



**GARY COMMUNITY SCHOOL CORPORATION
DEFICIT ELIMINATION PLAN
JUNE 2016**



GARY COMMUNITY SCHOOL CORPORATION
DEFICIT ELIMINATION PLAN

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Introduction

This Deficit Elimination Plan (DEP) focuses more on operations and finance and less on education. We fully realize that the primary purpose of the existence of GCSC is to provide educational opportunities for its students. However, the most immediate threat is its financial and operational challenges. Without a stable operational and financial foundation, GCSC will not be able to successfully achieve its primary purpose of providing quality education opportunities.

The financial and operational stability or lack thereof, mentioned above, manifests itself in a significant accumulated structural deficit which must be reduced and ultimately eliminated. The reduction and elimination of the structural deficit and annual operating deficit is a multi-faceted task encompassing many areas of Gary Community School Corporation (GCSC) operations. This deficit elimination plan presents data and information that will acquaint the reader with data and information concerning GCSC that will help them understand the complex nature of GCSC as well as, more specifically, its financial operations.

This Plan provides data and information that centers around key operational and financial drivers such as Indiana school funding, property taxes, debt, student enrollment, facilities, human resources cost, etc. It is through the eyes of these drivers that an attempt is made to acquaint the reader as to how the GCSC now finds itself fighting for its operational and financial life. We have attempted to isolate and focus only on the most significant factors and drivers to equip the reader with sufficient data and information to discern the essence of this DEP.

The detail complexities, challenges, and opportunities of the scope of GCSC operations are not discussed in this document. That level of understanding is left to the citizens of Indiana and the stakeholders of Gary Indiana.



City Of Gary

Gary was founded in 1906 and enjoyed a robust and growth orientated partnership with the huge steel industry. Gary's fortunes have risen and fallen with those of the steel industry. It's population, which was as high as 178,320 in 1960, has fallen to 77,909 in 2014.

It covers 57.18 square miles including both land and water. It is currently one of Indiana's largest cities.

Based on recent estimates the current per capita income is \$15,931 and the median home value is \$65,400, compared with the Indiana state averages of \$24,635 and \$122,800 respectively. The following chart presents a five decade history of Gary's population:

| Census | Population | Percentage Change |
|-----------|------------|-------------------|
| 1970 | 175,415 | (1.6%) |
| 1980 | 151,968 | (13.4%) |
| 1990 | 116,646 | (23.2%) |
| 2000 | 102,746 | (11.9%) |
| 2010 | 80,294 | (21.9%) |
| Est. 2014 | 77,909 | (3.0%) |



Public Law 213

The factors and drivers mentioned previously have come together to present the GCSC with very serious financial and academic challenges. The State of Indiana recognizing that something needed to be done to avert impending disaster, took the following major step forward by passing and subsequently implementing Public Law 213. There are many provisions in Public Law 213 but for purposes of this Plan we offer the following summary relating to the Financial Specialist.

One of the provisions of Public Law 213 provides for the retention of a Financial Specialist to assist GCSC with its declining financial condition. The role of the Financial Specialist under this law calls for the following:

- ◆◆ Special Legislation for Gary Community Schools
- ◆◆ Extraordinary financial conditions
- ◆◆ "take financial control of the corporation in consultation with [the Board]"
- ◆◆ Develop a financial plan for GCSC, working jointly with the City of Gary and the School Board
- ◆◆ Request interest free loan
- ◆◆ Request assistance from the Indiana Association of School Business Officials



**DEFICIT ELIMINATION PLAN ASSUMPTIONS AND STRATEGIES
EXECUTIVE SUMMARY**

**TARGETED EXPENDITURE REDUCTIONS
AND REVENUE ENHANCEMENT ESTIMATES**

| EXPENDITURE REDUCTIONS/REVENUE ENHANCEMENTS | TARGETED IMPLEMENTATION DATE | ESTIMATED/TARGETED ANNUAL AMOUNT OF REDUCTION |
|--|---------------------------------|--|
| Implementation of Zero Base Budgeting | August 2016 | \$ 400,000 |
| Enhanced Grant Management | August 2016 | 1,000,000 |
| Restructure Employee Benefits | January 2016 | 700,000 |
| Contract Evaluations and Renegotiations | April 2016 | 1,100,000 |
| Staffing Reductions – 95 employees plus fringe benefits | July 2016 | 6,300,000 |
| Facilities Closing and Consolidations | 2017 | 1,232,993 |
| Facilities Closing and Consolidations | 2018 | 1,923,537 |
| Surplus Property Auction | TBD | 100,000 |
| TOTAL ESTIMATED/TARGETED ANNUAL AMOUNT OF REDUCTION | | \$12,756,530 |
| Property Tax Referendum | November 2016 | The GCSC Board of School Trustees approved a Levy of \$.475 to raise approximately \$8.7 million in additional revenue assuming a 74% collection rate. |
| Pupil Enrollment | | TBD |



DEFICIT ELIMINATION PLAN ASSUMPTIONS AND STRATEGIES EXECUTIVE SUMMARY

Annual Operating Deficits (See Addendum)

The GCSC total deficit is comprised of delinquent accounts payable, Internal Revenue Service Debt and Common School Loans. The focus of this Deficit Elimination Plan is the elimination of the Operating Deficits to allow the GCSC to meet its annual cash flow needs. Three Scenarios are shown that will take the GCSC from its current annual operating deficit to a break-even surplus.

1. **Current state** is the 2017 Forecast shown in the DEP commencing on page 44. This forecast shows a FY17 operating deficit of (\$8,583,566).

Initiatives shown on page 6 that are in the process of implementation are school closures, Zero Based Budgeting and the property auction.

2. **Scenario one** includes in the forecast a further headcount reduction of 95 core employees to realize additional savings in salary and fringe benefit costs of \$6.3 million (this savings for FY17 is reduced to \$4.2 million since the cuts were not in effect on July 1, 2017).

Scenario one also includes \$1 million in forecast additional grant revenue. Scenario one implementation will reduce the estimated operating deficit to (\$3,362,566).

3. **Scenario two** assumes that the referendum will be successful and that the GCSC will be able to borrow \$6 million against this future revenue stream. If the referendum is successful the 2017 Operating Surplus is forecast to be \$2,637,434.



ADDENDUM

**GARY COMMUNITY SCHOOL CORPORATION
 DEFICIT ELIIMINATION PLAN - FY 2017
 ANNUAL OPERATING DEFICIT FORECAST
 (REVENUE AND OTHER FINANCING SOURCES OVER (UNDER)
 EXPENDITURES AND OTHER FINANCING USES)**

| | PROJECTED CURRENT STATE General Fund FY 2017 | PROJECTED SCENARIO ONE FY 2017 | PROJECTED SCENARIO TWO General Fund FY 2017 |
|--|---|---|--|
| <i>Income:</i> | | | |
| <u>Local Sources:</u> | | | |
| Building rentals | \$36,000 | \$36,000 | \$36,000 |
| Other | 60,000 | 60,000 | 60,000 |
| Sub-total - local sources | <u>\$96,000</u> | <u>\$96,000</u> | <u>\$96,000</u> |
| <u>State Sources</u> | | | |
| Basic tuition support | 31,545,600 | 31,545,600 | 31,545,600 |
| Honors diploma grant | 27,000 | 27,000 | 27,000 |
| Special education grant | 3,753,550 | 3,753,550 | 3,753,550 |
| Career & technical education | 299,000 | 299,000 | 299,000 |
| Complexity grant | 13,007,104 | 13,007,104 | 13,007,104 |
| Less: Common School Fund Loans | (1,828,388) | (1,828,388) | (1,828,388) |
| Less: Roosevelt Support | (5,062,498) | (5,062,498) | (5,062,498) |
| Less: DUAB Loan Repayment | (2,500,000) | (2,500,000) | (2,500,000) |
| Sub-total - state sources | <u>\$39,241,368</u> | <u>39,241,368</u> | <u>\$39,241,368</u> |
| <u>Z</u> | | | |
| Title I Special Education, Title II | 5,671,604 | 5,671,604 | 5,671,604 |
| Medicaid, erate, indirect, Perkins, JROTC | 750,000 | 750,000 | 750,000 |
| Food Service Reimbursement to General Fund | 600,000 | 600,000 | 600,000 |
| Sub-total federal sources | <u>7,021,604</u> | <u>7,021,604</u> | <u>7,021,604</u> |
| | <u>\$46,358,972</u> | <u>\$46,358,972</u> | <u>\$46,358,972</u> |

**GARY COMMUNITY SCHOOL CORPORATION
 DEFICIT ELIIMINATION PLAN - FY 2017
 ANNUAL OPERATING DEFICIT FORECAST
 (REVENUE AND OTHER FINANCING SOURCES OVER (UNDER)
 EXPENDITURES AND OTHER FINANCING USES)**

| | PROJECTED CURRENT STATE General Fund FY 2017 | PROJECTED SCENARIO ONE FY 2017 | PROJECTED SCENARIO TWO General Fund FY 2017 |
|---|---|---|--|
| <u>Other Financing Sources</u> | | | |
| Temporary State loan - DUAB Common School Fund | 417,300 | 417,300 | 417,300 |
| Less: Tax receipts more (less) than expenditures | - | - | - |
| Plus: Common School Loan Reimbursements | 1,539,853 | 1,539,853 | 1,539,853 |
| Plus: Enhanced Grant Management | - | 1,000,000 | 1,000,000 |
| Plus: Zero Base Budget Implementation | 400,000 | 400,000 | 400,000 |
| Plus: Property Auction | 100,000 | 100,000 | 100,000 |
| Plus: School Closure Savings | 1,232,993 | 1,232,993 | 1,232,993 |
| Plus: Borrowing against Successful Referendum | - | - | 6,000,000 |
| Plus: Referendum Proceeds | - | - | - |
| Plus: Additional Staff Reduction Savings | - | 4,221,000 | 4,221,000 |
| Sub-total other financing sources | \$3,690,146 | \$8,911,146 | \$14,911,146 |
| Revenues And Other Financing Sources | \$50,049,118 | \$55,270,118 | \$61,270,118 |
| <u>Expenditures:</u> | | | |
| Personnel - Salaries | 39,859,934 | 39,859,934 | 39,859,934 |
| Personnel - Benefits | 10,530,966 | 10,530,966 | 10,530,966 |
| Employer FICA | 2,977,134 | 2,977,134 | 2,977,134 |
| Less: Employee Contributions | (2,300,000) | (2,300,000) | (2,300,000) |
| Plus: "TRF" and "PERF" | 3,173,178 | 3,173,178 | 3,173,178 |
| Non - Personnel Operating Expenses | 9,210,574 | 9,210,574 | 9,210,574 |
| Less: Expenses charged to Capital Projects and Transportation Funds and Reconciliation Adjustments | (4,819,102) | (4,819,102) | (4,819,102) |

**GARY COMMUNITY SCHOOL CORPORATION
 DEFICIT ELIIMINATION PLAN - FY 2017
 ANNUAL OPERATING DEFICIT FORECAST
 (REVENUE AND OTHER FINANCING SOURCES OVER (UNDER)
 EXPENDITURES AND OTHER FINANCING USES)**

| | PROJECTED CURRENT STATE General Fund FY 2017 | PROJECTED SCENARIO ONE FY 2017 | PROJECTED SCENARIO TWO General Fund FY 2017 |
|---|---|---|--|
| Total Expenditures | 58,632,684 | 58,632,684 | 58,632,684 |
| Expenditures and Other Financing Uses | 58,632,684 | 58,632,684 | 58,632,684 |
| Revenues And Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (\$8,583,566) | (\$3,362,566) | \$2,637,434 |

| | | | |
|------------------------------|-------|-------|-------|
| ADM | 5,550 | 5,550 | 5,550 |
| Number Increase (Decrease) | N/A | N/A | N/A |
| Percentage Increase/Decrease | N/A | N/A | N/A |

[1] Excludes Roosevelt.



Property Taxes

Property tax funding for the Debt Service, Debt Service Exempt, Capital Projects and Transportation Funds is assumed to remain flat for the 2017 – 2018 school years based on a meeting and discussions with the Lake County Treasurer's Office.

For the 2016 School Year total property tax payments were \$15.1 million vs \$16.4 million for the 2015 Calendar Year, a variance of \$1.3 million. The reduced payment for 2016 is the result of three factors. First, there was a tax settlement with the Majestic Star Casino regarding casino tax overpayments. These overpayments were repaid to the casino by reducing the payments to other taxing districts in the county. Secondly, the City of Gary increased its levy by 3 percent which resulted in a collective 3 percent reduction in payments to other taxing districts. The City of Gary is currently at its "Tax Cap" so unless there is an increase in assessed valuations in the City, assuming no changes in collection rates, total property tax collections will have no material change.

The third factor is the difference in the property tax levies for GCSC for calendar years 2015 and 2016. For calendar year 2015, the total property tax levy was \$31,162,714. Of this, the Exempt Debt Service fund had a levy of \$7,493,380. This was due to the settlement of a lawsuit that GCSC had brought against the DLGF based on the 2011 budget year. For calendar year 2016, the total property tax levy was \$29,934,616, but the exempt debt service fund levy fell to only \$1,858,636. Since the Exempt Debt Service fund would be exempt from property tax caps, the primary impact hitting this fund should be collection issues. So, for 2015, this fund likely had a significantly higher collection amount than in 2016.



For all taxes collected, the Debt Service and Debt Service Exempt Funds are “priority,” meaning that Debt Service Payments must be fully funded even if this requires taking money away from the Transportation and Capital Projects Funds.

Historically, Capital Projects Funding has been inadequate to meet the capital needs of the School Corporation resulting in the current state of disrepair throughout School Corporation Facilities. Over the years, it appears that Inter-Fund borrowing has resulted in Capital Projects Tax Collections being used by the General Fund to satisfy payroll requirements. For the 2017 and 2018 School Year, it is assumed that available Capital Project Funds will be fully utilized as intended.

For the 2017 and 2018 School Years, the Transportation Fund may potentially show a surplus based on the anticipated outcome of current negotiations with the School Bus Contractor.



Implementation of Zero Base Budgeting:

This strategy requires the implementation of Zero Base Budgeting. Currently GCSC does not have an effective budget development and management process in place. The first year of implementation will require a targeted five percent reduction in general fund expenditures during the FY 2016-2017. This five percent will be exclusive of any mandated staffing reductions to be implemented by the central administration. Targeted reductions amount to approximately \$400,000 per year. Utilization of this budget development method requires that the District justify its expenditures that exceed 95% of current expenditure levels. (See Exhibit III)

Enhanced Grant Management:

The GCSC and the City of Gary face many challenges that are not present or not as severe in other Indiana communities. The Superintendent and her team have done a good job of taking advantage of Formula Grant Opportunities, particularly considering the staff shortages in many leadership positions. A meeting will be requested with the IDOE Grants Management Leadership to discuss Formula Grants and any potential opportunities for GCSC to increase Formula Grant Revenue.

Opportunities to apply for IDOE Discretionary Grants from other state agencies face impediments related to the GCSC non-payment of unemployment taxes. A call has been placed to the state agency to discuss the liability and any opportunity for a payment that would allow GCSC to apply for state grant opportunities if the terms of any payment arrangement are honored. Additionally, if full payment of this liability is required to be eligible to apply for other state grants, remaining DUAB Critical Vendor Loan proceeds would be used to reduce this liability.

Although the primary source of grant funds is anticipated to be state grants, the GCSC will also pursue Federal Discretionary Grant Opportunities by visiting the website "Grants.gov" to identify potential opportunities. Members of the State of Indiana Congressional Delegation will also be contacted to seek their assistance in identifying discretionary grant opportunities.

Foundations and corporations are other sources of grant opportunities that will be explored.



