
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Distressed Unit Appeal Board Meeting Memorandum

June 26, 2017

Call to Order: A meeting of the Distressed Unit Appeals Board (DUAB or Board) was held on June 26, 2017, at 2:00 p.m. EDT at the Indiana State Capitol Building, Room 404, Indianapolis, Indiana. Members of the Board attending the meeting include Micah Vincent, Chairman, Kent Hatcher, Paul Joyce, Courtney Schaafsma, Representative Milo Smith and Senator Eddie Melton.

Chairman Vincent called the meeting to order and recognized compliance with the Open Door Law. He then had the Board members introduce themselves. Chairman Vincent noted that the make-up of DUAB had recently changed, resulting in three legislative advisors who serve in a non-voting capacity.

Chairman Vincent stated that the meeting minutes from the May 15, 2017 and June 2, 2017 meetings were presented to the Board for approval. Mr. Hatcher moved to approve the minutes. Mr. Joyce seconded the motion. The motion carried 4-0.

Chairman Vincent then stated that the main order of business for the meeting was the appointment of the emergency manager for Muncie Community Schools (MCS). He indicated that he would provide initial comments on each of the four candidates and then open up the floor for discussion by the Board.

Chairman Vincent started by acknowledging that the legislation authorizing the emergency manager for MCS contemplates that the current superintendent, Dr. Baule, could serve in the role of emergency manager. Chairman Vincent indicated that Dr. Baule has a plan for MCS and is not afraid to make hard decisions. He noted that the appointment of Dr. Baule as the emergency manager would not provide for an independent assessment of MCS. Mr. Joyce expressed concern about appointing an emergency manager already associated with MCS and the impact on that individual's working relationships with the school board. Mr. Joyce also indicated that Dr. Baule has been active in trying to identify solutions to MCS' situation. Representative Smith acknowledged that Dr. Baule has made hard decisions but that the community has been divided as a result of his actions. Senator Melton indicated he had received a number of messages and emails from the community on their desire to have an emergency manager that is separate from the current MCS administration.

Chairman Vincent then discussed the experience of the Robert Bobb Group in working with school corporations in financial distress and their professional approach. He expressed concerns on whether they presented the right solution for MCS at this time. Ms. Schaafsma agreed that the solution presented by the Robert Bobb Group might be more than is necessary at this point in time. Mr. Joyce expressed a concern as to whether they could provide for the quick turnaround needed for MCS. Mr. Joyce also indicated that they are well-prepared as an organization and have the assets and resources necessary to do the job.

Chairman Vincent then discussed Crowe Horwath LLP, acknowledging their Indiana knowledge and their pool of resources. He expressed concerns with whether their solution is the appropriate solution for the situation facing MCS and whether they could make progress quickly. Mr. Joyce stated that he felt their professionalism and ability to come up with solutions were strengths for Crowe Horwath. He indicated that he didn't feel that he had been presented a good picture of the specific application and person that Crowe Horwath would use to address this situation. Representative Smith expressed concerns with whether Crowe Horwath's accounting background would be appropriate in this situation. He also acknowledged that, with Dr. Suellen Reed, he thought Crowe Horwath possessed the ability to bring the various parties to the table to find a solution.

Chairman Vincent discussed Administrator Assistance and their knowledge with Indiana schools. He questioned if their recent involvement with MCS and Mr. Edwards' former employment with MCS was problematic. He stated that Mr. Edwards has indicated that he would step down from his upcoming role on the school board if selected as emergency manager. Ms. Schaafsma indicated that Administrator Assistance would be able to quickly make progress given their background. Mr. Joyce stated that their involvement with MCS was both a positive and a negative, but that if selected as emergency manager, Administrator Assistance would work through DUAB. Senator Melton indicated that the short-term nature of the MCS project could make Administrator Assistance's past experience a benefit to the project. He also indicated that the selected emergency manager should be able to advise the legislature on how to prevent these situations from happening in the future. Senator Melton also acknowledged the favorable community feedback that had been received in support of Administrator Assistance.

Chairman Vincent then opened the discussion for other comments from the Board. Mr. Joyce expressed that the selected emergency manager should have ties to the community and should work collectively with other stakeholders. Senator Melton discussed the impact of the decision on academics and children. Representative Smith agreed that the focus needs to be on the students, parents, community and other stakeholders.

