

---

# STATE OF INDIANA

---

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058(B)  
INDIANAPOLIS, IN 46204  
PHONE (317) 232-3777  
FAX (317) 974-1629

## Distressed Unit Appeal Board Meeting Memorandum October 22, 2015

**Call to Order:** The meeting of the Distressed Unit Appeal Board (DUAB) was held on Thursday, October 22, 2015 from 12:32 P.M.-2:15 P.M. EDT. The meeting was held in Room 425 of the Indiana State Library, 140 North Senate Avenue, Indianapolis, Indiana. Board members in attendance were Lisa Acobert, Senator Ryan Mishler, Tammy White (designee of Paul Joyce), Courtney Schaafsma, and Micah Vincent, Chairman. Staffmember in attendance was Mike Duffy, Department of Local Government Finance (DLGF) General Counsel. Members of the Jack Martin Group and various state officials, including State Budget Agency Director Brian Bailey, and other persons were also present.

**Discussion:** The October 22, 2015 meeting of the DUAB was called to order by Board Chairman Micah Vincent. Mr. Vincent asked the Board members to introduce themselves and he noted compliance with the Open Door Law. Mr. Vincent explained that the Board needed to adopt the minutes from the DUAB's July 13, 2015 meeting and entertained a motion to do so.

**Motion:** Ms. Acobert moved to approve minutes from the DUAB's July 13, 2015 meeting. Ms. Schaafsma seconded the motion.

**Vote:** Mr. Vincent voted yes. Ms. Schaafsma voted yes. Sen. Mishler voted yes. Ms. White voted yes. Ms. Acobert voted yes. The motion carried by a vote of 5-0.

**Discussion of Meeting Focus:** Mr. Vincent indicated that Jack Martin Group would be making a presentation concerning Gary Community School Corporation (GCSC), which is seeking a \$15 million common school fund loan. Mr. Vincent then opened the floor to Jack Martin and his associates.

**Presentation:** Jack Martin and his associates, Mark Schrupp, William Aldridge, Marvin Ward, and Jerry Greenblatt, presented a comprehensive overview of the current financial status of GCSC. The group provided Board members with two handouts, which are hereby incorporated by reference. One handout mirrors the group's Powerpoint presentation to the Board and documents a variety of data GCSC, including historical background, debt summaries, revenue and expense forecasts, operational information, and revenue enhancement and cost reduction initiatives. The other handout documents GCSC's per pupil funding decline and details the manner in which GCSC proposes to repay the loan it seeks. The group also addressed the viability of GCSC and the means by which it would repay the loan. Board members directed questions to the group throughout the presentation.

**Discussion:** The Board then moved to discussion of the data presented and GCSC's requested loan.

Senator Mishler stated that he visited GCSC and that it is on the right track, but carries baggage from past mismanagement. He also discussed the per pupil funding amount, starting salaries for the GCSC's teachers, outsourcing and finding vendors, and the need for community support.

Mr. Vincent asked Mr. Martin why the loan is being sought before a long-term plan has been finalized. Mr. Martin responded that GCSC needs buy-in from the state and local stakeholders before the plan can be finalized. Mr. Vincent asserted that he is comfortable that the state will be repaid and he understands that without the loan, there probably would not be a need for a plan, as GCSC could collapse without the loan.

Ms. Acobert asked Mr. Martin what kind of community buy-in and communication are in place. Mr. Martin responded that work still needs to be done to determine what is best for GCSC, and that discussions with the mayor of Gary, the Department of Education, and influential people in Gary are needed or ongoing.

Mr. Vincent and Sen. Mishler both discussed the possibility of interlocal cooperation between GCSC and local resources, such as Indiana University, and the possibility of tapping into alumni support and other kinds of fundraising.

Mr. Vincent then discussed the structure of the loan GCSC seeks, explaining it would be repaid over six years, and that his understanding is that GCSC is seeking approval of \$15 million upfront, but would want only \$8 million now and the rest sometime in 2016. Mr. Vincent explained that the next step is for the State Board of Finance to meet and issue a final decision on the requested loan. Mr. Vincent confirmed that if approved, the funds would likely be available within 48 hours, but quite possibly sooner than that.

There was discussion about the fact that the Jack Martin Group would control the funds and could notify the Board before any checks are issued to GCSC's vendors. Ms. White indicated that she would appreciate having this information so everyone is on the same page.

Mr. Bailey asked Mr. Vincent if the Board's recommendation would document the proposed term and interest rate. Mr. Vincent responded that the Board will recommend the best rate possible, which would be 0%, as permitted by statute, and a term of six years, as provided for by statute.

Ms. Schaafsma asked Ms. White if, from a debt repayment perspective, this loan should be placed in its own fund rather than being grouped with other debts. Ms. White responded that yes, there should be one fund to receive the loan dollars and another fund used for repayment.

Mr. Vincent then entertained a motion to recommend approval of GCSC's requested \$15 million loan.

**Motion:** Ms. White moved to recommend approval of the loan and Sen. Mishler seconded the motion.

**Vote:** Mr. Vincent voted yes. Ms. Schaafsma voted yes. Sen. Mishler voted yes. Ms. White voted yes. Ms. Acobert voted yes. The motion carried by a vote of 5-0.

**Adjournment:** The proceedings were adjourned at 2:15 P.M. EDT.