Restructure Employee Benefits / Contract Evaluations and Renegotiation

This strategy requires an evaluation of all contracts where there is a potential opportunity to reduce costs.

Health insurance is a major expense for GCSC that was again targeted for reduction. Meeting with GCSC Union Leadership, the Insurance Carrier, CIGNA, and the GCSC Insurance Broker, it was agreed that the employee deductible would be raised. This deductible increase should result in an annual savings of approximately \$700 thousand.

Property Insurance on GCSC Buildings and contents cost nearly \$1.6 million for the 2015 calendar year. Based on the amount of this expense with respect to the overall GCSC Budget, a decision was made to seek a quote from another insurance broker. The quote received was about \$1.1 million less than the quote from the incumbent broker who has been servicing the GCSC for many years. Based on the competitive quote, the incumbent broker identified a different product that satisfies GCSC insurance requirements but cost about \$1.1 million less.

Centrally Mandated Staffing Reductions:

GCSC has targeted 95 additional positions to be eliminated for the 2017 school year through Attrition and RIF. Approximately 161 positions were eliminated during the 2016 school year primarily due to retirement (129), and 32 employees were subject to RIF.

All positions are being eliminated within the requirement of the law and related bargaining agreements. This strategy is already being implemented. Total 2017 school year targeted reductions amount to approximately \$8 million. To the extent that the above mentioned target is not met, other employees will be identified for RIF or layoff.

Property Tax Referendum:

On June 27th a conference call was held regarding the actions required to place a referendum on the ballot for the coming fall election. Participating on the call were the GCSC Superintendent, Bond Counsel and the Financial Specialist.



A decision on the proposed levy amount was not made during this call because such a decision would require the approval of the Board of School Trustees and input from others in the community to determine the amount with the best likelihood of approval. On the phone the amount discussed most was a \$.41 cent levy that generates approximately \$10 million, about \$1 million for each \$4 cent increase. Based on the assumed collection rate of 74%, the levy would generate about \$7.4 million annually.

Bond Counsel drafted a resolution for Board approval that must be submitted to the county for certification by August 1st.

The Operational Referendum was debated at the July GCSC Board of Trustees Budget and Finance Committee Meeting. The Trustees approved a Levy of \$.475 which would result in additional revenue of approximately \$8.7 million assuming a 74% collection rate.

Food Service Reimbursement to General Fund:

For the 2016 School Year, the USDA Funded Student Food and Nutrition Program reimbursed \$597,916 to the General Fund. The Food Service Contractor, Sodexo/MAGIC Annual Report for the 2016 School Year showed a program surplus of approximately \$700,000 for the 2017 and 2018 School Years. The surplus is estimated to be \$600,000 per year.

Facilities Closing and Consolidations:

For the 2017 School Year, three building closures are proposed – 2 schools and 1 support building. The proposed actions, rationale savings, related costs and assumptions are described below.

Watson Academy for Boys – 2065 Mississippi St.

Action: The facility will close and be offered for sale or lease. The Watson program will relocate to Bailly Preparatory Academy and operate under the Bailly leadership as a K-8 all boys program. For efficiency purposes, some co-curricular offerings (art, music, gym) may need to be combined with Bailly.



Rationale: The Watson program has very low enrollment (127 students) compared with the building capacity (734). The Board of Trustees approved Watson for closure in 2014, but kept it open when Bailly school suffered a major mechanical failure and had to relocate mid-year. Bailly and Watson operated together within the Watson building for a full school year while repairs and renovations to Bailly were being implemented. Closing will allow limited resources to be used in other facilities with higher enrollment.

Savings: The closure of Watson will result in operating cost reductions for utilities, building maintenance, supplies and administration of \$583,555. One-time closure related costs (moving and decommissioning) will reduce the first year savings by \$182,066. Ongoing costs for the closed Watson building could cost \$2,022 annually if a sale or lease does not occur. This will result in net savings of \$401,489 for 2016 – 2017 and \$581,531 for 2017-2018 and beyond.

Williams Annex – 90 East 19th Ave.

Action: The facility will close and be offered for sale or lease. The Williams Annex program (general education for grades 7-8) will also be closed. Students enrolled or expected to enroll in the program will be assigned to one of four geographically disbursed elementary schools (initially, considering Bailly, Glen Park, Marquette and Williams Elementary), each of which will expand to serve K-8 grades.

Rationale: The Williams Annex program has very low enrollment (320 students) compared with the building capacity (1,342). In addition, the facility, which includes three major sections of varying vintages and building types, has significant urgent capital needs – heating system, roof and windows. The significant amount of unused space and mechanical issues consumes far too many dollars compared to the number of children served. Closing will allow limited resources to be used in other facilities with higher enrollment.

Savings: The closure of Williams Annex will result in operating cost reductions for utilities, building maintenance, supplies and administration of \$1,162,553. One-time closure related costs (moving and decommissioning) will reduce the first year savings by \$351,178. Ongoing costs for closed Williams building could cost \$39,019 annually if a sale or lease of the facility does not occur. This will result in net savings of \$811,375 for 2016 – 2017 and \$1,158,650 for 2017-2018 and beyond.



Building, Grounds and Maintenance Facility – 3840 Georgia St

Action: The Building, Grounds and Maintenance facility will be closed and staff and materials will be relocated to unused space within one of the high schools. The building will be decommissioned and offered for sale or lease. Surplus materials within the facility will be auctioned.

Rationale: The BGM facility is too large (73,360 sq. ft.) for the current real estate portfolio maintained by the school corporation (14 schools) and its maintenance staff (24 full time staff). In the event the School Corporation outsources its maintenance department, there will be no need for any space, unless it is leased to the maintenance service provider. The School Corporation cannot afford the cost of owning and operating such a large facility (\$185,188). Closing will allow limited resources to be used in schools.

Notes and Assumptions

1. Administrative cost savings are limited to staff located at the subject school serving in the roles of principal, assistant principal, crossing guard and school nurse and paid out of the General Fund. There may be additional positions that are not necessary upon closure that could generate additional General Fund Savings (counselors, substitute teachers, parent aids, among others). In addition, elimination of positions funded by Title I or other sources could allow for more efficient use of those funds.
2. Custodial cost savings are based on budgeted, average costs, not necessarily currently filled positions and actual costs. Savings could be higher or lower.
3. Utility cost savings are based on average costs, rather than actual billings. Savings could be higher or lower.
4. Board up and moving costs are estimates.
5. In order to keep costs low as possible, no utility services will be provided after building closure.
6. The ongoing costs of closed buildings does not include security, grass cutting and snow removal, as there is no current cost data for those categories.



Gary Community Schools Corporation – Closure Scenarios

| Facility Name | Address | Sq. Ft. | Site Area | Year | Students 2015 | School Capacity | Percent Occupied | Cost P/E | Cost Cost | School Admin. | Water & Sewer | Gas & Electric | Supplies | Total | Moving & Decommissioning | Board Up | Annual Re-Boarding | Net Savings FY2016-17 | Net Savings FY2017-18 |
|-----------------------------------|-----------------------|---------|-----------|------|---------------|-----------------|------------------|----------|------------|---------------|---------------|----------------|----------|--------------|--------------------------|----------|--------------------|-----------------------|-----------------------|
| | | | | | | | | | | | | | | | | | | | |
| 1. Watson, Bernard (Boyz Academy) | K-8 2065 Mainstage St | 80,918 | 11.9 | 1992 | 127 | 734 | 17.3% | 3 | \$ 186,791 | \$ 271,341 | \$ 16,184 | \$ 101,148 | 8,092 | \$ 583,555 | 161,836 | 20,230 | 2,023 | \$ 401,489 | \$ 581,532 |
| 2. Williams Annex | 7-8 920 East 19th Ave | 156,079 | 26.9 | 1922 | 320 | 1342 | 23.8% | 4.5 | \$ 280,187 | \$ 554,600 | \$ 31,216 | \$ 280,942 | 15,608 | \$ 1,162,553 | 312,158 | 39,020 | 3,902 | \$ 813,375 | \$ 1,158,663 |
| 3. Maintenance Building | Support 3840 Georgia | 73,860 | 5.6 | 1977 | | | | 0.5 | \$ 31,132 | | \$ 16,672 | \$ 131,048 | 7,336 | \$ 185,188 | 146,720 | 18,340 | 1,834 | \$ 20,128 | \$ 183,356 |
| | | 310,857 | 44 | | 447 | 2,076 | 22% | 8 | \$ 498,110 | \$ 825,941 | \$ 62,071 | \$ 516,139 | 31,036 | \$ 1,931,296 | 620,714 | 77,589 | 7,759 | \$ 1,232,893 | \$ 1,923,537 |

Prepared by Martin, Arrington, Deed & Meyers with data from Gary Community School Corporation 6/13/2016

Notes:

Custodial Avg. Cost/P/E: \$62,264



Surplus Property Auction:

The GCSC engaged an auction firm to dispose of obsolete and unneeded assets. The preparation work being performed by this contractor was stopped, but is expected to resume. Proceeds from this work are estimated to be \$100,000.

There is no plan to auction GCSC owned art.

Pupil Enrollment:

GCSC has experienced a steady decline in its pupil enrollment over the last several years. Studies have found that schools faced with continuing declining enrollment are not usually able to reduce expenditures fast enough to keep pace with the immediate loss in related revenues. As such, they are caught in a financial death spiral.

In an effort to reduce the steady decline in its pupil, GCSC will conduct an aggressive “Retain and Gain” marketing effort before its next school year.

This effort is targeted to hold its current ADM steady and increase the ADM by 100 for the 2018 School Year.

GCSC will develop key strategies that will be employed during an aggressive student recruitment campaign. These strategies could include the following efforts, among others:

1. Customer Service – Train all school frontline staff in providing thorough and appropriate customer service.
2. Develop and Execute Individual School(s) Marketing Plans – These plans will be rooted in local school branding/identity created through school principal interviews, formal and informal surveys, etc. Events supporting these efforts include Meet the Principal Nights, church back-to-school program partnership, volunteer campus cleanups; all schools Open Doors Saturday, etc.



3. Coordinated Ground-based Campaign – Training for school specific teams led by principal and comprised of academic leadership, union reps, teachers, support staff, clergy and others will target block-by-block. Specific individual school material including kicker cards, tri-folds, and flyers ad signs will be developed and made available for the teams.



**Description and Profile of Gary Community School Corporation
General**

Incorporated in 1909 the GCSC saw significant growth during its early years. Its student enrollment reached its peak of 41,000 in 1960 and has declined steadily since then, with only 9,817 in 2010 and 5,870 for the fall of 2015. As the fortunes of the "Magic City" of Gary began to slide, so too have those of the GCSC.

With a diminishing student enrollment caused by overall City of Gary population shifts as well as by increased competition from charter schools and suburban schools, the financial conditions grew critical.

With decreasing numbers of students as well as decreasing revenues and proportional increases in expenditures, GCSC finds itself in an operational and financial fight for its life. As an example, since 2004 the District has closed 23 (62%) schools in response to the trend of the City's and the Corporation's fortunes. The two charts that follow track GCSC's stock of schools and students:

SCHOOLS

| Year | Number of Schools | Increase (Decrease) | Percentage Increase (Decrease) |
|------|-------------------|------------------------|-----------------------------------|
| 1970 | 43 | | |
| 2000 | 38 | (5) | (11.62%) |
| 2015 | 15 | (23) | (60.52%) |

STUDENTS

| Academic Year | Number of Students | Number Increase (Decrease) | Percentage Increase (Decrease) |
|------------------|--------------------|----------------------------|--------------------------------|
| 2010 | 11,798 | - | - |
| 2011 | 9,817 | (1,981) | (16.79%) |
| 2012 | 9,164 | (653) | (6.65%) |
| 2013 | 8,922 | (242) | (2.64%) |
| 2014 | 8,594 | (328) | (3.68%) |
| 2015 | 7,107 | (1,487) | (17.30%) |
| 2016 preliminary | 5,870 | (1,237) | (17.41%) |



While the number of GCSC students has diminished, the attributes of GCSC students have remained fairly stable. The following charts offer selected attributes the GCSC student population:

STUDENT POPULATION BY ETHNICITY

| Year | American Indian | Asian | Black | Hispanic | Multiracial | Native Hawaiian or Other Pacific Islander | White | Grand Total |
|------|-----------------|-------|--------|----------|-------------|---|-------|-------------|
| 2011 | 0.15% | 0.06% | 87.64% | 1.20% | 10.38% | 0.00% | 0.57% | 100.00% |
| 2012 | 0.12% | 0.04% | 91.99% | 1.58% | 5.59% | 0.00% | 0.69% | 100.00% |
| 2013 | 0.15% | 0.04% | 92.81% | 1.71% | 4.59% | 0.00% | 0.71% | 100.00% |
| 2014 | 0.08% | 0.06% | 92.98% | 1.74% | 4.37% | 0.00% | 0.77% | 100.00% |
| 2015 | 0.09% | 0.04% | 92.49% | 2.38% | 4.09% | 0.00% | 0.91% | 100.00% |



STUDENT FREE AND REDUCED MEALS

| Year | Free Meals | Reduced Price Meals | Paid Meals | TOTAL ENROLLMENT |
|-------|------------|---------------------|------------|------------------|
| 2011 | 77.69% | 2.35% | 19.96% | 100.00% |
| 2012 | 77.86% | 2.53% | 19.61% | 100.00% |
| 2013 | 78.69% | 2.65% | 18.66% | 100.00% |
| *2014 | 33.06% | 65.22% | 1.72% | 100.00% |
| 2015 | 97.00% | | 3.00% | 100.00% |
| 2016 | 100.00 | | | 100.00% |

* Awaiting contractor response to this anomaly.

SPECIAL EDUCATION POPULATION

| Year | Percentage of Students |
|-------|------------------------|
| 2011 | 18.23% |
| 2012 | 18.60% |
| *2013 | 12.40% |
| 2014 | 18.07% |
| 2015 | 16.34% |
| 2016 | 15.60% |

* Variance Under Review



Summary of Historical Academic Performance Most Recent Comprehensive Plan Effort - CPT2

In order to ensure that the Gary Community School Corporation is strategically positioned to become a premiere educational system that prepares youth for college and career opportunities, the superintendent pulled together a committee of school personnel, community and business leaders and individuals from local universities to begin developing a 5-year strategic plan. The primary charge of this strategic committee was to develop a roadmap that would facilitate the corporation's engagement in practices that would equip students with the necessary life skills that foster college and career readiness in a state-of-the-art learning environment. Hence, the Gary Community School Corporation is committed to doing what is best for students today, tomorrow, every day.

Beginning in October of 2013, representatives from the following organizations and institutions were invited to begin to design a framework to meet the charge of the superintendent. Those invited to the inaugural meeting were: GCSC students, parents, teachers, administrators, staff and members of the Board of Trustees; representatives from Calumet College of St Joseph, Indiana University Northwest, Ivy Tech Community College, Northern Illinois University, Purdue University Calumet, University of Chicago and Valparaiso University; representatives from local businesses and organizations: ARISE Gary, Center, First Midwest and Peoples Bank, Gary Chamber of Commerce, Haywood and Fleming Associates-Risk Management, Times Media Corporation, Teach for America, Gary Youth Services Bureau, City of Gary Workforce Development, and the Gary Local 4 AFT Teachers Union.

