
STATE OF INDIANA



Distressed Unit Appeals Board Meeting Memorandum (Minutes) October 1, 2013

Call to Order: The meeting of the Distressed Unit Appeals Board (DUAB) continued from September 24, 2013 was held on October 1, 2013 at 9:00 a.m. The meeting was held at One North Capitol, Indianapolis, IN 46204. Board members in attendance were Christopher Atkins, Bruce Hartman, Micah Vincent, and Lisa Acobert. Also in attendance were Andrew Kossack General Counsel and Policy Director, Office of Management and Budget, and Catherine Wolter, General Counsel, Department of Local Government Finance.

Discussion: DUAB Chair Christopher Atkins noted that the meeting was a continuance of the meeting which began on September 24, 2013 and that the agenda item for the day was to vote on the rainy-day fund loan petition from Mt. Vernon Community Schools (Mt. Vernon). Mr. Atkins then asked Micah Vincent to discuss the issue of a debt service levy to repay the loan.

Mr. Vincent stated that the Department of Local Government Finance (Department) had determined that it did not have the option to approve a debt service levy to repay a rainy-day loan. Mr. Vincent noted that the DUAB members had been provided with the Department's legal opinion on the issue. Mr. Vincent also noted that IC 20-46-7.3 provides that any obligation that is permitted or required by law to be paid from the debt service fund under IC 20-40-9 or another law may receive a debt service levy, but that repayment of a rainy-day loan was not such an obligation. Mr. Vincent then discussed whether the rainy-day loan could be considered an advancement for purposes of a debt service levy. Mr. Vincent said that he had spoken with State Board of Finance Chair Brian Bailey about the matter and Mr. Bailey indicated that the rainy-day loan did not qualify as an advancement. Mr. Vincent summarized that it did not appear likely that a rainy-day loan would be considered an advancement and, therefore, such a loan would not receive a debt service levy. Mr. Vincent also noted that Beech Grove had not requested a debt service levy so it was not considered when the DUAB was deliberating Beech Grove's rainy-day loan petition.

Motion: Mr. Atkins asked if there was discussion from the DUAB members or if there was a motion on Mt. Vernon's petition. Mr. Vincent moved that the DUAB recommend denial of the petition to the State Board of Finance. Mr. Atkins asked for a second. Mr. Hartman seconded the motion. Mr. Atkins asked for discussion.

Mr. Vincent discussed the reasons for his motion. Mr. Vincent commended Mt. Vernon on their performance with respect to cost savings and academic performance. Mr. Vincent, noted, however, that the voters had twice turned down Mt. Vernon's request for funds. Mr. Vincent stated that the bigger issue was the uncertainty on how the loan would be repaid especially in light of the fact that Mt. Vernon could not get a debt service levy. Mr. Vincent also noted the lack of a long-term financial plan. Mr. Hartman stated that Mt. Vernon had done a great job of trying to get costs under control. Mr.

Hartman indicated, however, that the loan was not something that Mt. Vernon really needed and that the loan was to be used simply to get the general fund back to looking good. Mr. Hartman noted that negotiating with the teachers for increased salaries would add permanent fixed costs and that Mt. Vernon would not have any revenue to back that fixed cost other than the loan which was only a temporary infusion of money. Mr. Hartman explained that with the uncertainty regarding repaying the loan along with adding costs, he did not believe the loan was a good idea and that was the reason for his seconding of Mr. Vincent's motion.

Mr. Atkins asked for further discussion. There was none. Mr. Atkins noted that Mr. Vincent's motion was for a recommendation of denial to the Board of Finance. Mr. Atkins asked for a roll call on Mr. Vincent's motion.

Vote: Catherine Wolter called the roll. Mr. Atkins voted yes, Ms. Acobert voted yes, Mr. Vincent voted yes, Mr. Hartman voted yes. Mr. Atkins announced that the vote was four to zero and that the motion passed unanimously.

Adjournment: Mr. Atkins noted that Senator Charbonneau was not in attendance and that the DUAB did not have an electronic meetings policy such that the Senator could have participated in the meeting via electronic means. Mr. Atkins, therefore, announced that DUAB would meet within a month to adopt changes to the DUAB's rules. With no other business before the DUAB, Mr. Atkins asked for a motion to adjourn. Mr. Vincent so moved and Mr. Hartman seconded the motion. The motion was approved by a voice vote. The meeting was adjourned by Mr. Atkins at 9:17 a.m.