
STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD



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Distressed Unit Appeal Board Meeting Memorandum

October 11, 2017

Call to Order: A meeting of the Distressed Unit Appeals Board (DUAB or Board) was held on September 12, 2017, at 3:00 p.m. EDT at Conference Room 1, 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, Wes Bennett, and Representative Milo Smith. Courtney Schaafsma, Executive Director, also was in attendance.

Chairman Vincent called the meeting to order and recognized compliance with the Open Door Law. He presented the meeting minutes from the July 25, 2017 and July 31, 2017 meetings for approval. Mr. Hatcher moved to approve the minutes, and Mr. Joyce seconded. The Board voted 4-0 to approve the minutes.

Ms. Schaafsma provided an update on activities that have been occurring with the emergency manager teams and DUAB. For Gary Community School Corporation, Ms. Schaafsma noted that the initial enrollment data for the September count date indicated a decline in students of 535 students. She also noted that the emergency manager team has also released the job descriptions for both the chief academic officer and chief financial officer positions. Ms. Schaafsma then provided the Board with information on a contract that she approved for Laszlo & Associates, P.C., pursuant to DUAB Resolution 2017-1. She indicated that the contract may come back to DUAB for full Board approval at a later date. For Muncie Community Schools, Ms. Schaafsma noted that the initial enrollment data for the September county date indicated a decline in students of 434 students.

Representative Smith asked about the potential remedies for the IRS in addressing the IRS penalties that are outstanding for Gary Community School Corporation. Ms. Schaafsma indicated that the IRS has a lien on the properties of Gary Community School Corporation.

Ms. Schaafsma then presented DUAB Resolution 2017-2 to DUAB. DUAB Resolution 2017-2 acknowledges a change in the business entity for the provision of the emergency manager services to Gary Community School Corporation from MGT Consulting Group to Gary Schools Recovery, LLC. Ms. Schaafsma noted that Gary Schools Recovery, LLC is 100% owned by MGT Consulting Group and that Gary Schools Recovery, LLC would fully absorb the proposal submitted by MGT Consulting Group and neither the scope of services nor the personnel would change based on this business entity change. She also indicated that the resolution had been reviewed by the Indiana Department of Administration. Mr. Joyce made a motion to accept DUAB Resolution 2017-2 and Mr. Hatcher seconded. The Board voted 4-0 to approve the resolution.

Ms. Schaafsma then presented the contracts for the emergency managers for both Gary Community School Corporation and Muncie Community Schools for ratification. Representative Smith asked that the Muncie Community Schools contract be modified to include reference to Muncie Community Schools earlier in the contract. He also asked that the contracts ensure that the background checks required for the emergency managers would be national in scope, similar to previous legislative changes required for Indiana teachers.

For the contract with Gary Schools Recovery, LLC, Mr. Joyce made a motion to ratify the contract as presented with Representative Smith's discussed modifications. Mr. Hatcher seconded. The Board voted 4-0 to approve the motion.

Mr. Trey Traviesa, MGT Consulting Group, thanked DUAB for the opportunity to serve as emergency manager for Gary Community School Corporation.

For the contract with Administrator Assistance, LLC, Mr. Joyce made a motion to ratify the contract as presented with Representative Smith's discussed modifications. Mr. Bennett seconded. The Board voted 4-0 to approve the motion.

Mr. Steve Wittenauer, Administrator Assistance, opened an update on Muncie Community Schools by providing a timeline for the 2018 budget adoption. Mr. Steve Edwards, Administrator Assistance, then discussed two town hall meetings that were held on October 5, one with teachers and staff and the second with the community. He noted that the emergency management team communicated with the public regarding the team's role within Muncie Community Schools including negotiating the teacher contract and sale of property. Mr. Edwards expressed that the student enrollment decline is a challenge for Muncie Community Schools, as is the General Fund shortfall in 2017. He indicated that key ways in which the school corporation could attract students back to Muncie Community Schools would be through achieving financial stability, completing needed capital improvements and rightsizing the school corporation. He explained that Muncie Community Schools had been proactive in addressing their financial situation in closing three elementary schools and making staff reductions.

Mr. Edwards explained that the emergency management team has a goal of reducing the annual budget by an additional \$4-6 million over the next couple of years, which could include staff reductions and modifications to programs offered. He then discussed the efforts that had occurred in meeting with local financial institutions and the Mayor of the City of Muncie to obtain potential funding for the school corporation.

Mr. Wittenauer provided an update on the collective bargaining discussions that were occurring. He indicated that health insurance would be a key item to discuss during the negotiations. He then highlighted October 16, the day bids are due on the sale of properties, and October 17, the day of the public hearing on restructuring the bonds. He indicated that the bond restructuring could assist with 2017 cash flow concerns.

Chairman Vincent asked about the impact of the September 20 payroll to the cash flow of the school corporation. Mr. Wittenauer indicated that the September 20 payroll did show that there had been savings in payroll costs as a result of the actions taken previously by Muncie Community Schools. He said total impact was expected to be around \$2 million per year.

Representative Smith asked if the emergency manager team would be looking at class sizes in determining teacher reductions. Mr. Wittenauer indicated that class sizes, in addition to programs offered, would be considered in determining what reductions would be needed. Representative Smith then asked if the restructuring of the bonds would have to go through DUAB for approval. Chairman Vincent noted that the statute was different for Gary Community School Corporation and Muncie Community Schools, and approval would not be required for Muncie Community Schools. Ms. Schaafsma also noted that the process had changed and no longer required DUAB approval for restructurings.

Mr. Joyce asked about the 2014 bond issue and how it is being addressed in financial plans. Mr. Wittenauer explained that the emergency management team was addressing both the General Fund shortfall and the 2014 bond issue. Mr. Wittenauer indicated that the emergency manager team is still working on how to address that situation. Mr. Joyce asked about other revenue sources that may be available to address this situation.

Mr. Gib Crimmins, Administrator Assistance, also noted that the cash flow projections address all funds and not just the General Fund.

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

Adjournment: Chairman Vincent adjourned the meeting at 3:51 p.m.