To create the conditions for great schools to thrive, GCSC must reinvent how GCSC operates. The Superintendent requested approval of a 5-year transformation plan, which will include the following, to provide stability and capacity for the district:

- Financial Improvement Plan
- Talent Management Improvement Plan
- Education Improvement Plan
- Return of Gary Roosevelt to the District



Academic Performance, Planning and Recommendations

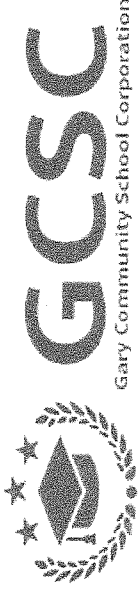
As previously mentioned the primary focus of this DEP is the financial operations of GCSC. However, the following chart reflects the Indiana rating of the various schools that make up the GCSC:

| GARY COMMUNITY SCHOOLS | | | | | | |
|--|------|------|------|------|------|--------|
| School | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Benjamin Banneker Achievement Center | A | A | A | B | A | A |
| Frankie W. McCullough Elementary School | A | A | C | A | A | D |
| New Tech High School | F | D | NA | NA | NA | NA |
| Glen Park Academy For Excellence In Learning | D | C | C | C | C | F |
| Jacques Marquette Elementary School | F | F | F | A | A | D |
| Baily Middle School | C | D | D | C | F | CLOSED |
| Beveridge Elementary School | F | F | F | F | C | F |
| Jefferson Elementary School | F | F | F | D | F | F |
| Williams Elementary School | A | F | | | | |
| William A. Wirt/Emerson V.P.A. Academy | C | D | D | D | F | C |
| Dr. Bernard C. Watson Elementary School | C | F | F | F | F | C |
| Dunbar-Pulaski Middle School | F | F | F | - | - | F |
| West Side Leadership Academy | D | F | F | F | F | C |
| Mary McLeod Bethune Early Childhood Development Center | NA | NA | NA | NA | NA | NA |
| Gary Area Career Center | NA | NA | NA | NA | NA | NA |



The strategic plan committee began to do its due diligence in assessing the needs and challenges of the school corporation. Barriers, opportunities for improvement, best practices and collaborations for partnerships were identified that could be utilized in developing a strategic plan that would facilitate the school corporation returning to a premiere urban learning institution. As a result of the due diligence processes, the following goals have been developed as a guidepost that will allow for the entire school corporation to begin making strategic decisions.

- Goal 1: Academic Improvement - Provide a coherent, horizontally vertically aligned curriculum that enables all students to fulfill local, state and national assessments and to meet the individual needs of all students. Provide cradle to college support and transition.
- Goal 2: Transform Human Resources and Build Sustainable Organizational Infrastructure—To employ staff that will be held accountable for achieving the educational standards established for our students. Skill Acquisition.
- Goal 3: Develop Communication Plan To Inform, Engage, And Connect All - Inform, engage and connect all citizens in the successful implementation of this co-owned strategic plan.
- Goal 4: Create Enriched Culture and Climate Both Internally And Externally—Create a sustainable, positive school climate that fosters youth development, learning and builds trusting relationships at all levels.
- Goal 5: Retool Business Services—Gary Community Schools Corporation will be responsible stewards of public funds and resources by ensuring ongoing fiscal stability while effectively and efficiently utilizing resources to achieve the districts mission.



As a result of the CPT2 and other educational research efforts this DEP Plan includes the following educational/management strategies and recommendations:

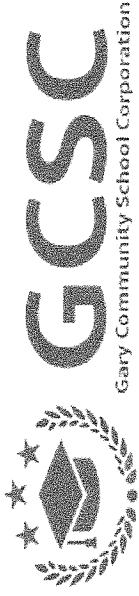
Opportunities for First Steps to a Rapid Path to Academic Improvement

1. Implement grade level meetings to plan for and execute cross-content teaching and learning. These meetings should consider what each core content area is working to teach students and support student projects that incorporate all core content areas. (Examples and specific lesson plans are available upon request.) Rationale - Students must be able to transfer learning from one context to the other. If a mathematics class is working on plotting graphs, the social studies, literacy and science instruction can give students the same experience, using their content, to support student proficiency in this area. This practice supports relevance, helps students make critical connections and builds a platform for enhanced rigor.
2. All lesson plans, for all core subjects should contain, where applicable, support for the other core subject areas. Example - A literacy lesson must support mathematics, social studies and science concepts. This is an integrated approach to teaching and learning. These lesson plans must be monitored carefully.
3. Data reviews must begin immediately. Schools should establish data teams to review data at the state, district, school and classroom levels. Each school must develop a school profile which includes: school demographic data, disaggregated data by student, ethnic group, students with disabilities and SES. Each school must identify which teachers are tied to each set of results and determine the teachers who have had academic success with students so that their strategies can be replicated. These data must be monitored so that it is ensured that instruction is adjusted based on outcomes. Principals must drive this strategy.
4. Professional development for teachers, for the remainder of the school year, must reflect what the data reports students need to know and must be able to do. This is critical as the school district approaches the spring state assessment. This action will set the stage for highly structured progress monitoring for sustainable future student achievement.

5. All classroom developed assessments must reflect the structure of how state assessment questions are written. In other words, students need to have many opportunities to have exposure to the form and format of the assessment. Research has documented that often, students know the content, but the form in which the questions are presented is not familiar to the students.
6. Share assessment data with individual students. Students must be the primary stakeholders in their academic success. Students are partners in the teaching and learning process. Teachers must have individual discussions with students as to where they are, where they need to be and develop and plan for getting there. These discussions should be conducted on a regular basis and documented so that each student plan can be adjusted as required.

Long-range Recommendations for Academic Success - (*Adjustments to the Academic Plan*)

1. Separate academic plan from larger strategic plan. This addendum must outline specific steps for improvement and support each step with data.
2. Construct instructional guides for scope, sequence, pacing and instructional focus for all subject areas.
3. Devise a system for monitoring the progress of each teacher as it relates to scope, sequence and pacing. Require principals to report monthly, as to the percent of teachers on pace.
4. Refine efforts to ensure that all teaching and learning is data-based. Assist teachers in the analysis of student data and the interpretation of data. Furthermore, teachers must know how to monitor and adjust instruction based on these analyses.
5. Conduct a comprehensive diagnostic review of the academic condition and the operational status of each school. This review should result in a corrective action plan that could be a revision to the school improvement plan and the annual evaluation of the principal.
6. Establish a research-based teacher and principal evaluation system.



7. Job-embedded coaching (Academic Coach in Residence) must be available for each school on a daily basis. A professional coach should be assigned to each school as a dedicated resource. This strategy must include continuous progress monitoring of student achievement.
8. Professional Learning Communities must be interdisciplinary. They should extend across the district and contain members from each subject and grade level. This action can support vertical and horizontal articulation.
9. Instruction must support the teaching and learning articulated in the state curriculum standards. Teachers must be advised to teach the established curriculum, but not be limited in how to teach what is required. Performance data must be tied to each teacher for accountability purposes.
10. A system for hiring teachers must be developed to include a process by which candidates demonstrate the following:
 - Possession of strong pedagogical skills which include knowledge of subject, planning for instruction and the delivery of instruction;
 - Ability to show a history of student growth;
 - Ability to manage a classroom effectively;
 - Willingness to develop and implement a professional learning plan;
 - Ability to maintain a stimulating learning environment, accurate record-keeping, communicate effectively and establish a professional rapport with all stakeholders.
11. Establish a review process where the purchase of all academic services and materials must be supported by student performance data prior to procurement.
12. Research the need to establish high school credit-recovery programs and dual enrollment options.
13. Evaluate college and career readiness programs to determine alignment with higher learning and job market demands.
14. Establish school-level Parent Advisory Committees that promote a data-driven approach to increased student achievement.



Summary Financial Performance

Summary of Historical Financial Performance

During the last five years GCSC has continued to face significant academic, operational and financial challenges. Currently GCSC is the only school district that has an F grade. Operationally it is faced with a diminishing student population, facility management issues, financial and accounting challenges as well as others.

Financially, its disbursements continue to outpace its receipts and its debt has grown in its efforts to maintain operations and as a result, its deficit continues to grow. Following is a table that presents the financial results of the District per the two most recent audit reports that covered the period July 1, 2011 through June 30, 2014. The latest audit of the books and records covered the years FY 2013 - FY 2014, however the auditors did not render an opinion on the report because of certain conditions of GCSC records as well as concerns relating to the GCSC weak financial condition. The FY 2015 data has not been audited and was derived from GCSC's books and records.



SUMMARY OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
 (Regulatory Basis - Fiscal Year - All Funds)

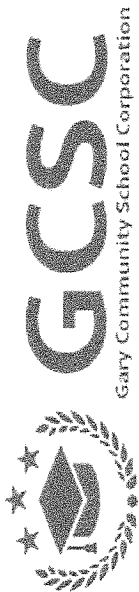
| Year | Receipts | Disbursements | Other Financing Sources (Uses) | Change In Cash and Investments | Cash and Investments Balances July, July 1, |
|------|---------------|---------------|--------------------------------|--------------------------------|---|
| 2010 | - | - | - | - | \$37,284,016 |
| 2011 | \$205,499,319 | \$228,029,528 | \$2,014,258 | (\$20,515,951) | \$16,768,065 |
| 2012 | \$213,695,317 | \$228,374,853 | \$61,398 | (\$14,618,138) | \$2,149,927 |
| 2013 | \$140,657,261 | \$162,675,821 | \$24,146,959 | \$2,128,399 | \$4,278,326 |
| 2014 | \$126,079,936 | \$128,758,645 | \$74,132 | (\$2,604,577) | \$1,673,749 |
| 2015 | TBD | TBD | TBD | TBD | TBD |



THE GARY SCHOOLS - SUMMARY OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES (Regulatory Basis - Selected Funds (A))

| Year | Receipts | Disbursements | Other Financing Sources (Uses) | Change In Cash and Investments | Cash and Investments Balances July 1, |
|----------|---------------|---------------|--------------------------------|--------------------------------|---------------------------------------|
| 2010 | - | - | - | - | \$8,590,969 |
| 2011 | \$129,809,668 | \$137,869,046 | \$982,928 | (\$7,076,450) | \$1,514,519 |
| 2012 | \$131,358,815 | \$147,272,785 | \$2,161,125 | (\$13,752,845) | (\$12,238,326) |
| 2013(B) | \$93,544,771 | \$112,380,988 | \$25,044,240 | \$6,208,023 | (\$6,030,303) |
| 2014 | \$80,374,248 | \$87,119,970 | \$74,132 | (\$6,671,590) | (\$12,701,893) |
| 2015 (C) | \$67,726,608 | 75,975,865 | 5,000,000 | (\$3,249,257) | (\$15,951,150) |

- (A) General, bus replacement, debt, exempt debt, capital projects and transportation funds.
- (B) Other Financing Sources (Uses) primarily consist of long term borrowing and as such increases debt.
- (C) Other Financing Sources (Uses) of a temporary loan.



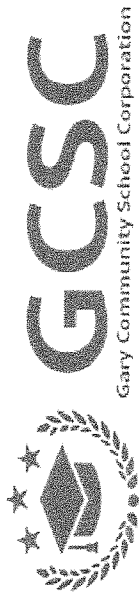
DEBT SUMMARY

GCSC, like many other districts, engages in securing economic resources through borrowing and as such creates debt. The following two charts present a summary of GCSC debt along with related details as of June 30, 2015:

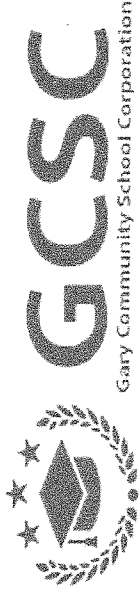
| Debt Class | Balance June 30, 2015 (A) |
|--|---------------------------|
| Tax Anticipation Warrants - Temporary Loan | \$3,750,000 |
| Other Bonds - School Bonds | \$11,835,000 |
| Notes and Loans Payable - Holding Company | \$42,873,000 |
| Common School Loans | \$16,555,738 |
| Total | \$75,014,331 * |

*See Exhibit IV for Debt Amortization Schedule

| NAME/DESCRIPTIONS | INTEREST | PRINCIPAL |
|---|---------------|------------------------------|
| | RATE | BALANCE (A) JUNE 30, 2015 |
| General Obligation Bonds, Series 2009A | 4.00%-4.88% | \$1,665,000 |
| General Obligation Bonds, Series 2009B | 2.25%-5.10% | \$1,610,000 |
| General Obligation Bonds, Series 2009C | 2.25%-5.10% | \$1,665,000 |
| General Obligation Bonds, Series 2009D | 4.00%-4.88% | \$1,665,000 |
| Ad Valorem Property Tax First Mortgage Refunding Bonds, Series 2012 | 2.4%-5% | \$9,688,592 |
| General Obligation Judgement Funding Bonds, Series 2012 | 2.00%-3.25% | \$5,215,000 |
| Tax Ad Valorem Property Tax First Mortgage Bonds, Series 2013 | 4.35% | \$19,365,000 |
| 2015 General Obligation Judgement Bonds, Series 2015 | 2.00% - 3.50% | \$2,000,000 |
| TOTAL | | \$42,873,592 |



| | INTEREST | PRINCIPAL |
|---|-------------|------------------------------|
| NAME/DESCRIPTORS | RATE | BALANCE (A) JUNE 30, 2015 |
| Taxable Ad Valorem Property Tax First Mortgage Bonds, Series 2010 | 6.20%-7.50% | \$11,474,224 |
| Kansas State Bank | 5.54% | \$205,776 |
| \$1.86 Million Bond - Qualified Zone Academy | | \$155,000 |
| TOTAL | | \$11,835,000 |
| A0508 | 4.00% | \$1,486,436 |
| Debt Name: Loan No: A0521 | 1.00% | \$6,649,500 |
| Debt Name: Loan No: A0513 | 4.00% | \$6,820,000 |
| Debt Name: Loan No: A0525 | 4.00% | \$1,498,503 |
| Debt Name: Loan No: A1436 | 1.00% | \$101,300 |
| TOTAL | | \$16,555,739 |
| Temporary Loan | | \$3,750,000 |
| GRAND TOTAL | | \$75,014,331 |



Summary of Financial Performance

Revenues

Revenues (Receipts) are reported based on a number of classification and views. Following is a brief description of the various classifications:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

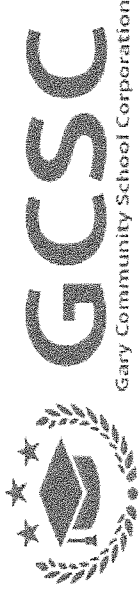
Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.



The three most sources of revenues for GCSC are State Tuition Support, property taxes and grants.

STATE TUITION

GCSC's primary source of revenues is the *State of Indiana Tuition Support*. Total STATE TUITION SUPPORT consists of funding associated with the following components:

The state Funding Formula is comprised of 6 grants: Basic Tuition, Complexity, Full-Day Kindergarten, Honors, Career/Technical Education and Special Education.

Basic Tuition: The state funding formula is slowly transitioning every school district to eventually receive the same per pupil foundation amount.

Complexity Grant: One of the six grants within the School Funding Formula that allocates funds to a school corporation based on a few variables, which includes the percentage of students that received textbook assistance, foundation, and their membership count. The funding varies by school district but typically those districts with higher percentage of students that received textbook assistance receives more dollars with this grant.

Full-Day Kindergarten Grant: This provides funding to each Indiana school district to implement the full-day kindergarten program in their schools. For these schools, the amount received pays for the cost of the program.

Honors Grant: This grant provides funding to the school districts based on the number of students completing the Academic Honors Diploma program (AHD) or Core 40 with Technical Honors. For each student who graduates with this honor, \$1,000 is generated for the school corporation from which they graduated to be used for honors related classes by that school corporation/charter school. For example, if 9 students graduated in May 2014 with an Academic Honors diploma, the school corporation would receive $9 \times \$1,000 = \$9,000$ in Honors funding during FY2015.



OTHER

Career/Technical Education Grant: This provides funding based on labor market demand and wage data calculated according to the following table. For FY2015, the formula uses the fall 2014 career and technical education counts to calculate the grant. The total career & technical education grant is the sum of the dollar associated with the different categories.

The Indiana Department of Workforce Development defines the areas of job demand annually. It is designed to drive an increase of vocational programs into areas of need.

