC has suffered not merely from a management problem, but also from revenue loss due to circuit breakers and charter schools. Sen. Melton acknowledged the collaborative work done recently by state and local officials. He stated that it was important to walk away from the meeting knowing what happens to GCSC this year, and suggested the possibility of forgiving GCSC's common school fund loans if certain benchmarks are met. He proposed studying similarly-situated school corporations and asserted that dissolving GCSC would be catastrophic.

Dr. Cheryl Pruitt, GCSC superintendent, spoke briefly, alleging that Mr. Martin's presentation omitted opportunities to eliminate debt, and that GCSC has worked toward addressing its Department of Workforce Development and Internal Revenue Service obligations.

Discussion: Mr. Vincent then opened the floor to discussion among the Board members. He emphasized the need to address the current school year now and then brainstorm long-term solutions.

Sen. Mishler stated that Mr. Martin had a good plan for GCSC a couple of years ago, but that not all of it has been implemented. He wants there to be more direct implementation. He expressed concern about the State giving GCSC more money but there being insufficient action by GCSC. He proposed giving GCSC enough money to cover short-term needs (i.e., the next two pay periods).

Ms. Schaafsma echoed Sen. Mishler and asked whether GCSC could continue to rely on local short-term loans. She suggested focusing on GCSC's immediate needs and putting some conditions in place.

Mr. Vincent suggested recommending a \$3 million loan to cover the next couple of pay periods, and have GCSC look to local sources for loans. The Board would give a letter to the State Board of Finance that includes several conditions for the loan:

- 1) GCSC must attempt to secure more outside loans;
- 2) GCSC must verify a request for loan dollars based on missed payroll;
- 3) GCSC must reevaluate its bus plan and look for savings there;
- 4) GCSC must resolve outstanding issues with the Department of Workforce Development and look for additional funding mechanisms through DWD;
- 5) GCSC must confirm availability of additional Title I funds;
- 6) GCSC must better understand its US Department of Agriculture repayment plan; and
- 7) GCSC must better understand its staffing plan.

Mr. Vincent proposed that the Board recommend a loan of \$3 million subject to satisfaction by GCSC of the conditions above, and then the Board would return in late March 2017 to review GCSC's progress.

Mr. Martin asked if the Board would consider recommending a greater loan. He explained that GCSC has critical vendor payments to NIPSCO and CIGNA coming up soon (\$700,000 to \$800,000), as well as three payrolls in March 2017.

Mr. Vincent proposed adding \$750,000 to the loan recommendation for critical vendors.

Motion: Ms. Schaafsma moved to recommend that the State Board of Finance approve a common school fund loan to GCSC of \$3 million for payroll, and \$750,000 for critical vendors subject to the above conditions. Mr. Joyce seconded the motion.

Vote: Ms. Schaafsma voted yes. Sen. Mishler voted yes, but stated that he was opposed to the \$750,000 piece of the proposed loan. Mr. Joyce voted yes. Mr. Hatcher voted yes. Mr. Vincent voted yes. The motion carried by a vote of 5-0.

Discussion: Mr. Vincent suggested reconvening the Board in two weeks to review GCSC's progress and the rest of its loan request.

Mr. Vincent asked if there was any new business before the Board.

Adjournment: The proceedings were adjourned at 11:50 A.M. EDT.