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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## Distressed Unit Appeals Board Meeting Memorandum October 3, 2012

**Call to Order:** The meeting of the Distressed Unit Appeals Board (DUAB) was held on Wednesday, October 3, 2012 from 9:05 A.M.-10:18 A.M. and 10:40 A.M.-11:00 A.M. The meeting was held at One North Capitol, 9th floor conference room, Indianapolis, IN 46204. Board members in attendance were Adam Horst, Brian Bailey, Representative Milo Smith, Doug Meredith, and Bruce Hartman. Also in attendance were Ann Kaiser, Office of Management and Budget (OMB) General Counsel; and Cathy Wolter, Department of Local Government Finance (DLGF) General Counsel.

**Discussion:** The October 3, 2012 meeting of the DUAB was called to order at 9:05 A.M. by Board Chair Adam Horst. Mr. Horst welcomed the Board and assembled company and noted compliance with the Open Door Law and that there was a quorum.

**Minutes:** Mr. Horst submitted the minutes of the September 20th meeting of the DUAB for approval.

**Motion:** Rep. Smith moved to approve the minutes as submitted. Mr. Meredith seconded the motion. The motion carried by a vote of 5-0.

**Discussion of Meeting Focus:** Mr. Horst explained that the DUAB's primary focus would be action on the MSD Wayne (Wayne) petition and that the DUAB would schedule a follow-up meeting to complete the non-binding review for Franklin Township Community School Corporation and Mt. Vernon Community Schools.

### Metropolitan School District of Wayne Township

**Discussion:** Mr. Horst asked if Wayne would like to make any comments before the DUAB began asking questions. Wayne Superintendent Jeffrey K. Butts thanked the DUAB for the opportunity to discuss the petition to restructure the bonds and noted that Wayne had provided responses to questions from the DUAB.

Mr. Horst reviewed Appendix B of the information supplied by Wayne. Dr. Butts explained that the proposals in Appendix B were a blueprint that was subject to change based on circuit breaker loss and continued decline in assessed value, among other things.

Mr. Horst inquired about the assumptions for the debt service fund. Mr. Rod Wilson of City Securities indicated that the rates reflect about a 4% savings over a five to ten year period of time. Mr. Horst then asked about the general fund savings in Appendix C. Dr. Butts said that reductions were already in process. Dr. Butts said that Wayne was reducing the number of positions and shifting to self-insurance and wellness clinics and looking to attrition for a reduction in the number of teachers. Dr. Butts also indicated that Wayne

was working on a strategic plan for the future with the help of individuals outside the school district. In addition, Dr. Butts stated that Wayne was looking toward a 2014 referendum.

Mr. Horst asked if Wayne was focused on the \$17 million loss from circuit breaker and the loss of desegregation dollars. Dr. Butts explained that Wayne was focused on that loss as well as the decline in enrollment. Rep. Smith inquired about the circuit breaker loss and asked when land values would increase. Mr. Dennis Tackitt Wayne business manager opined that it would be 4 to 5 years before land values stabilized. Dr. Butts noted that the area had a fairly large airport TIF district that would not retire. He also stated that the airport wanted to help by putting some property back on the tax rolls. Rep. Smith encouraged Wayne to find out if there was an excess cash balance in the TIF that might be put into the general fund.

In response to Mr. Bailey's question whether there had been an assessment change due to the general reassessment, Mr. Tackitt noted that there was a 7.8% reduction in gross assessed value after the general reassessment. Mr. Tackitt also indicated that the county had approximately \$117 million in reserve for tax appeals.

Mr. Horst noted that a number of properties had been identified for potential sale. Dr. Butts responded that those sales would be one-time cash infusions and that Wayne did not believe that it was a good time to sell real estate given the current market. Dr. Butts explained that those properties would likely be sold in the future.

Rep. Smith asked how Wayne would make the bond payments in the future considering it could not currently make the payments. Dr. Butts stated that Wayne was going to be reducing expenditures and was looking to a \$6 million referendum to offset losses. Dr. Butts noted that if the referendum did not pass, additional cuts would be made and that real estate would have to be sold.

Mr. Doug Meredith asked about the financial status of the athletic program. Dr. Butts stated that it was not self-sustaining but that it may be in the future. Dr. Butts explained that the coaches were well compensated and that would have to be adjusted. Mr. Meredith also inquired about field trips and whether they had been eliminated or sponsored. Dr. Butts said that field trips were limited and were funded by student fees and fund raising.