Special Education: Students who are enrolled in special education programs on December 1 of the fiscal year. The grant is the sum of multiplying the count of enrolled students by a formula determined by the IDOE.



EXPENDITURES

HUMAN RESOURCE PERSONNEL

Staffing or personnel expenditures (cost) are the single most significant cost incurred by most school districts. This cost consists of direct salaries and wages paid to employees as well as various types of benefits such as health care, vacation, sick time etc. This is not unlike service organizations in the private sector. In a significant number of organizations personnel costs are driven to a large extent by organized labor or union agreements along with many other factors such as type of skills required, labor supply and demand, etc. Most GCSC employees are covered by union contract that are negotiated periodically.

The following chart is a summary of bargaining units that are a part of the GCSC family:

| Bargaining Unit | Staff Representation | Estimated Number of Staff | Latest Contract Period | Latest Status of Contract |
|--|-----------------------|---------------------------|------------------------|---------------------------|
| Gary Teachers Union, Local No. 4 AFT,AFL-CIO | Teachers and Related | * | June 30, 2015 | Expired |
| Local 73-Division 208 Service Employees Int. Union AFL-CIO | Service Employees | | December 31, 2007 | Expired |
| Pipefitters, Plumbers, Carpenters, Electricians, Etc. | Maintenance Employees | | December 1999 | Expired |

Of the types of personnel cost, direct salaried and wages normally represent the lion's share of personnel cost incurred by any organization. Exhibit II below is a chart that reflects the direct cost/expenditures.

*Awaiting information from HR



**FUND BALANCES
DEBT FUND**

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---------------------------------------|----------------|----------------|----------------|-----------------|
| Beginning Fund Balance | \$ (1,064,538) | \$ (1,055,165) | \$ (6,333,850) | \$ (8,273,040) |
| Projected Revenue (Receipts) | 6,844,319 | 3,682,187 | 3,595,613 | 3,595,613 |
| Increases (Decreases): | | | | |
| | | | | |
| Total Revenues | 6,844,319 | 3,682,187 | 3,595,613 | 3,595,613 |
| Projected Disbursement (Expenditures) | (6,834,946) | (8,960,872) | (5,534,803) | (5,534,803) |
| Increases (Decreases): | | | | |
| | | | | |
| Total Disbursements | (6,834,946) | (8,960,872) | (5,534,803) | (5,534,803) |
| Annual Surplus (Deficit) | 9,373 | (5,278,685) | (1,939,190) | (1,939,190) |
| | | | | |
| Projected Ending Fund Balance | \$ (1,055,165) | \$ (6,333,850) | \$ (8,273,040) | \$ (10,212,230) |



EXEMPT DEBT FUND

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Beginning Fund Balance | \$ (744,666) | \$ 911,586 | \$ 1,397,090 | \$ 3,143,796 |
| Projected Revenue (Receipts) | 4,640,602 | 3,283,094 | 4,535,534 | 4,535,534 |
| Increases (Decreases): | | | | |
| Total Revenues | 4,640,602 | 3,283,094 | 4,535,534 | 4,535,534 |
| Projected Disbursement (Expenditures) | (2,984,350) | (2,797,590) | (2,788,828) | (2,788,828) |
| Increases (Decreases): | | | | |
| Total Disbursements | (2,984,350) | (2,797,590) | (2,788,828) | (2,788,828) |
| Annual Surplus (Deficit) | 1,656,252 | 485,504 | 1,746,706 | 1,746,706 |
| Projected Ending Fund Balance | \$ 911,586 | \$ 1,397,090 | \$ 3,143,796 | \$ 4,890,502 |



CAPITAL PROJECTS FUND

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Beginning Fund Balance | \$ 692,068 | \$ 2,083,593 | \$ 1,521,016 | \$ 1,521,016 |
| Projected Revenue (Receipts) | 4,710,706 | 3,986,757 | 3,146,935 | 3,146,935 |
| Increases (Decreases): | | | | |
| | | | | |
| Total Revenues | 4,710,706 | 3,986,757 | 3,146,935 | 3,146,935 |
| Projected Disbursement (Expenditures) | (3,319,181) | (4,549,334) | (3,146,935) | (3,146,935) |
| Increases (Decreases): | | | | |
| | | | | |
| Total Disbursements | (3,319,181) | (4,549,334) | (3,146,935) | (3,146,935) |
| Annual Surplus (Deficit) | 1,391,525 | (562,577) | 0 | 0 |
| | | | | |
| Projected Ending Fund Balance | \$ 2,083,593 | \$ 1,521,016 | \$ 1,521,016 | \$ 1,521,016 |



TRANSPORTATION FUND

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Beginning Fund Balance | \$ (8,582,935) | \$ (9,403,704) | \$ (9,598,744) | \$ (8,934,595) |
| Projected Revenue (Receipts) | 5,424,365 | 5,090,186 | 5,164,149 | 5,164,149 |
| Increases (Decreases): | | | | |
| | | | | |
| Total Revenues | 5,424,365 | 5,090,186 | 5,164,149 | 5,164,149 |
| Projected Disbursement (Expenditures) | (6,245,134) | (5,285,226) | (4,500,000) | (4,500,000) |
| Increases (Decreases): | | | | |
| | | | | |
| Total Disbursements | (6,245,134) | (5,285,226) | (4,500,000) | (4,500,000) |
| Annual Surplus (Deficit) | (820,769) | (195,040) | 664,149 | 664,149 |
| | | | | |
| Projected Ending Fund Balance | \$ (9,403,704) | \$ (9,598,744) | \$ (8,934,595) | \$ (8,270,446) |



**Current Financial Operations
Forecast Assumptions & Rationale**

Headcount Attrition and RIF

Based on the myriad challenges currently facing the School Corporation, a significant number of retirement eligible employees are retiring.

On June 8 the Superintendent advised the Financial Specialist that 12 more employees will be retiring in the next 6 weeks. The labor categories are the following:

| | |
|--|-----------|
| Teachers, Nurses, Social Workers | 8 |
| Secretaries | 2 |
| Maintenance Other | <u>2</u> |
| Subtotal | 12 |
| RIF Letters to be sent to probationary elementary teachers, based on determination of Deputy Superintendent, Teachers Union President, and Labor Counsel. (Detail Available) | |
| | 20 |
| Retirees – Total July 1, 2015 – June 30, 2016 = 124. | |
| 26 Retirees are still working and will be off payroll on August 19 th . | |
| | <u>26</u> |
| Total | 58 |



State Support per Resident ADM

As of June 2016, School Corporation ADM including Roosevelt High School is 6,493 students. Total basic grant revenue for this same period is \$48,956,346, resulting in grant revenue per child of \$7,540. It is assumed that there will be no material change in ADM funding for the 2017 and 2018 school years but, for conservatism, ADM Funding for these two years is estimated at \$7,250 per child.

For the 2017 school year ADM, excluding Roosevelt High School is estimated to be 5,550 students.

For the 2018 school year, ADM Funding is estimated to be 5,450 students.

These estimates give consideration to plans by the City of Gary to remove 800 “over income” public housing residents from their current homes which we believe will result in many of these families leaving the city of Gary. The extent to which new families will replace those forced to move and the timing of any incoming new residents is not known.

The estimates also assume no material change in school choice enrollment.

Common School Installment Loan Payments

Twice each year, December and June, the General Fund is reimbursed by the Debt Service Non-Exempt and Debt Service Exempt Funds for Debt Service (Principal and Interest) payments deducted each month from the School Corporation Basic State Grant.

It is assumed for the 2016 School Year that December 2015 reimbursement was \$986,320 and that the June 2016 reimbursement will be \$842,068.

For the 2017 School Year, it is assumed that the December 2016 reimbursement will be \$832,352.93 and the June 2017 reimbursement will be \$707,500, a 15% reduction.

For the 2018 School Year, it is assumed that the December 2017 reimbursement will be \$707,000 and the June 2018 reimbursement will be \$601,375, a 15% reduction.

Forecast Summary

| | <u>June</u> | <u>December</u> | <u>Total</u> |
|------|-------------|-----------------|--------------|
| 2016 | \$842,068 | \$986,320 | \$1,828,388 |
| 2017 | 707,500 | 832,353 | 1,539,853 |
| 2018 | 601,375 | 707,500 | 1,308,875 |

Interfund Loans

To satisfy general fund payment obligations the School Corporation has borrowed from other funds. One such borrowing is the textbook contingency fund. The purpose of the fund is to buy textbooks for School Corporation Students, but evidence suggests that the funds have commonly been used to supplement the General Fund and School Corporation Payroll and other non-academic expenses.

In February, 2016 the School Corporation received \$370,715 for the textbook contingency fund. The School Corporation as of June 3, 2016 had unpaid textbook claims of \$136,271. The Financial Specialist directed that a partial payment be made on these outstanding invoices, some of which go back to the year 2014.

For the 2016 forecast, it is assumed that the General Fund borrowed \$234,445 in February 2016 from the textbook contingency fund. For the 2017 and 2018 school years, it is assumed that all textbook contingency fund proceeds will be used to purchase textbooks.



GARY COMMUNITY SCHOOL CORPORATION

GENERAL FUND PROJECTIONS

FY 2016 THROUGH FY 2018

| | PROJECTED General Fund FY 2016 | PROJECTED General Fund FY 2017 | PROJECTED General Fund FY 2018 |
|---------------------------------------|---|---|---|
| Beginning Cash Balance | \$1,429,947 | \$2,740,649 | (\$5,842,917) |
| Income: | | | |
| Local Sources: | | | |
| Building rentals | \$42,000 | \$36,000 | \$36,000 |
| Other | 65,882 | 60,000 | 60,000 |
| Sub-total - local sources | \$107,882 | \$96,000 | \$96,000 |
| State Sources | | | |
| Basic tuition support | \$32,807,211 | \$31,545,600 | \$29,113,987 |
| Honors diploma grant | 27,000 | 27,000 | 27,000 |
| Special education grant | 3,753,550 | 3,753,550 | 3,753,550 |
| Career & technical education | 299,000 | 299,000 | 299,000 |
| Complexity grant | 12,069,585 | 13,007,104 | 13,007,104 |
| Less: Common School Fund Loans | (1,828,388) | (1,828,388) | (1,828,388) |
| Less: Roosevelt Support | (4,829,761) | (5,062,498) | (5,062,498) |
| Less: DUAB Loan Repayment | 0 | (2,500,000) | (2,500,000) |
| Sub-total - state sources | \$42,298,197 | \$39,241,368 | \$36,809,755 |



| | PROJECTED General Fund FY 2016 | PROJECTED General Fund FY 2017 | PROJECTED General Fund FY 2018 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Federal Sources</u> | | | |
| Title I Special Education, Title II | \$5,671,604 | \$5,671,604 | \$5,671,604 |
| Medicaid, erate, indirect, Perkins, JROTC | 673,326 | 750,000 | 750,000 |
| Food Service Reimbursement to General Fund | 597,916 | 600,000 | 600,000 |
| Sub-total federal sources | \$6,942,846 | \$7,021,604 | \$7,021,604 |
| Total Receipts/Revenue | \$49,348,925 | \$46,358,972 | \$43,927,359 |
| <u>Other Financing Sources</u> | | | |
| Temporary State loan - DUAB Common School Fund | \$14,582,700 | \$417,300 | \$0 |
| Less: Tax receipts more (less) than expenditures | - | - | - |
| Plus: Common School Loan Reimbursements | 1,828,388 | 1,539,853 | 1,308,375 |
| Plus: Zero Base Budget Implementation | - | 400,000 | 400,000 |
| Plus: Property Auction | - | 100,000 | - |
| Plus: School Closure Savings | - | 1,232,993 | 1,923,537 |
| Sub-total other financing sources | \$16,411,088 | \$3,690,146 | \$3,631,912 |
| Revenues And Other Financing Sources | \$65,760,013 | \$50,049,118 | \$47,559,271 |



| | PROJECTED General Fund FY 2016 | PROJECTED General Fund FY 2017 | PROJECTED General Fund FY 2018 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Expenditures:</u> | | | |
| Personnel – Salaries | \$43,326,015 | \$39,859,934 | \$36,671,139 |
| Personnel – Benefits | 11,446,702 | 10,530,966 | 9,688,489 |
| Employer FICA | 3,236,016 | 2,977,134 | 2,738,964 |
| Less: Employee Contributions | (2,500,000) | (2,300,000) | (2,116,000) |
| Plus: "TRF" and "PERF" | 3,449,106 | 3,173,178 | 2,919,323 |
| Non - Personnel Operating Expenses | 10,310,574 | 9,210,574 | 9,210,574 |
| Less: Expenses charged to Capital Projects and Transportation Funds and Reconciliation Adjustments | (4,819,102) | (4,819,102) | (4,819,102) |
| Total Expenditures | \$64,449,311 | \$58,632,684 | \$54,293,387 |
| Expenditures and Other Financing Uses | \$64,449,311 | \$58,632,684 | \$54,293,387 |
| Revenues And Other Financing Sources Over Expenditures and Other Financing Uses | \$1,310,702 | (\$8,583,566) | (\$6,734,116) |
| End-Of-Year Balances | \$2,740,649 | (\$5,842,917) | (\$12,577,033) |
| ADM | 6,200.0 | 5,550.0 | 5,450.0 |
| Number Increase (Decrease) | N/A | (650.00) | (100.00) |
| Percentage Increase(Decrease) | N/A | -11.71% | -1.82% |

[1] Excludes Roosevelt.



GARY COMMUNITY SCHOOL CORPORATION
GENERAL FUND
COMPUTATION OF PROJECTED FUND BALANCE
FY 2016 - FY 2018

| | PROJECTED General Fund FY 2016 | PROJECTED General Fund FY 2017 | PROJECTED General Fund FY 2018 |
|--|---|---|---|
| PROJECTED OPERATING ENDING CASH BALANCE | | | |
| Prior Year Liabilities Liquidation | \$2,740,649 | (\$5,842,917) | (\$12,577,033) |
| Projected Ending Cash Balance | (2,616,277) | 0 | 0 |
| | \$124,372 | (\$5,842,917) | (\$12,577,033) |
| Less Liabilities June 30, : | | | |
| Accounts Payables | (9,982,445) | (9,982,445) | (9,982,445) |
| Internal Revenue Service | (8,000,000) | (8,000,000) | (8,000,000) |
| Common School Loans | (29,991,012) | (26,859,169) | (23,306,891) |
| Total liabilities | (\$47,973,457) | (\$44,841,614) | (\$41,289,336) |
| PROJECTED FUND BALANCE | (\$47,849,085) | (\$50,684,531) | (\$53,866,369) |



GENERAL FUND

| | PROJECTED General Fund FY 2016 | PROJECTED General Fund FY 2017 | PROJECTED General Fund FY 2018 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| Beginning Cash Balance | \$1,429,947 | \$2,740,649 | (\$5,842,917) |
| Projected Revenues (Receipts) | | | |
| Increases (Decreases) | | | |
| Local Resources | 107,882 | 96,000 | 96,000 |
| Intermediate Sources | 0 | 0 | 0 |
| State Aid | 42,298,197 | 39,241,368 | 36,809,755 |
| Federal Grants - Title I, II, Perkins, JROTC | 6,942,846 | 7,021,604 | 7,021,604 |
| Temporary Financing Sources | <u>16,411,088</u> | <u>3,690,146</u> | <u>3,631,912</u> |
| Total Revenues and Other Financing Sources | \$65,760,013 | \$50,049,118 | \$47,559,271 |
| Projected Disbursements (Expenditures) | | | |
| Personnel Costs | 58,957,839 | 54,241,212 | 49,901,915 |
| Other Operating Expenses | <u>5,491,472</u> | <u>4,391,472</u> | <u>4,391,472</u> |
| Total Disbursements | \$64,449,311 | \$58,632,684 | \$54,293,387 |
| Annual Operating Surplus (Deficit) | \$1,310,702 | (\$8,583,566) | (\$6,734,116) |



Conclusions and Recommendations

The Gary Community School Corporation has faced significant challenges and financial headwinds for many years. The decline of the School Corporation has mirrored the decline of the City of Gary which resulted from the Global Restructuring of the Steel Industry. Job losses have resulted in major declines in the City of Gary population and in the number of school age children in the city. Job losses have also fueled a general economic decline with fewer businesses and individuals paying property taxes.

