
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Distressed Unit Appeal Board Meeting Memorandum

May 12, 2017

Call to Order: The meeting of the Distressed Unit Appeal Board (DUAB or Board) was held on Friday, May 12, 2017 from 3:01 P.M.-3:27 P.M. EDT. The meeting was held in the Indiana Government Center South, Conference Room 2, 402 W. Washington St., Indiana. Board members in attendance were Micah Vincent, Chairman, Paul Joyce, Courtney Schaafsma, and Rep. Milo Smith. Participating via telephone was board member Kent Hatcher. Staff member in attendance was David Marusarz, Department of Local Government Finance (DLGF) Deputy General Counsel. Representatives of Gary Community School Corporation (GCSC), as well as Mr. Jack Martin, GCSC Financial Consultant, and other persons.

Discussion: The May 12, 2017 meeting of the DUAB was called to order by Chairman Vincent. Chairman Vincent noted the presence of a quorum, as well as compliance with the Open Door Law, and asked the Board members to introduce themselves. He then explained that Senate Enrolled Act 567-2017 (“SEA 567”) changed the composition of the board by adding legislative advisors, and that there will be a meeting of the DUAB in Gary on Monday, May 15, at 5:30 P.M. CDT. He also stated the Board needed to adopt the minutes from the DUAB’s May 1 meeting and entertained a motion to do so.

Motion: Mr. Joyce moved to approve minutes from the DUAB’s May 1, 2017 meeting. Mr. Hatcher seconded the motion.

Roll call: Ms. Schaafsma voted yes. Mr. Joyce voted yes. Mr. Hatcher voted yes. Chairman Vincent voted yes. The motion carried by a vote of 4-0.

Presentation: Mr. Martin made a presentation requesting a loan of \$1,595,000 for purposes of meeting payroll requirements for the next payroll cycle.

Rep. Smith asked Mr. Martin when the next payroll was for the school corporation and whether he had a plan to make payments. Mr. Martin responded June 9 and that the loan is intended to cover payroll for the month of June. Rep. Smith then asked if GCSC will need to borrow money to cover the next payroll but also the following payroll. Mr. Martin answered that the loan will cover the next payroll and the basic grant will cover the following payroll.

Chairman Vincent then informed Rep. Smith that at the April 19 meeting the Board decided to prefer smaller loans taken on a one-by-one basis so that status updates can be done.

Ms. Schaafsma asked about whether the loan will cover other payments such as transportation and health insurance, since past loan requests included them. Mr. Martin answered that the April loan

included payments for CIGNA and SEIU, that additional payments will not go to SEIU until June, and that an additional \$130,000 will be paid to CIGNA from the loan to bring payments up to around \$600,000.

Mr. Joyce asked Mr. Martin to clarify the amount to be paid to CIGNA. Mr. Martin responded that for June, the original request was \$1,595,000 for payroll and \$600,000 for CIGNA.

Rep. Smith then commented he appreciates that Mr. Martin is seeking this loan to ensure that the teachers will be paid.

Ms. Schaafsma then asked about the GCSC's compliance status with comments made previously by the State Board of Finance ("State Board"). Mr. Martin answered that the State Board suggested coming back with a list of teachers for a reduction in force ("RIF") "or don't come back." He then indicated a handout he prepared for the Board showing the list of teachers and what the procedure was for selecting teachers for RIF. He then stated he needs clarification on whether SEA 567 allows the school board to approve the RIF notices in advance of sending them out.

Chairman Vincent asked if the school board supports sending out the RIF notices. Mr. Martin answered the school board is, but there is some concern about whether they can do it. Chairman Vincent then asked if that was part of the discussion with the State Board. Mr. Martin responded yes.

Ms. Schaafsma then stated that at the April 19 meeting, twenty-eight (28) possible RIFs were identified and that the State Board asked GCSC to move on those RIFs. Mr. Martin then made a comment about the need to figure out the process to be followed.

Ms. Schaafsma then asked about the school bus contract. Mr. Martin said that one of the other school corporations entered into a contract with Auxilio Bus Company ("Auxilio"), which requested a twenty percent (20%) down payment, and that GCSC would be obligated to do the same. He also said that Illinois Central Bus Company is looking at a one year extension.

Mr. Joyce asked which school corporation contracted with Auxilio. Mr. Martin responded that it may have been Muncie School Corporation. Mr. Joyce then said he was not aware of any money being loaned from the State for a down payment to Auxilio. Mr. Martin said this is not anything the state would be involved in and that one of the goals with the contract is to cut down the number of bus routes.

Discussion: Following Mr. Martin's presentation, the Board discussed the loan request.

Ms. Schaafsma stated that she is supportive of this request and is open to options to keep payroll being met.

Chairman Vincent stated that this loan request is consistent with the Board's plan adopted in March.

Rep. Smith stated that the teachers are frustrated enough.

Mr. Hatcher requested to Mr. Martin to see an updated cash flow spreadsheet considering actual loans approved and RIFs to see where GCSC is on cash flow. Chairman Vincent responded Mr. Martin indicated that can be done. Mr. Martin followed up with saying the spreadsheet is in progress.

Rep. Smith stated he does not want to tie the loan to this request for a cash flow analysis.

Chairman Vincent indicated that the State Board meets on Tuesday.

Motion: Mr. Joyce moved to approve the loan contingent on the submission of claims. Mr. Hatcher seconded.

Chairman Vincent stated he was not sure what action would take place between the DUAB meeting and when the State Board meets. Mr. Martin reiterated the need for clarification with respect to the letters, adding the concern about triggering union action.

Ms. Schaafsma then commented on whether the disbursement of funds should be tied to demonstrating that the RIFs had occurred. She then said another option would be to hold off on deciding this because GCSC would be back for a loan for the June 9 payroll. Chairman Vincent said it was better to hold off and leave the motion as stated.

Chairman Vincent then resummarized the motion, to approve the loan \$1,595,000 or the actual amount of claims, whichever is less.

Roll call: Ms. Schaafsma voted yes. Mr. Joyce voted yes. Mr. Hatcher voted yes. Chairman Vincent voted yes. The motion carried by a vote of 4-0.

New Business: Chairman Vincent asked the Board if there was any new business to be discussed. There was none.

Adjournment: The proceedings were adjourned at 3:27 P.M. EDT.