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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## Distressed Unit Appeal Board Meeting Memorandum

April 19, 2017

**Call to Order:** The meeting of the Distressed Unit Appeal Board (DUAB or Board) was held on Wednesday, April 19, 2017 from 2:03 P.M.-3:42 P.M. EDT. The meeting was held in Conference Room C of the Indiana Government Center South Building, 302 W. Washington St., Indianapolis, Indiana. Board members in attendance were Kent Hatcher, Paul Joyce, and Courtney Schaafsma. Board members Micah Vincent and Sen. Ryan Mishler were unable to participate. Staff member in attendance was Mike Duffy, Department of Local Government Finance (DLGF) General Counsel. Representatives of Gary Community School Corporation (GCSC), GCSC Financial Consultant Jack Martin, and other persons were also present.

**Discussion:** The April 19, 2017 meeting of the DUAB was called to order by Ms. Schaafsma. Ms. Schaafsma noted the presence of a quorum, as well as compliance with the Open Door Law, and asked the Board members to introduce themselves. She also stated the Board needed to adopt the minutes from the DUAB's March 31, 2017 meeting and entertained a motion to do so.

**Motion:** Mr. Joyce moved to approve minutes from the DUAB's March 31, 2017 meeting. Mr. Hatcher seconded the motion.

**Vote:** Ms. Schaafsma voted yes. Mr. Joyce voted yes. Mr. Hatcher voted yes. The motion carried by a vote of 3-0.

**Discussion of Meeting Focus:** Ms. Schaafsma then discussed the meeting's purpose, which was to review GCSC's latest request for a loan from the Common School Fund ("CSF"). She then introduced Mr. Martin.

**Presentation:** Mr. Martin proceeded with his presentation, explaining that GCSC was there to request a loan to pay for critical vendors. Mr. Martin went through a list of critical vendors/expenses that included payroll, fringe benefits, and litigation; the IRS; Lloyds of London; Gary Sanitation District; Illinois Central Bus Corporation; Indiana American Water Company; Republic Services; NIPSCO; Indiana Workforce Development; various IT vendors; and SEIU and CIGNA insurance coverage.

Mr. Martin discussed GCSC's use of the State's most recent CSF loan, which was directed to payroll and critical vendors.

Mr. Martin explained that GCSC is seeking the difference between the loan amount GCSC requested in March 2017 (\$4,709,283) and the amount of the loan granted (\$3,750,000) (meaning \$959,283); \$3,295,000 to cover payroll, CIGNA, and Illinois Central Bus expenses for April 2017; \$1,595,000 for

May 2017 payroll; \$2,195,000 for June 2017 payroll and CIGNA expenses; and \$1,500,000 for contingencies (primarily CIGNA expenses).

Ms. Schaafsma then invited the Board to pose questions to Mr. Martin.

Mr. Martin turned the floor over to Interim GCSC Superintendent Dr. Cordia Moore, who discussed a packet of materials provided to the Board members. She addressed GCSC's deficit elimination plan and a variety of student data.

Dr. Moore then turned the floor over to Melisha Jones-Henderson, Executive Director of Human Resources for GCSC, who discussed the employment status/planning of custodians, building & grounds, security, and substitutes.

Ms. Jones-Henderson then turned the floor over to Mary Ward, Principal of Wirt/Emerson School, who gave a presentation about this school and GCSC's fine arts program.

Principal Ward then turned the floor over to Terrance Little, Principal of West Side High School, who offered to answer questions about his school and related matters.

Dr. Moore then discussed maintenance costs and needs across the GCSC district.

Ms. Schaafsma asked Mr. Martin for an update concerning GCSC's communications with Illinois Central Bus Corporation about busing costs. Mr. Martin indicated that he would like to discuss with Ms. Schaafsma a cheaper competitor's demand for a down payment and State guarantee of payments.

**Discussion:** Ms. Schaafsma asked the Board members about their position on the requested loan. Ms. Schaafsma suggested that the Board look to get GCSC through the month of April, wait to see how pending legislation turns out, and review the information submitted at the meeting. She proposed that the Board recommend a loan of \$2,695,000 to cover GCSC's April 2017 payroll and Illinois Central Bus expenses.

Mr. Martin stated that CIGNA probably will not wait to accept a payment, and that CIGNA is expecting DUAB to help. Should no payment be made, CIGNA is likely to cancel health insurance coverage.

Mr. Hatcher suggested approving \$450,000 for CIGNA, which Mr. Martin thought was the minimum CIGNA would accept.

Ms. Schaafsma entertained a motion for recommending a loan in the amount of \$2,695,000.

**Motion:** Mr. Joyce moved to recommend a loan of \$3,448,836 to cover April 2017 payroll, the Illinois Central Bus expense, and SEIU and CIGNA insurance expenses. Mr. Hatcher seconded the motion.

**Vote:** Ms. Schaafsma voted yes. Mr. Joyce voted yes. Mr. Hatcher voted yes. The motion carried by a vote of 3-0.

**New Business:** Ms. Schaafsma explained that the Board had been sent a letter and related materials from the vice president of the GCSC board, Robert Buggs, who wanted the information entered into the record and shared with the Board members.

**Adjournment:** The proceedings were adjourned at 3:42 P.M. EDT.