Exacerbating these local issues is the nationwide movement away from the traditional public education model. With the passage of the Federal No Child Left Behind Act in 2001 School Choice was seen as a tool to improve K-12 academic improvement throughout the United States. For GCSC this means that approximately one-half (50%) of school aged children in the City of Gary are not receiving their education at a GCSC School.

There is no evidence that the headwinds facing the City of Gary and the GCSC will abate in the near future, but as other previously great cities are experiencing “turn arounds,” the same can happen in the City of Gary.

The State Board of Accounts Financial Statement and Federal Single Audit Report for the Period July 1, 2012 – June 30, 2014, page 4 and page 15, Note 8, raised “Going Concern” questions regarding the GCSC. MADM concurs with the Auditors Observations. As of the date of this report, the GCSC does not have the revenue to satisfy all of its payroll obligations for the month of September, 2016. This condition exists assuming no vendor payments, including employee fringe benefits.

The Auditors noted:

- Challenging Future
 - Debt Burden Too High
 - Continued Loss of Enrollment
 - Vicious Cycle:
 - o Student Enrollment Declines
 - o Lost Revenue, Cost Cutting and School Closures, Student Enrollment Declines and Lost Revenue



Recommendations:

- Continue implementation of Structural Rightsizing as proposed in the body of this Plan (staff and facilities)
- Eliminate Annual Operating Deficit during the 2017 School Year, currently estimated at approximately \$9 million.
- The GCSC has made additional significant reductions in labor expenses during the 2016 school year. As in past years, however, revenue losses have offset expense reduction initiatives. **At the present time the GCSC will not be able to meet all of its payroll obligations for the month of September 2016 which has 3 paydays.** Many of the expense reductions initiatives to which the GCSC Board of School Trustees accepted during the last year were “blocked” when implementation was to occur.
- The immediate implementation of Scenario One will not cure the GCSC short-term cash problem, but will assist in longer term solvency. The GCSC Superintendent has concerns that full implementation of Scenario One will erode the teaching staff to a level that will not permit Gary students to be properly educated. If the Superintendent’s conclusions are valid, there must be a discussion of the viability of GCSC as a “Going Concern.”
- Engage the Mayor, other elected officials and citizens of the City of Gary to support the November Referendum. This initiative, coupled with the continued full implementation of all cost reduction initiatives, could ensure that the GCSC returns to solvency.
- Conditioned on the GCSC Board of School Trustees approval of ALL cost reduction and revenue enhancement initiatives, **AND** the implementation of these initiatives, consider additional Common School Fund Loan Assistance to the GCSC.
- With the Referendum, the GCSC will be able to make payroll, make critical vendor payments and start to reduce its other liabilities. Without the Referendum or other revenue support the ability of the GCSC to continue as a Going Concern is questionable.
- In concert with the DUAB and the State of Indiana Department of Education, research options for dissolving or consolidating the GCSC if the Fall ADM shows a material decline in enrollment.



EXHIBITS



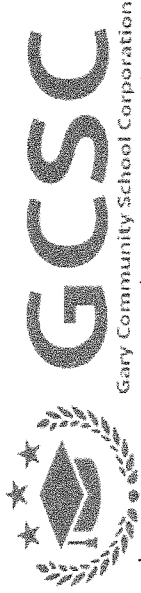
EXHIBIT I - LATEST AUDIT (FY 2013 - FY 2014)
SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES) AND CASH AND
INVESTMENTS BALANCES

| Funds | Cash and Investments 07-01-2012 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-2013 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-2014 |
|--------------------------|---------------------------------|--------------|---------------|--------------------------------|---------------------------------|--------------|---------------|--------------------------------|---------------------------------|
| General | (\$2,850,362) | \$72,770,708 | \$89,188,105 | \$20,155,156 | \$887,397 | \$64,943,468 | \$68,965,752 | \$74,132 | (\$3,060,755) |
| Debt Service | \$4,820 | \$2,278,233 | \$2,482,323 | \$201,998 | \$2,728 | \$2,634,968 | \$3,702,234 | | (\$1,064,538) |
| Exempt Debt | \$752,311 | \$4,692,931 | \$5,401,387 | | \$43,855 | \$3,305,474 | \$4,093,995 | | (\$744,666) |
| Capital Projects | (\$2,622,525) | \$6,649,095 | \$8,312,291 | \$4,687,066 | \$401,365 | \$4,203,225 | \$3,884,858 | | \$719,732 |
| School Transportation | (\$7,522,570) | \$7,153,804 | \$6,996,882 | | (\$7,365,648) | \$5,287,173 | \$6,473,131 | | (\$8,551,606) |
| Rainy Day | | | | | | | | | |
| Construction | \$206,871 | | \$4,315 | | \$202,556 | | | | \$202,556 |
| School Lunch | \$1,225,740 | \$4,176,286 | \$4,993,617 | | \$408,409 | \$4,549,562 | \$2,785,101 | | \$2,172,870 |
| Textbook Rental | \$5,027,175 | \$529,200 | \$105,612 | | \$5,450,763 | \$416,575 | | | \$5,867,338 |
| Self-Insurance | \$8,245,261 | \$761,335 | \$2,158,329 | (\$873,171) | \$5,975,096 | \$718,324 | \$567,136 | | \$6,126,284 |
| Alternative Education | \$21,784 | \$23,219 | \$11,560 | (\$23,219) | \$10,224 | | | | \$10,224 |
| Early Intervention Grant | \$80,368 | \$19,900 | \$2,742 | | \$97,526 | | \$19,083 | | \$78,443 |
| Extra-Curricular | \$13,034 | | \$18,317 | | (\$5,283) | | | | (\$5,283) |
| Construction, | \$12,217 | | | | \$12,217 | | | | \$12,217 |
| Special Education United | \$37,980 | \$8,375 | \$280 | | \$46,075 | \$7,529 | | | \$53,604 |
| Gifted and Talented | \$9,593 | \$63,967 | \$50,744 | | \$22,816 | \$55,182 | \$30,547 | | \$47,451 |

| Funds | Cash and Investments 07-01-2012 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-2013 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-2014 |
|--|---------------------------------|-------------|---------------|--------------------------------|---------------------------------|-------------|---------------|--------------------------------|---------------------------------|
| Medicaid | \$630 | \$108,081 | \$108,081 | | \$630 | \$62,646 | \$1,557 | | \$61,719 |
| Non-English Speaking Programs P. L. 273-1999 | \$7,085 | \$1,886 | | | \$8,971 | | \$1,500 | | \$7,471 |
| Technology Grants (IC 20-40-15) | \$210,281 | \$2,402 | \$103,923 | | \$108,760 | \$2,225 | \$58,362 | | \$52,623 |
| WGVE Broadcast | \$38,908 | \$106,125 | \$131,257 | | \$13,776 | \$101,630 | \$82,470 | | \$32,936 |
| Title I School Improvement | (\$47,623) | \$165,344 | \$118,910 | | (\$1,189) | \$194,500 | \$230,163 | | (\$36,852) |
| School Improvement 1003g | (\$61,823) | \$4,159,676 | \$4,228,864 | | (\$131,011) | \$4,393,128 | \$5,108,634 | | (\$846,517) |
| School Improvement - Bailey and Lew Wallace | (\$32,322) | \$116,624 | \$84,302 | | | | | | |
| Title I | (\$208,402) | \$7,326,529 | \$7,582,743 | (\$891) | (\$463,507) | \$7,560,046 | \$7,202,562 | | (\$106,023) |
| Impact Aid | \$32,766 | \$3,411 | \$24,017 | | \$12,160 | \$19,952 | \$1,750 | | \$24,362 |
| Improvement Special Education Award | | \$38,900 | \$47,760 | | (\$8,860) | | | | (\$8,860) |
| Special Education Improvement | (\$657,134) | \$1,296,272 | \$2,778,265 | | (\$2,139,127) | \$1,153,249 | \$2,869,673 | | (\$3,855,551) |
| Special Education Preschool Grant | (\$35,748) | \$173,719 | \$164,816 | | (\$26,845) | \$19,365 | \$161,060 | | (\$168,540) |
| Adult Education and Family Literacy, Title II | (\$18,125) | \$163,790 | \$180,653 | | (\$34,988) | \$190,896 | \$200,457 | | (\$44,549) |
| Adult Education Vouchers | \$6,901 | \$569 | \$12,067 | | (\$4,597) | | | | (\$4,597) |
| Adult Education Remediation | | | \$4,710 | | (\$4,710) | | | | (\$4,710) |
| Safe and Drug Free Schools | \$32,625 | | \$31,335 | | \$1,290 | | | | \$1,290 |
| Title II - Dwight D. Eisenhower - Science and Math Technology Grants | \$2,250 | | | | \$2,250 | | | | \$2,250 |
| UTEP | \$7,333 | | | | \$7,333 | | | | \$7,333 |
| Carl D. Perkins Medicaid Reimbursement - Federal | (\$15,469) | \$387,128 | \$403,293 | | (\$31,634) | \$464,523 | \$444,453 | | (\$11,564) |
| Improving Teaching Quality, No Child Left, Title II, Part A | \$65,408 | \$279,500 | \$11,955 | | \$332,953 | \$172,777 | \$7,594 | | \$498,136 |
| | (\$262) | \$898,635 | \$1,042,342 | | (\$143,969) | \$1,499,456 | \$1,343,830 | | \$11,657 |
| Title III - Language Instruction | | | | | | \$480 | \$575 | | (\$95) |

| Funds | Cash and Investments 07-01-2012 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-2012 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-2011 |
|---|---------------------------------|----------------------|----------------------|--------------------------------|---------------------------------|----------------------|----------------------|--------------------------------|---------------------------------|
| Deep River | \$926 | | | | \$926 | | | | \$926 |
| Technology | (\$37,698) | \$231,278 | \$156,649 | | \$36,931 | \$4,466 | \$211,846 | | (\$170,449) |
| Vision Athena | \$8,635 | | | | \$8,635 | | | | \$8,635 |
| Common School Loan | \$11,734 | | | | \$11,734 | | | | \$11,734 |
| ARRA Title I - Grants to LEAs | (\$2,212) | | | | (\$2,212) | | | | (\$2,212) |
| ARRA Special Education - Part B | | | (\$39,233) | | \$39,233 | | | | \$39,233 |
| McKinney - Vento Education for Homeless | | | \$1,550 | | (\$1,550) | \$58,721 | \$56,238 | | \$933 |
| Education Jobs | | \$67,137 | \$67,137 | | | | | | |
| Employee FICA | | \$4,395,455 | \$4,395,455 | | | \$4,435,179 | \$2,863,087 | | \$1,572,092 |
| Employee Pensions | \$87,195 | \$257,224 | \$177,895 | | \$166,524 | \$206,499 | \$343,835 | | \$29,188 |
| Savings Bonds | | | \$123 | | (\$123) | | | | (\$123) |
| Employee Insurance | \$55,754 | \$1,917,276 | \$1,670,972 | | \$302,058 | \$2,161,105 | \$2,269,355 | | \$193,808 |
| FIT | | \$8,235,100 | \$8,235,100 | | | \$7,236,822 | \$4,710,627 | | \$2,526,195 |
| State Tax | | \$2,150,793 | \$2,150,793 | | | \$2,472,199 | \$2,472,199 | | |
| Annuities | (\$2,125) | \$3,571,773 | \$3,571,858 | | (\$2,210) | \$2,924,421 | \$2,925,514 | | (\$3,303) |
| Garnishments | (\$476) | \$845,232 | \$834,132 | | \$10,624 | \$720,032 | \$731,135 | | (\$479) |
| Union Dues | \$23,946 | \$929,242 | \$932,297 | | \$20,891 | \$774,280 | \$776,975 | | \$18,196 |
| Withholdings (Misc. Deductions) | \$71 | \$10,324 | \$10,324 | | \$71 | \$12,189 | \$12,189 | | \$71 |
| Credit Union | \$30 | \$2,920,313 | \$2,920,928 | | (\$585) | \$2,345,229 | \$2,345,229 | | (\$585) |
| Provident Life Insurance | | \$104,024 | \$103,735 | | \$289 | \$150,925 | \$150,866 | | \$348 |
| Short-Term Disability | \$57 | \$265,414 | \$265,429 | | \$42 | \$275,095 | \$274,987 | | \$150 |
| Retirees Life Insurance | \$95,114 | \$999,032 | \$494,880 | | (\$734) | \$352,421 | \$378,086 | | (\$26,999) |
| Totals | \$2,149,927 | \$140,657,261 | \$162,675,821 | \$24,146,959 | \$4,278,326 | \$126,079,936 | \$128,758,645 | \$74,132 | \$1,673,749 |

| Funds | Cash and Investments 07-01-2012 | Receipts | Disbursements | Other Financing Sources(Uses) | Cash and Investments 06-30-2013 |
|---|------------------------------------|---------------|---------------|----------------------------------|------------------------------------|
| General | \$ (2,850,362) | \$ 72,770,708 | \$ 89,188,105 | \$ 20,155,156 | \$ 887,397 |
| Debt Service | 4,820 | 2,278,233 | 2,482,323 | 201,998 | 2,728 |
| Exempt Debt | 752,311 | 4,692,931 | 5,401,387 | | 43,855 |
| Capital Projects | (2,622,525) | 6,649,095 | 8,312,291 | 4,687,086 | 401,365 |
| School Transportation | (7,522,570) | 7,153,804 | 6,996,882 | | (7,365,648) |
| Rainy Day | | | | | - |
| Construction | 206,871 | | 4,315 | | 202,556 |
| School Lunch | 1,225,740 | 4,176,286 | 4,993,617 | | 408,409 |
| Textbook Rental | 5,027,175 | 529,200 | 105,612 | | 5,450,763 |
| Self-Insurance | 8,245,261 | 761,335 | 2,158,329 | (873,171) | 5,975,096 |
| Alternative Education | 21,784 | 23,219 | 11,560 | (23,219) | 10,224 |
| Early Intervention Grant | 80,368 | 19,900 | 2,742 | | 97,526 |
| Extra-Curricular Activities | 13,034 | | 18,317 | | (5,283) |
| Construction, Remodeling, and Equipping Buildings | 12,217 | | | | 12,217 |
| Special Education United Way | 37,980 | 8,375 | 280 | | 46,075 |
| Gifted and Talented | 9,593 | 63,967 | 50,744 | | 22,816 |
| Medicaid Reimbursement | 630 | 108,081 | 108,081 | | 630 |
| Non-English Speaking Programs P.L. 273-1999 | 7,085 | 1,886 | | | 8,971 |
| Technology Grants [IC 20-40-15] | 210,281 | 2,402 | 103,923 | | 108,760 |
| WGVE Broadcast | 38,908 | 106,125 | 131,257 | | 13,776 |
| Title I School Improvement | (47,623) | 165,344 | 118,910 | | (1,189) |
| School Improvement 1003g | (61,823) | 4,159,676 | 4,228,864 | | (131,011) |
| School Improvement - Bailly and Lew Wallace | (32,322) | 116,624 | 84,302 | | - |
| Title I | (208,402) | 7,328,529 | 7,582,743 | (891) | (463,507) |
| Impact Aid | 32,766 | 3,411 | 24,017 | | 12,160 |
| Improvement Special Education Award | | 38,900 | 47,760 | | (8,860) |



