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# STATE OF INDIANA

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DISTRESSED UNIT APPEAL BOARD



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## Distressed Unit Appeal Board Meeting Memorandum

July 25, 2017

**Call to Order:** A meeting of the Distressed Unit Appeals Board (DUAB or Board) was held on July 25, 2017, at 9:00 a.m. EDT at the Teleconference Media Center, Indiana Government Center South, 402 West Washington Street, 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 discussed that the meeting would focus on a discussion of the Gary Community School Corporation's bus contract for the 2017-2018 school year and a discussion of the criteria to be used to appoint the Gary Community School Corporation emergency manager. He indicated that the appointment of the emergency manager would not be done during this meeting but at a meeting scheduled for July 31 at 2 pm Eastern.

Chairman Vincent then discussed that Indiana Code 6-1.1-20.3-6.8 requires that DUAB approve contracts during the interim period between the effective date of Senate Enrolled Act 567 and the appointment of the emergency manager. He indicated that the approval of the bus contract is imperative to allow sufficient time for routes to be developed before school starts on August 17, 2017. He also noted that Dr. Pruitt, superintendent, had provided other contracts for DUAB approval at the end of the prior week but that DUAB had not had sufficient time to vet those contracts, so those contracts were not being discussed during this meeting. Chairman Vincent then asked Courtney Schaafsma to discuss the bus contract.

Ms. Schaafsma described the bidding process that Mr. Jack Martin has gone through to identify potential providers of bus services for Gary Community School Corporation. Ms. Schaafsma indicated that Mr. Martin recommended moving forward with a contract extension with Illinois Central Bus Company. Ms. Schaafsma explained that the Department of Education had reviewed the contract extension and felt that it was the best available option for the 2017-2018 school year. Ms. Schaafsma introduced Michael Moore from the Department of Education as he was present for questions as needed.

Ms. Schaafsma highlighted certain provisions of the contract. The total fee for the contract would be dependent on the number of routes and could be between \$3.75 million and \$4.2 million for the year. Ms. Schaafsma also pointed out that the contract extension required the payment of all past-due amounts, estimated at \$964,000, on August 3, which Mr. Martin had indicated would not be a concern. Ms. Schaafsma directed the Board's attention to the payment schedule in the contract and the termination provision contained in the contract for failure to pay. Chairman Vincent called for questions from the Board.

Senator Melton asked if the school closures from the past year would impact the routes. Ms. Schaafsma indicated that the routes may be modified as a result of school closures. Senator Melton asked what the School Board would need to do on the contract after DUAB approval. Ms. Schaafsma indicated that the School Board would have to provide the final approval for the contract, which they were scheduled to do that evening.

Chairman Vincent asked how the pricing compared to years past. Mr. Moore indicated that the pricing was comparable. Representative Smith asked why the contract was structured as a one-year extension. Ms. Schaafsma indicated that the one-year extension would allow the emergency manager the opportunity to evaluate the service and potentially do an RFP process in the fall.

Senator Melton asked Mr. Moore about the line item in the contract identified as “Charter”. Mr. Moore explained that the school corporation is obligated under state law to transfer students who attend charters in the district. Mr. Moore indicated that the cost for this service may be eligible for funding through a title program. Representative Smith asked why the charter amount fluctuated by month. Ms. Schaafsma indicated that she would contact Illinois Central to get an explanation.

Mr. Hatcher moved to approve the contract. Ms. Schaafsma seconded the motion. Motion carried 4 to 0.

Chairman Vincent opened the discussion on criteria to be used in evaluating candidates for the role of emergency manager for Gary Community School Corporation. Ms. Schaafsma indicated that she believed the emergency manager needed to have good financial background, including municipal finance, school-specific finance, and Indiana-specific knowledge. Representative Smith expressed that he felt a number of the candidates were qualified to perform the emergency manager services and he would like DUAB to look at the most qualified candidate at the most affordable cost. Chairman Vincent noted that cost could differ based on both the hourly rate of the candidates and the number of hours anticipated to be worked. Mr. Joyce emphasized that the long-term outcome for Gary Community School Corporation should play a role in the selection of the emergency manager. Chairman Vincent indicated that he felt the academic vision of the emergency manager would be important as it could have an impact on the financial condition of Gary Community School Corporation. Senator Melton indicated that he felt DUAB should look more to the financial capability of the candidates and allow the selected emergency manager to work with the Department of Education to develop the academic vision for Gary Community School Corporation. Ms. Schaafsma said that she felt it was important that the selected candidate have emergency manager experience. Representative Smith indicated that he felt academics was an important criteria. Mr. Joyce cautioned about placing too much emphasis on academics initially as the financial challenges of Gary Community School Corporation may make the academic piece of running the school corporation more complicated. Chairman Vincent indicated that community engagement was important. Senator Melton expressed a community concern regarding charter schools. Ms. Schaafsma indicated it was important for the emergency manager to be able to work well with the teachers. Senator Melton added that training and professional development opportunities for educators was important. Ms. Schaafsma mentioned that the ability of the emergency manager team to quickly have available resources on the ground was important to provide for the start of the school year. Chairman Vincent indicated that the emergency manager’s interaction with DUAB, the Department of Education, the Indiana General Assembly and other state agencies would also be important.

Representative Smith asked about the process for individuals to express disagreement with the emergency manager's decisions. Ms. Schaafsma offered to work with members of the Indiana General Assembly as needed to address concerns and also described the petition process outlined in Senate Enrolled Act 567.

Senator Melton expressed that it would be important for the emergency manager to convene key stakeholders immediately. He also indicated that parental engagement would be important.

Chairman Vincent summarized the discussion by highlighting finance, academics and community engagement as the three main categories of criteria previously discussed and indicating that he felt all three categories were important and intertwined. Representative Smith clarified his earlier comment on cost by stating that he felt DUAB should select the most qualified candidate and should not allow cost to drive DUAB to select a candidate other than the most qualified candidate. Senator Melton added that engagement with the students was also important, as is direct communication from the emergency manager to parents, teachers and students.

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

**Adjournment:** Chairman Vincent adjourned the meeting at 9:40 a.m.