Ms. Schaafsma acknowledged the community input that had been received during the selection process and the need to focus on the community. She indicated that she thought Administrator Assistance was in the best position to work with the Muncie community while also providing an independent perspective. Representative Smith agreed that Administrator Assistance should be the selection. Mr. Hatcher expressed that given the short timeframe, Administrator Assistance would be the best fit.

Chairman Vincent stated that he was considering timeframe, scope and perspective in making this decision. He indicated that Administrator Assistance provided an additional perspective and would be able to hit the ground running. He also expressed that it was important to keep the current administration engaged and that this selection process was not a referendum on the existing administration.

Mr. Joyce stated that he had put safeguards in place so that he would have no direct authority over MCS. He stated that he had assigned deputy state examiner to plan, supervise and review the audit for the period during which DUAB is involved with MCS.

Senator Melton questioned how his role as an advisory member impacted the vote, and Chairman Vincent indicated that Senator Melton and Representative Smith would not vote. Representative Smith questioned if Dr. Baule would remain as superintendent if not selected as emergency manager and Chairman Vincent confirmed. Ms. Schaafsma stated that the ideas presented by Dr. Baule would not be off the table if he is not selected as emergency manager.

Ms. Schaafsma made a motion to appoint Administrator Assistance as the emergency manager for MCS pending contract negotiations, with Chairman Vincent authorized to do the negotiations. Mr. Joyce seconded.

Representative Smith asked about the term of contract. Ms. Schaafsma indicated that the contract would go through the end of 2017 and that a new contract for an emergency manager would be created if DUAB designated MCS as a distressed political subdivision at the end of 2017. Senator Melton asked about the potential conflict of interest of Mr. Edwards if selected and Chairman Vincent indicated that would be a part of the contract negotiations.

The motion passed 4-0. Chairman Vincent indicated that the contract would come back to DUAB for approval when finished.

Chairman Vincent then stated the next order of business was to discuss the review process for the respondents to the Gary Community School Corporation (GCSC) emergency manager request for information. Mr. Joyce indicated that he felt that the respondents needed to be pared down before inviting candidates to public presentations. Mr. Hatcher stated that he thought the Chairman should look at the candidates and pare the list down further. Senator Melton said that the public presentations were important and suggested a scoring rubric could be helpful in determining the strengths of the candidates. Mr. Joyce asked about establishing a committee to review the candidates and make recommendations to the Chairman. Chairman Vincent expressed concerns with the committee idea in regard to having multiple DUAB members involved. He advised that he could narrow the list after speaking with various individuals and then he would report back to the Board on why candidates were or were not selected. He also indicated the Board could direct him to add candidates back to the list if needed. Representative Smith suggested categorizing the candidates in order to narrow down the list.

Senator Melton indicated that it will be important for the Gary community to know all of the applicants at some point in time. Chairman Vincent agreed that a full list could be provided at a later date. He also acknowledged that DUAB needed to interview qualified local candidates as part of this process.

Ms. Schaafsma indicated that some of the applicants may have been looking to apply for roles other than emergency manager. She also stated that the emergency manager needed to be able to get in place as soon as possible given the upcoming school year, so she was supportive of allowing the Chairman to narrow the list.

Mr. Joyce made a motion to authorize the Chairman to pare down the list of candidates for GCSC's emergency manager position and then consult with the advisors and present the final list to DUAB. Mr. Hatcher seconded. The motion passed 4-0.

Chairman Vincent indicated that he would be looking for candidates that had a wide range of skill sets and knowledge, allowing them to handle both finances and academics.

Senator Melton asked for more discussion on the process for the hiring of the Chief Financial Officer and Chief Academic Officer for GCSC. Ms. Schaafsma indicated that the emergency manager would be responsible for the hiring of these roles and that she was maintaining a list of individuals who had expressed interest in those positions.

Chairman Vincent called for final comments on criteria to be used for narrowing the GCSC list. Ms. Schaafsma indicated that a community engagement plan was important to the success of the situation.

New business: No new business was discussed at the meeting.

Adjournment: Chairman Vincent adjourned the meeting at 2:58 p.m.