| Funds | Cash and Investments 07-01-2012 | Receipts | Disbursements | Other Financing Sources(Uses) | Cash and Investments 06-30-2013 |
|--|------------------------------------|-----------|---------------|----------------------------------|------------------------------------|
| Special Education Improvement | (657,134) | 1,296,272 | 2,778,265 | | (2,139,127) |
| Special Education Preschool Grant | (35,748) | 173,719 | 164,816 | | (26,845) |
| Adult Education and Family Literacy, Title II | (18,125) | 163,790 | 180,653 | | (34,988) |
| Adult Education Vouchers | 6,901 | 569 | 12,067 | | (4,597) |
| Adult Education Remediation | | | 4,710 | | (4,710) |
| Safe and Drug Free Schools | 32,625 | | 31,335 | | 1,290 |
| Title II - Dwight D. Eisenhower - Science and Math Technology Grants | 2,250 | | | | 2,250 |
| UTEP | 7,333 | | | | 7,333 |
| Carl D. Perkins | (15,469) | 387,128 | 403,293 | | (31,634) |
| Medicaid Reimbursement - Federal | 65,408 | 279,500 | 11,955 | | 332,953 |
| Improving Teaching Quality, No Child Left, Title II, Part A | (262) | 898,635 | 1,042,342 | | (143,969) |
| Title III - Language Instruction | | | | | - |
| Deep River | 926 | | | | 926 |
| Technology | (37,698) | 231,278 | 156,649 | | 36,931 |
| Vision Athena | 8,635 | | | | 8,635 |
| Common School Loan | 11,734 | | | | 11,734 |
| ARRA Title I - Grants to LEAs | (2,212) | | | | (2,212) |
| ARRA Special Education - Part B | | | (39,233) | | 39,233 |
| McKinney - Vento Education for Homeless | | | 1,550 | | (1,550) |
| Education Jobs | | 67,137 | 67,137 | | - |
| Employee FICA | | 4,395,455 | 4,395,455 | | - |
| Employee Pensions | 87,195 | 257,224 | 177,895 | | 166,524 |
| Savings Bonds | | | 123 | | (123) |
| Employee Insurance | 55,754 | 1,917,276 | 1,670,972 | | 302,058 |
| FIT | | 8,235,100 | 8,235,100 | | - |
| State Tax | | 2,150,793 | 2,150,793 | | - |



| Funds | Cash and Investments 07-01-2012 | Receipts | Disbursements | Other Financing Sources(Uses) | Cash and Investments 06-30-2013 |
|---------------------------------|------------------------------------|-----------------------|-----------------------|----------------------------------|------------------------------------|
| Annuities | (2,125) | 3,571,773 | 3,571,858 | | (2,210) |
| Garnishments | (476) | 845,232 | 834,132 | | 10,624 |
| Union Dues | 23,946 | 929,242 | 932,297 | | 20,891 |
| Withholdings (Misc. Deductions) | 71 | 10,324 | 10,324 | | 71 |
| Credit Union | 30 | 2,920,313 | 2,920,928 | | (585) |
| Provident Life Insurance | | 104,024 | 103,735 | | 289 |
| Short-Term Disability | 57 | 265,414 | 265,429 | | 42 |
| Retirees Life Insurance | 35,114 | 399,032 | 434,880 | | (734) |
| Totals | \$ 2,149,927 | \$ 140,657,261 | \$ 162,675,821 | \$ 24,146,959 | \$ 4,278,326 |



EXHIBIT II

Analysis of Compensation Trends

| YEAR | CY 2013 | CY 2014 | 2014 Increase (Decrease) | CY 2015 | 2015 Increase (Decrease) |
|----------------------|-----------------|-----------------|---------------------------------|-----------------|---------------------------------|
| COMPENSATION | \$62,586,466.13 | \$55,739,235.05 | (\$6,847,231.08) | \$46,466,540.24 | (\$9,272,694.81) |
| Percentage | | | -10.94% | | -16.64% |
| JOB TITLE | CY 2013 | CY 2014 | 2014 Increase (Decrease) | CY 2015 | 2015 Increase (Decrease) |
| Cadre Teacher | \$596,442.95 | \$523,935.15 | (\$72,507.80) | \$199,051.15 | (\$324,884.00) |
| Elementary principal | \$1,038,816.56 | \$1,013,622.25 | (\$25,194.31) | \$992,972.26 | (\$20,649.99) |
| Full Day Kndgrtn | \$1,875,813.95 | \$1,975,000.41 | \$99,186.46 | \$1,490,619.51 | (\$484,380.90) |
| Instructional 1 To 1 | \$0.00 | \$593,811.92 | \$593,811.92 | \$605,391.15 | \$11,579.23 |
| P- bus Attend't | \$564,732.03 | \$609,907.82 | \$45,175.79 | \$390,475.32 | (\$219,432.50) |
| Secretary III | \$925,391.58 | \$916,160.31 | (\$9,231.27) | \$834,137.71 | (\$82,022.60) |
| Secretary IV | \$920,619.15 | \$789,552.84 | (\$131,066.31) | \$669,671.25 | (\$119,881.59) |
| Sub Food Service Dtd | \$895,502.52 | \$789,552.84 | (\$105,949.68) | \$22,433.52 | (\$767,119.32) |



| YEAR | CY 2013 | | CY 2014 | | CY 2015 | | 2015 Increase (Decrease) | |
|----------------------------|-----------------|-----------------|------------------|-----------------|------------------|--|--------------------------|--|
| | | | | | | | | |
| Sub Teacher-Ba/Dtd | \$892,173.66 | \$826,915.00 | (\$65,258.66) | \$910,552.50 | \$83,637.50 | | | |
| Sub Tchr-Licensed | \$595,865.83 | \$802,129.58 | \$206,263.75 | \$344,868.45 | (\$457,261.13) | | | |
| Teacher- English | \$1,793,251.85 | \$1,369,042.69 | (\$424,209.16) | \$1,095,340.60 | (\$273,702.09) | | | |
| Teacher-Art | \$812,183.13 | \$639,619.90 | (\$172,563.23) | \$596,199.62 | (\$43,420.28) | | | |
| Teacher-Fifth Grade | \$1,729,599.46 | \$1,422,552.02 | (\$307,047.44) | \$1,083,674.00 | (\$338,878.02) | | | |
| Teacher-First Grade | \$1,908,907.60 | \$1,422,552.02 | (\$486,355.58) | \$1,352,311.28 | (\$70,240.74) | | | |
| Teacher-Fourth Grade | \$1,689,604.57 | \$1,500,254.33 | (\$189,350.24) | \$1,430,922.31 | (\$69,332.02) | | | |
| Teacher-Math | \$1,468,823.36 | \$1,311,413.37 | (\$157,409.99) | \$1,390,438.20 | \$79,024.83 | | | |
| Teacher-Music Choral | \$829,227.75 | \$647,570.40 | (\$181,657.35) | \$434,609.75 | (\$212,960.65) | | | |
| Teacher-Physical Ed | \$914,909.69 | \$879,628.76 | (\$35,280.93) | \$816,732.18 | (\$62,896.58) | | | |
| Teacher-Science | \$1,129,644.10 | \$1,064,835.26 | (\$64,808.84) | \$1,114,663.18 | \$49,827.92 | | | |
| Teacher-Second Grade | \$1,677,421.42 | \$1,585,772.20 | (\$91,649.22) | \$1,406,887.05 | (\$178,885.15) | | | |
| Teacher-Sixth Grade | \$1,209,966.46 | \$953,200.55 | (\$256,765.91) | \$511,709.33 | (\$441,491.22) | | | |
| Teacher-Social Studies | \$1,004,597.45 | \$1,053,712.80 | \$49,115.35 | \$882,827.56 | (\$170,885.24) | | | |
| Teacher-Spanish | \$502,578.04 | \$417,888.12 | (\$84,689.92) | \$369,564.91 | (\$48,323.21) | | | |
| Teacher-Third Grade | \$1,608,765.39 | \$1,146,927.96 | (\$461,837.43) | \$1,426,104.65 | \$279,176.69 | | | |
| Tnc- librarian | \$1,059,420.56 | \$901,202.19 | (\$158,218.37) | \$631,780.02 | (\$269,422.17) | | | |
| Tnc-Counselor | \$1,008,315.37 | \$1,077,082.35 | \$68,766.98 | \$1,070,188.84 | (\$6,893.51) | | | |
| Tnc-Nurse | \$862,977.84 | \$682,747.59 | (\$180,230.25) | \$631,837.64 | (\$50,909.95) | | | |
| Tnc-Soc. Worker | \$1,365,058.56 | \$1,125,677.77 | (\$239,380.79) | \$1,088,630.03 | (\$37,047.74) | | | |
| Tse-Eh | \$1,521,638.56 | \$1,328,361.92 | (\$193,276.64) | \$1,021,569.43 | (\$306,792.49) | | | |
| Tse-Ld | \$975,187.44 | \$706,301.01 | (\$268,886.43) | \$671,811.51 | (\$34,489.50) | | | |
| Tse-Mimh | \$1,823,733.53 | \$1,342,684.58 | (\$481,048.95) | \$1,000,890.27 | (\$341,794.31) | | | |
| Tse-Momh | \$597,469.08 | \$673,379.16 | \$75,910.08 | \$496,242.35 | (\$177,136.81) | | | |
| Tse-Speech/Language | \$543,664.89 | \$460,416.17 | (\$83,248.72) | \$301,948.53 | (\$158,467.64) | | | |
| Custodian N/R A | \$589,648.62 | \$524,967.48 | (\$64,681.14) | \$339,727.29 | (\$185,240.19) | | | |
| TOTAL FOR ABOVE JOB TITLES | \$36,931,952.95 | \$33,078,378.72 | (\$3,853,574.23) | \$27,626,783.35 | (\$5,451,595.37) | | | |
| Percentage Decrease | | | -10.43% | | -19.73% | | | |
| SOURCE: Forms 100R. | | | | | | | | |



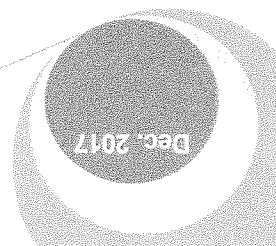
EXHIBIT III
ZERO BASE BUDGET MANUAL

**GARY COMMUNITY SCHOOL CORPORATION
ZERO BASE BUDGETING
IMPLEMENTATION MANUAL
YEAR ENDING DECEMBER 31, 2017**

| | |
|---------|--|
| 31 | GLOSSARY OF TERMS |
| 29 – 30 | SUMMARY OF BUDGET DEVELOPMENT AND IMPLEMENTATION STEPS |
| 21 – 28 | DECISION PACKAGES FORMS |
| 19 – 20 | CALENDAR FOR THE BUDGETING CYCLE (SECTION V) |
| 17 – 18 | INSTRUCTION FOR RANKING PROCESS (SECTION IV) |
| 9 – 1 | INSTRUCTIONS FOR DEVELOPMENT OF DECISION PACKAGES (SECTION III) |
| 8 | FRAMEWORK FOR IMPLEMENTATION OF ZERO BASE BUDGETING (SECTION II) |
| 4 – 7 | ZERO-BASE BUDGETING – ITS PURPOSE, OBJECTIVES AND CONCEPTS (SECTION I) |
| 1 – 3 | INTRODUCTION |

PAGE(S)

TABLE OF CONTENTS



1. Linkage to the long-range planning process.
2. Support, involvement and commitment of top management.
3. A vehicle for generating imagination by managers.
4. A vehicle for selling concepts and the ideas it brings to the surface.

Properly and successfully implemented, Zero-Base budgeting can provide:

One Possible Solution To These Problems – ZERO BASE BUDGETING

As a result, strategic planning becomes a rather academic exercise, full of unrealized dreams and short on genuine accomplishments.

1. Translate good intentions and objectives of a long-range plan into a practical, realistic, affordable, and achievable tactical budget plan.
2. Thoroughly assess and decide on each spending request by considering small, manageable, understandable packages, each of which stands or falls on its own merits.
3. Determine how to channel scarce resources toward the most cost-effective programs and project.

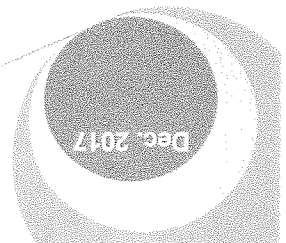
The financial challenges faced by the GCSC are no different than those of other public and private organizations faced with limited resources requiring a budgeting system that can:

Management Challenges Presented By Employment of Traditional Budgeting

Historically GCSC has employed an incremental budgeting process. In recent years, due to financial constraints, a status quo or expenditures reduction approach has generally been the budget development guidelines followed by GCSC managers and executives. In most cases, this has meant that only inflation and no salaries or wage increases were to be reflected in the budgets being developed. With the continuing declining financial condition of GCSC it has had to continue to reduce its expenditure budget and look for revenue enhancements. This situation creates both opportunities and challenges.

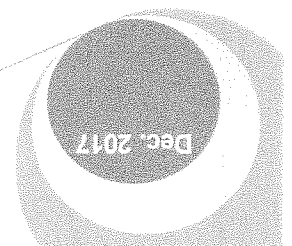
Background

INTRODUCTION



Zero Base Budgeting (ZBB) is defined as: An operating planning and budgeting process which requires each manager to justify his or her entire budget request in detail (from scratch or based on targeted reductions) and shifts the burden of proof to each manager to justify why he or she should spend any money at all or targeted levels. This approach requires that all activities be identified in "decision packages" which will be evaluated by systematic analysis and ranked in order of importance. Exhibit I, that follow, presents a graphic illustration of the Zero Base Budget Process.