Mr. Horst discussed Wayne's restructuring options and noted that options K & L in Appendix B increased the debt service a smaller amount but generated a fairly large amount of money. Mr. Wilson indicated that Wayne was looking for a larger savings. Rep. Smith noted that when the bonds are paid off that the taxpayer would pay \$53 million more for a savings of \$25 million at the outset and in 5 years. Mr. Wilson further discussed the refinancing plan.

Mr. Horst noted Wayne's historical fund balances. Mr. Tackitt indicated that the balances were intentional to prepare for circuit breaker impacts. Mr. Horst discussed Wayne's teacher salaries and noted increases during the recession. Dr. Butts explained that the increment pay system was eliminated this year and discussed the particulars of the system. Dr. Butts also discussed other personnel related measures to save money including requiring administrators to take vacation days. Mr. Horst discussed Wayne's benefits and inquired whether Wayne had considered eliminating some of the benefits. Dr. Butts stated that it would be a topic of discussion.

Rep. Smith inquired whether the restructuring was Wayne's only option and noted that counting on the referendum was optimistic. Rep. Smith also asked if Wayne could postpone the request for a year. Dr. Butts explained that Wayne had worked to gain community support for the referendum. Rep. Smith inquired what Wayne would do if the request was denied by the DUAB. Dr. Butts indicated that Wayne would develop priorities for making cuts.

Mr. Horst noted that if Wayne executed the plan it proposed it would not have to incur the debt and would actually have \$10 million upon completion of the plan. Mr. Tackitt stated that Wayne was asking for the restructuring to get the benefit of time and to allow it to carry out its strategic plan. Mr. Hartman questioned the cost of carrying out the strategic plan. Mr. Tackitt explained that Wayne has aging structures and that the systems in those structures require maintenance and repair. Mr. Horst noted that Wayne could spend their savings on the needed work. Dr. Butts explained that Wayne was trying to preserve certain programs for its students. Mr. Horst stated that he had confidence that Dr. Butts and Mr. Tackitt would make the situation work regardless of what the DUAB decided.

Mr. Horst read the applicable law and procedural history of the Wayne petition into the record.

**Recess:** Mr. Horst recessed the DUAB at 10:18 A.M. for the purpose of allowing members to compose motions or write notes. Mr. Horst indicated that upon reconvening the DUAB would entertain motions and vote.

**Reconvened Meeting:** Mr. Horst reconvened the DUAB at 10:40 A.M.

**Discussion:** Mr. Horst asked if there were any motions, orders, or statements with respect to approving or disapproving the petition and indicated that the DUAB would discuss the matter and conduct a roll call vote.

**Motion:** Mr. Bailey moved to deny Wayne's petition as not having submitted a feasible financial plan that the DUAB could reasonably approve. Mr. Bailey noted that the financial plan as submitted required the school to borrow and repay \$80 million for the benefit of \$5.5 million of debt service reduction for 5 years in addition to an approximately \$400 million debt service between the present and 2030. Mr. Bailey also pointed out that Wayne has the ability to experience savings in excess of the circuit breaker without restructuring its debt. Mr. Bailey encouraged Wayne to hold a referendum in 2013. Mr. Bailey reminded Wayne of the opportunities for cost savings in its teacher contracts and benefits among other things. Rep. Smith seconded the motion.

**Discussion:** Mr. Horst noted that if Wayne was not able to meet its fiscal needs, it could come back before the DUAB and encouraged Wayne to look for cost savings. Mr. Meredith agreed that there were opportunities for savings and noted that Plan D offered solutions that may be more beneficial to Wayne. Mr. Horst also stated that the restructuring would generate a one-time savings at a long-term cost. Mr. Horst asked Ms. Cathy Wolter to take the vote on Mr. Bailey's motion.

**Vote:** Mr. Meredith voted yes. Mr. Hartman voted yes and noted that the DUAB was an extra level of protection for the taxpayers and that Wayne did a great job in laying out its plan. Rep. Smith voted yes and

agreed with what Mr. Hartman had said. Mr. Horst voted yes and indicated that everyone wanted Wayne to be successful and to implement the plan but that they could come back before the DUAB if the need arose. Mr. Bailey voted yes. The motion carried by a vote of 5-0. Mr. Horst noted that the motion to deny the petition had been approved.

**Discussion:** Mr. Horst stated that there was no further business before the DUAB and that the members would be informed of the date of the next meeting. Mr. Horst asked for a motion to adjourn.

**Motion:** Rep. Smith moved to adjourn. Mr. Hartman seconded the motion. The motion carried by a vote of 5-0.

**Adjournment:** The proceedings were adjourned at 11:00 A.M.