What Is It



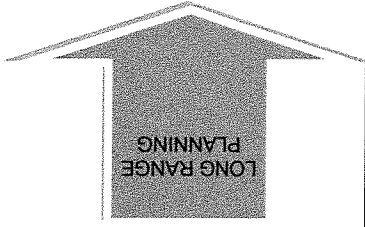
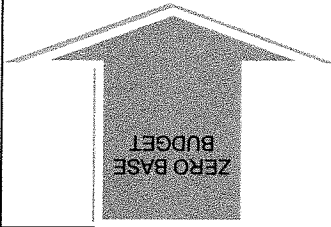
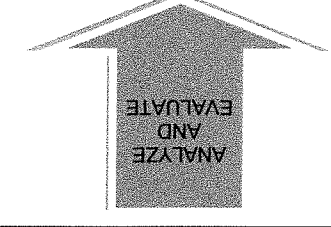
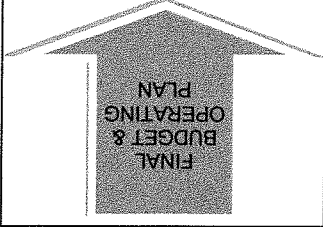
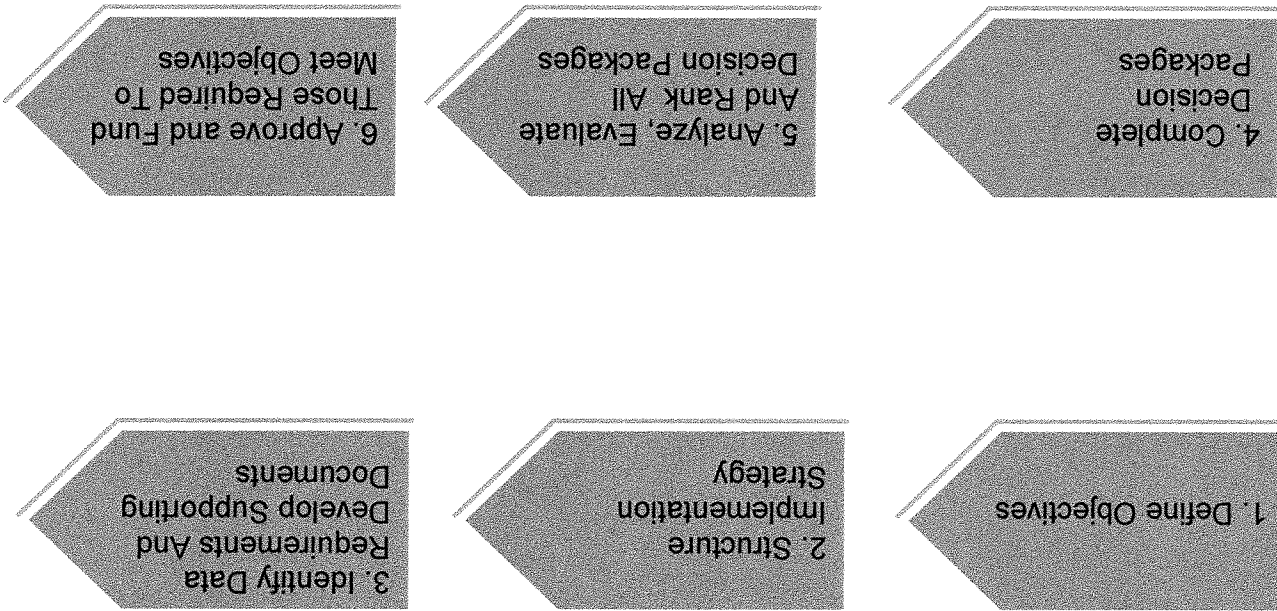
| | | | |
|---|---|---|---|
|  |  |  |  |
| MAJOR STEPS | | | |
| Make basic policy decisions | Specify in detail and evaluate all activities, alternatives, and cost to achieve plan | Determine compatibility of Decision Packages with plan objectives | Rank |
| Set goals and objectives | Develop budget goals, objective and budget guidelines | * Do packages support plan? | Approve funding |
| Establish plans and programs | Develop budget process and timelines | * Should plan objectives be revised? | Monitor, control, and follow up. |
| | Gather information and data required to prepare Decision Packages | * Do we need new packages? | |
| | Prepare Decision Packages | * Should we eliminate packages not supporting plan? | |

Exhibit I
ZERO BASE BUDGETING PROCESS

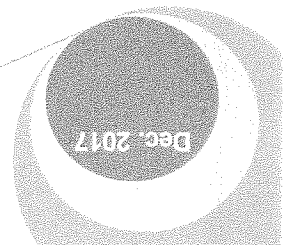
- The objective of this section is to briefly describe the zero base approach and its benefits. Specific details of how to construct the decision packages and rank them are reserved for later sections of the document. Exhibit II at the end of this section presents an illustration of the implementation process.
- Zero base budgeting is a powerful general management tool that will provide the GCSC with a systematic way to evaluate operations and programs and allow management to shift resources into high-priority efforts. Through the proper use of the process, managers of activities will be able to specify the amount, quality, and cost of the service that will be provided to GCSC and gain in their supervisor's agreement to their proposed spending levels, projects and operations. In addition, the approach offers several other advantages.
- Thorough examination of every function ensures that managers have evaluated the need for every program and considered different levels of effort and alternative ways to perform it.
- Zero-base budgeting provided a cost/benefit basis for departmental and units budget decisions, eliminating or refining across-the-board reductions of budget requests.
- Once activities are identified in "decision packages" and given a priority ranking, subsequent budget cycles do not require a complete recycling of budget inputs ("Decision packages" are discussed further in Section III). Instead, the ranked decision packages identify the expenditures that should be added or deleted. (Ranking packages will be briefly discussed in Section IV.)
- The list of ranked decision packages can be used during the budget year to identify functions to be reduced or expanded if available resources vary from the budgeted estimate.
- If it becomes necessary during the budget year to add new programs or activities not contemplated by the approved budget, the decision packages will help identify the other expenditures that must be reduced or eliminated to free the necessary resources.
- Zero-base budgeting links long-range goals and plans with budgets; strengthens higher-management awareness of what is proposed; clarifies each unit's role in the organization and identifies appropriate measures for evaluating performance; and assists in aligning management's expectations with reality by associating service levels with costs. In addition to specifying costs and benefits, it communicates problems and opportunities to higher management and shifts the focus to making decisions.

SECTION I: ZERO BASE BUDGETING-IT'S PURPOSE, OBJECTIVES, AND CONCEPTS



- 1. DEFINE OBJECTIVES**
- ✓ At what level should we have decision packages?
 - ✓ Should individuals or a task force be used?
 - ✓ Should we pilot or go for broke with all central units?
 - ✓ What are the criteria for evaluating submissions?
 - ✓ What should the timing be?
 - ✓ What training is required?
- 3. IDENTIFY DATA REQUIREMENTS AND DEVELOP SUPPORTING DOCUMENTS**
- ✓ What is required for input?
 - ✓ Design forms
 - ✓ Design procedures
 - for completing forms and analysis
 - for ranking
- 4. COMPLETE DECISION PACKAGES**
- 5. ANALYZE, EVALUATE AND RANK ALL DECISION PACKAGES**
- 6. APPROVE AND FUND THOSE REQUIRED TO MEET OBJECTIVE**

**IMPLEMENTATION A ZERO BASE BUDGETING SYSTEM
WORK FLOW CHART
Exhibit II**



Incremental levels of efforts (alternatives) for decision units are called decision packages and are ranked in order of priority. The top level or level one (1) being the level of effort with the highest priority, the most essential functions and activities. Those that follow, levels 2..., will be of a lower priority.

Decision Packages

To do what is suggested, evaluate our operations in a new light, we must segment our operations. Operations and organizations must be segmented into discrete functions and/or activities. For purposes of the GSCC's Zero Base Budgeting implementation, the lowest operational organizational level has been defined as a department. It is within this organizational unit that "Decision Units" will be identified and defined. Within each department functions and activities will be defined or grouped into one or more decisions units. A decision unit should generally be selected to correspond with a program or organizational unit that can be discretely identified in the budget. It should reflect existing activities and accounting structure in the current budget.

Decision Units

The formulation of plans to support the implied instructional goals and objective mentioned in the CPT2 report requires that managers view programs and activities that they manage in a new light. To look past how we once did things or how we do things today. We must now look to the future. In doing this, we must ask ourselves, should we be doing what we are doing, and if we answer yes, can we do it a better way. If the answer is no, then what should we be doing and how. To this end, the CPT2 report will provide some guidance and assistance.

The GSCC's most recent related long-range planning efforts have centered on the CPT2 project. This visionary Project provides some components of a foundation for both short and long term programs and operational decisions. However, this effort focuses primarily on assessment and evaluation of the GSCC's operations; it provides some limited guidance to managers of instructional, business and support operations in formulating plans to support on-going GSCC operations.

The GSCC has not recently engaged in a comprehensive long-range planning effort. This fact creates a significant challenge to the implementation of a successful Zero Base budget process. Without established strategic goals and objectives in place, they will need to be developed as part of the Zero Base Budget process.

Long-Range Planning Cycle

SECTION II: FRAMEWORK FOR IMPLEMENTATION OF ZERO BASE BUDGETING IN THE GARY COMMUNITY SCHOOL CORPORATION

activity-oriented.
This statement sounds like a job description. The manager is describing how he does the work, rather than explaining its overall purpose. In short, the statement is too
"To help units develop realistic budgets and assist in monitoring them".

An Overly Activity-Oriented Statement

has been maintained.
effectiveness of this manager, management would look at whether a balanced budget
isolate key measures of performance from a statement of this sort. To evaluate the
"To maintain a balanced GSC budget". Notice that it is relatively straightforward to

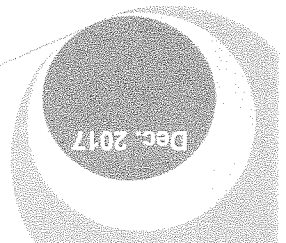
A Good Objective Statement

An example will help to show the difference between a good objectives statement, one
which is just a listing of activities, and one which is too general to be or any use.
An important distinction must be made by each unit head between the purpose his or
her function serves and the way that the purpose is achieved. Managers sometimes
are tempted to describe their objectives in terms of the activities being done rather than
in terms of the actual job to be accomplished.
The word "objective," when used in zero-base budgeting, means the major purpose of
the program and does not necessarily involve the way in which it is approached or
achieved.

1. Defining Objectives

Having explained the benefits of zero-base budgeting and summarized its basis concepts in the first
section of the manual and the ZBB framework in Section II, we are now ready to discuss the
mechanics of the system.
In essence, zero-base budgeting requires each manager to (1) identify tactical objectives for each
Program within his area of responsibility; (2) consider alternative ways of achieving each objective;
(3) briefly assess the benefits and costs (both explicit and implicit) associated with each alternative
way of performing the same functions.

SECTION III: INSTRUCTIONS FOR DEVELOPMENT OF DECISION PACKAGES



A real effort should be made to support the new alternative with an estimate of what benefits and risks might be associated with it. In some cases, there is not enough time to capitalize on

This emphasis on alternatives is a departure from normal thinking, which usually focuses to improve the current process. Please do not be shy about suggesting a totally different approach. Experience has shown that new alternative ideas frequently stimulate the thinking of others during the evaluation and ranking process.

- Perform function internally.
- Purchase outside service.
- Substitute machine for manual effort (utilize technology).
- Combine with another unit.
- Eliminate function.
- Transfer function to another unit.

Examples of types of alternatives which frequently are suggested are:

The development of sound alternatives is one of the most difficult and challenging aspects of the zero base budgeting process. When the word "alternative" is used in zero base budgeting, it means finding a different way of accomplishing the unit or program objectives. For example, if the current method of operating involves doing the functions internally, one alternative might be to engage an outside service to accomplish the job.

2.

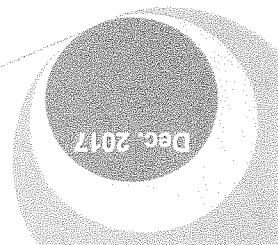
Describing Alternative Ways

Objective statements are difficult to write correctly. However, they are a very important part of the zero-base budgeting effort and deserve a good deal of attention.

"Our unit is to support the overall goals of our division and to render the appropriate level of service in line with the resources made available to us." This variety of statement is commonly called the "motherhood" statement. It leaves the reader with questions like "So what?" or "What else is new?" The statement does not supply any useful information to the reader. Can you even tell in what area of the GCSC the manager works?

An Unacceptable General Objective Statement

SECTION III: INSTRUCTIONS FOR DEVELOPMENT OF DECISION PACKAGES





Each manager is required to develop and present three (3) decision packages for his or her respective division or each major activity/program within his or her division. As a general rule, at least one decision package covering the complete division for each of the defined alternatives should be developed (see Exhibit III and IV). When the number and nature of discrete and diverse activities and functions within an DIVISION makes this impractical, separate decision packages should be developed for each of these discrete activities and functions as opposed to the complete division (see Exhibit V). Following is a detail description of each defined alternative:

3 Describing Different Decision Packages (Alternatives)

One important point: A natural risk of not approving a package is that we will have to forgo the benefits identified. This will be obvious and assumed by all who will review and rank the packages. So to save time and effort, it is not necessary to restate benefits in the negative form in this section.

C) What are the risks of not acting? Finally, a similar assessment is made of what will happen if we fail to approve this decision package.

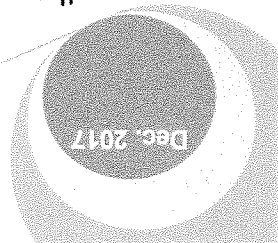
B) Is the package economically feasible? This involves a simple question: Will we save money on this approach, and if so, how much? Assessing the economics of a decision package requires intelligent evaluation of all its costs and benefits, both to your unit and others. After developing (whether increased service, productivity, decreased turnover, or decreased costs to your own or other organizations), the impact on the budget of the approach must be described, in detail.

A) Is the Decision Package operationally feasible? To assess the operational feasibility of a decision package, ask yourself whether the effort will involve a major change in the traditional way of doing things. Does it imply a significant departure from the policies, practices and philosophies of the GCSC?

In considering alternative, each manager should constantly pose on-going questions, such as:

SECTION III: INSTRUCTIONS FOR DEVELOPMENT OF DECISION PACKAGES

the new idea in the upcoming year. By all means list it anyway. Perhaps a feasibility study can be initiated to move the idea along toward eventual acceptance and implementation.



Above all, the increments, including the minimum level, must be practical. Managers should avoid writing up alternatives that are impractical or do not support the basic objective described under program objectives.

You determine any of a number of alternative ways to achieve your objectives and select one of those alternatives for each decision package (within the define parameters) as the best way.

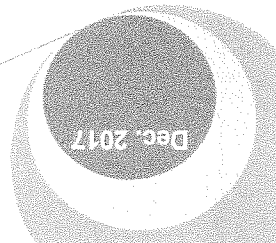
- For each alternative, you then built up-from a "zero base" – several incremental levels of effort. Normally, you would start with the most urgent (in some cases, legally mandated) effort. For instance, your level-one effort may represent the legally required minimum State of Indiana compliance and reporting requirements. To that base you then add logical increments, starting with the next most important effort and culminating in the last increment that is desirable but less essential than the others.

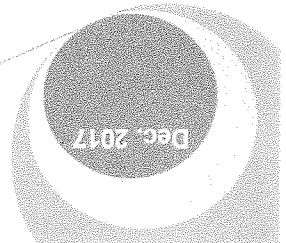
Once selected, describe in detail the three chosen incremental levels (alternatives) of efforts for accomplishing your objective through the alternative you chose, see Exhibit III at the end of this section.

1. Alternative #1 – This decision package(s) must be developed within the budgetary confines of the approved 2016 budget. The budget relating to this alternative can be no greater than the total 2016 budgeted amount for the division/program.
2. Alternative #2 – This decision package(s) must be developed within the confines of at least a five percent (5%) decrease under the total budgeted amount determined for alternative #1.
3. Alternative #3 – This decision package(s) must be reflective of at least a ten percent (10%) reduction in the total budgeted amount determined for alternative #1.

The following parameters have been identified and establish for development of decision packages within the framework of three (3) alternatives:

SECTION III: INSTRUCTIONS FOR DEVELOPMENT OF DECISION PACKAGES



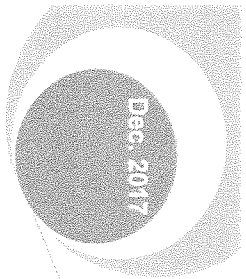


DECISION PACKAGE PROGRAM/FUNCTIONS/ACTIVITIES/ WORKSHEET

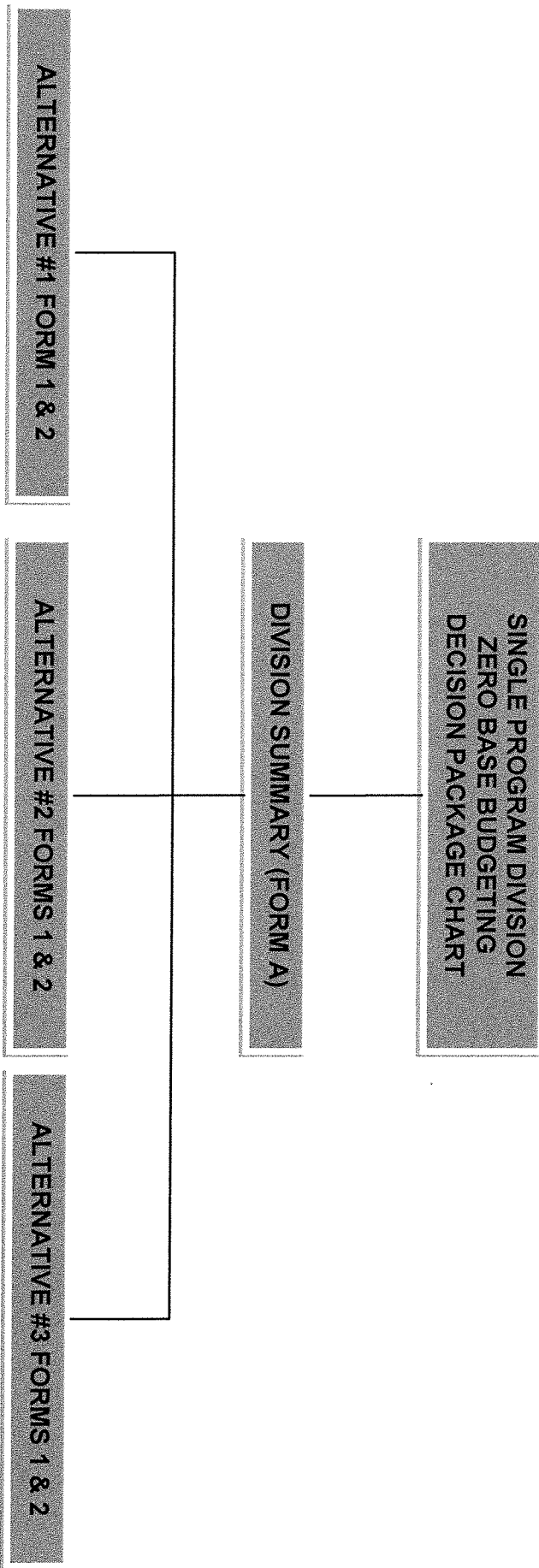
| | |
|---|---------------|
| DIVISION NAME: FINANCE | OBJECTIVE(S): |
| 1. Development of realistic budgets within established guidelines. 2. Proper execution of GCS's budgets. 3. Spending within available resource allotments. 4. Maintain an accurate and up to date salary and wage rate file and apply rates. | |

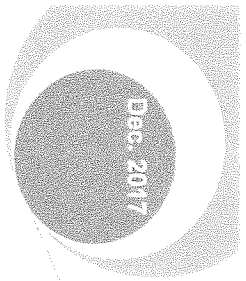
| ALTERNATIVE 1 | ALTERNATIVE 2 | ALTERNATIVE 3 |
|--|--|--|
| Based on 2017 approved budget Calls for status quo. | Enhanced monitoring of GCS's financial operations. Calls for 5% or more decrease in 2016 approved budget | Reduced monitoring of GCS's financial operations Calls for a 10% or more reduction in the 2016 approved budget. |

| PROGRAM/ ACTIVITIES & FUNCTIONS | PROGRAM/ ACTIVITIES & FUNCTIONS | PROGRAM/ ACTIVITIES & FUNCTIONS | PROGRAM/ ACTIVITIES & FUNCTIONS | PROGRAM/ ACTIVITIES & FUNCTIONS |
|---|---|---|---|---|
| Assist units in development of a realistic expenditure budgets in accordance with GCS's guidelines | Assist units in development of a realistic expenditure budgets in accordance with GCS's guidelines | Assist units in development of a realistic expenditure budgets in accordance with GCS's guidelines | Assist units in development of a realistic expenditure budgets in accordance with GCS's guidelines | Assist units in development of a realistic expenditure budgets in accordance with GCS's guidelines |
| Maintenance of financial and budget reporting system to provide for proper execution and control of expenditures and budget adjustments | Maintenance of financial and budget reporting system to provide for proper execution and control of expenditures and budget adjustments | Maintenance of financial and budget reporting system to provide for proper execution and control of expenditures and budget adjustments | Maintenance of financial and budget reporting system to provide for proper execution and control of expenditures and budget adjustments | Maintenance of financial and budget reporting system to provide for proper execution and control of expenditures and budget adjustments |
| Division of Finance and Purchasing monitors budgets on a Departmental level basis | Division of Finance and Purchasing monitors budgets on a Departmental level basis | Division of Finance and Purchasing monitors budgets on a Departmental level basis | Division of Finance and Purchasing monitors budgets on a Departmental level basis | Division of Finance and Purchasing monitors budgets on a Departmental level basis |
| Monitor and assess operational efficiencies of resource utilization and allocations. (expanded budget execution monitoring) | Monitor and assess operational efficiencies of resource utilization and allocations. (expanded budget execution monitoring) | Monitor and assess operational efficiencies of resource utilization and allocations. (expanded budget execution monitoring) | Monitor and assess operational efficiencies of resource utilization and allocations. (expanded budget execution monitoring) | Monitor and assess operational efficiencies of resource utilization and allocations. (expanded budget execution monitoring) |
| Division of Finance & Purchasing monitors budgets on an division/program/school basis | Division of Finance & Purchasing monitors budgets on an division/program/school basis | Division of Finance & Purchasing monitors budgets on an division/program/school basis | Division of Finance & Purchasing monitors budgets on an division/program/school basis | Division of Finance & Purchasing monitors budgets on an division/program/school basis |
| Enhance services to principals and school staff in the areas of accounting, finance and business operations. | Enhance services to principals and school staff in the areas of accounting, finance and business operations. | Enhance services to principals and school staff in the areas of accounting, finance and business operations. | Enhance services to principals and school staff in the areas of accounting, finance and business operations. | Enhance services to principals and school staff in the areas of accounting, finance and business operations. |

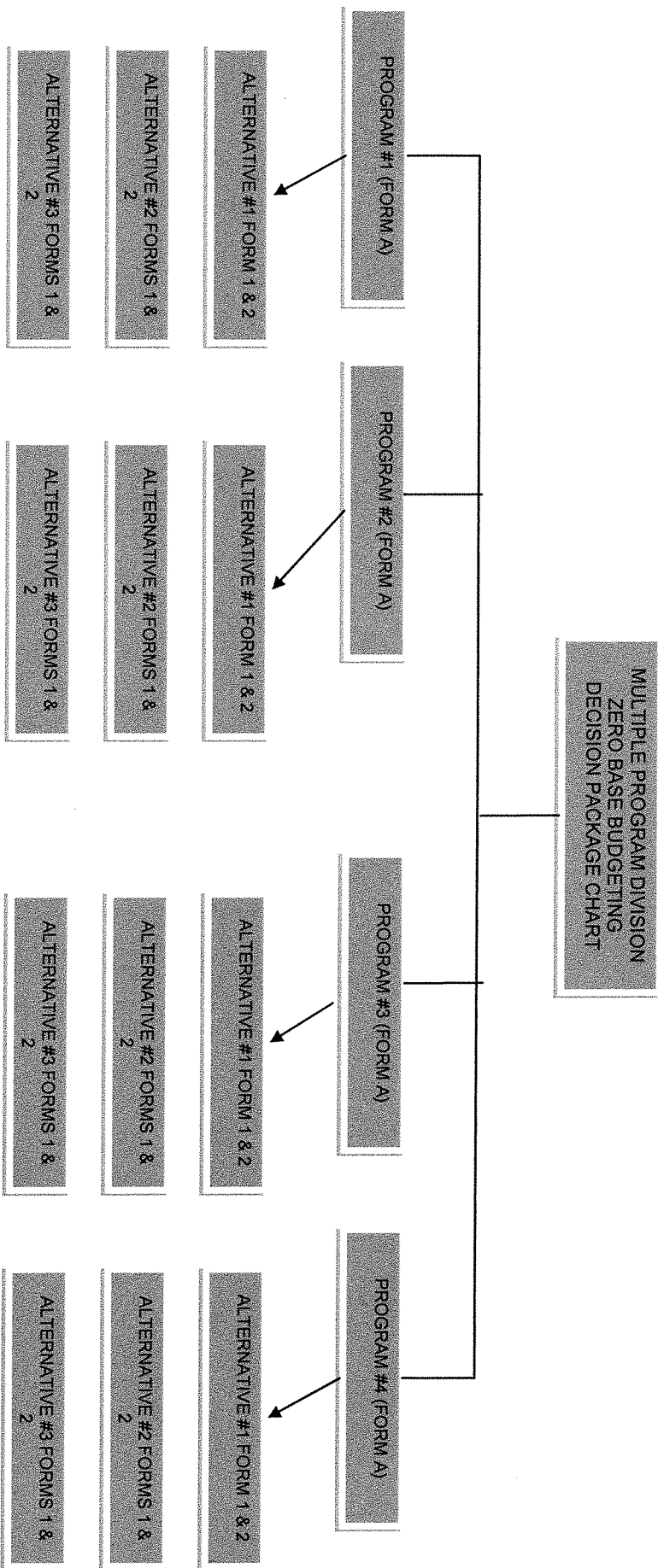


GARY COMMUNITY SCHOOL CORPORATION - ZERO BASE BUDGETING





GARY COMMUNITY SCHOOL CORPORATION - ZERO BASE BUDGETING



1. We must also conduct a thorough check to make sure that we have laid in sufficient tactical programs to achieve each objective. If you don't have sufficient support behind each objective, additional program activities may be entertained and

INSTRUCTIONS FOR THE RANKING PROCESS

- Efforts should be concentrated on ensuring that all alternatives, cost reduction opportunities, and operating improvements have been explored and incorporated, as appropriate, in decision packages. Managers should concentrate on discretionary functions and levels of service.
- The first important job during the ranking process is to ensure that the feasibility standards described in Section III have been applied consistently.
- Most packages will have an associated dollar benefit. But many others, often very basic to supporting the GCSC, will not. Examples include the accounts payable, payroll, or salary and wage administration. Rather than ranking everything strictly on its economic merit, some flexibility will be necessary. Some call this judgment, others call it common sense.

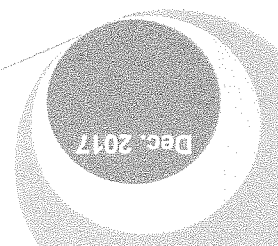
Here are some helpful pointers that will apply to most ranking situations.

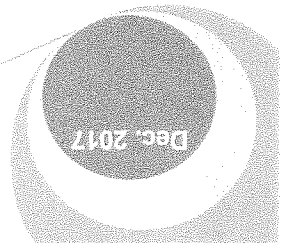
The initial ranking of the decision package should occur within the unit in which they were developed, packages and alternatives should be ranked either 1, 2 or 3 with 1 indicating the top priority or highest ranking. This allows each division head to evaluate the relative importance of his own activities or operations. Each department head will also be responsible for reviewing the ranking of packages from all divisions/programs reporting to him or her. In turn, the division head consolidates all packages from the people reporting to him and ranks them. Finally, all decision packages are reviewed and consolidated by the FINANCE AND BUSINESS SERVICES, who presents the final results for approval.

1. Which of the proposed decision packages best support the organization's goals, as established during the long-range planning cycle?
2. How much are we willing to spend in pursuing these goals?
3. For the package or parts of packages we do not approve, what are the consequences of not implementing them? How can we anticipate those problems, and how do we manage around them?

The ranking process will allow the GCSC to allocate scarce resources by answering three questions:

SECTION IV: INSTRUCTIONS FOR THE RANKING PROCESS



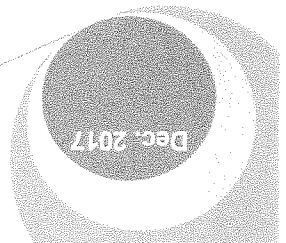


resources to fund them either drawn from lower priority efforts supporting other objectives or added as an increment to expenses.

2. Once an acceptable ranking has been achieved, the final set of decision packages must be submitted to the department and/or division head for further review and prioritization.

The decision packages for all approved efforts are then turned over to the Finance Staff/Financial Finance Staff/Financial Consultants/superintendent for consolidation and further review.

CALENDAR FOR THE BUDGETING CYCLE



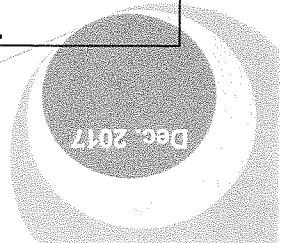
| TASK | PRIME MOVER (S) | DUE DATE (S) | AUDIENCE/REVIEWER |
|---|-------------------------------------|--------------|-------------------|
| Develop 2017 budget goals, objectives and guidelines | Supt. and Executive Staff | TBD | |
| Conduct Board Study Session | Supt. | TBD | |
| Develop procedures, forms, manuals, etc. | Finance Staff/Financial Consultants | TBD | |
| Develop and perform training of appropriate staff | Finance Staff/Financial Consultants | TBD | |
| Critique ZBB process and Manual | Finance Staff/Financial Consultants | TBD | |
| Make required revisions | Finance Staff/Financial Consultants | TBD | |
| Budget kick-off meeting | Division Heads | TBD | |
| Develop FY 2017 budget using ZBB (Decision Packages) | Division Heads | TBD | |
| Evaluate and analyze Decision Packages | Division Heads | TBD | |
| Rank Decision Packages | Division Heads | TBD | |
| Submit Decision Packages to Dept. Head | Division Heads | TBD | |
| Decision Packages reviewed by Dept. Heads | Dept. Heads | TBD | |
| Dept. heads sends results of review back to division heads for any required revisions | Dept. Heads | TBD | |
| Division heads make required revisions and re-submit to Dept. Head | Division Heads | TBD | |
| Dept. Head reviews revised Decision Package(s) and approves | Dept. Heads | TBD | |
| Dept. Heads forward approved Decision Packages to Finance Staff/Financial Consultants | Dept. Heads | TBD | |
| Finance Staff/Financial Consultants review to Dept. Heads | Finance Staff/Financial Consultants | TBD | |
| Dept. Heads make any required revisions and resubmit to Finance Staff/Financial Consultants | Finance Staff/Financial Consultants | TBD | |

2017 ZERO-BASE BUDGET CALENDAR

To ensure timely completion of the budgeting process, the following detailed schedule for the zero-base budgeting effort has been developed.

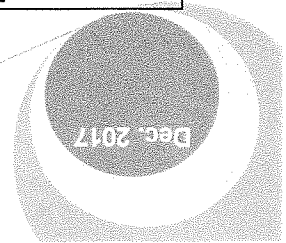
SECTION V: CALENDAR FOR THE BUDGETING CYCLE

| AUDIENCE/REVIEWER | DUE DATE (S) | PRIME MOVER (S) | TASK |
|-------------------|--------------|-------------------------------------|--|
| | TBD | Finance Staff/Financial Consultants | Finance Staff/Financial Consultants approves Decision Packages and submit to XXXX for review and approval |
| | TBD | Finance Staff/Financial Consultants | Asst. Supt. Fin & Bus Services reviews decision packages. Decision Packages not approved are sent back to Finance Staff/Financial Finance Staff/Financial Consultants for corrective action. Decisions Packages approved are sent back to the Finance Staff/Financial Consultants for processing |
| | TBD | Finance Staff/Financial Consultants | Initial unapproved Decision Packages are reviewed after begin resubmitted to XXXXX for approval |
| | TBD | Finance Staff/Financial Consultants | Approved Decision Packages are converted into traditional budget formats by input to budget system |
| | TBD | Finance Staff/Financial Consultants | Standard Preliminary Budgets are prepared and presented to XXXX Supt. For review and approval |
| | TBD | Finance Staff/Financial Consultants | Results of review are provided to Finance Staff/Financial Finance Staff/Financial Consultants and any required actions taken |
| | TBD | Finance Staff/Financial Consultants | Revised Standard Preliminary Budgets are reviewed by XXXX and approved |
| | TBD | Finance Staff/Financial Consultants | Revised Standard Preliminary budgets are then submitted to XXXX Supt. for review and approval |
| | TBD | Finance Staff/Financial Consultants | Approved Preliminary budgets are submitted to Treasurer for review and approval |
| | TBD | Finance Staff/Financial Consultants | Any required revisions are made |
| | TBD | Finance Staff/Financial Consultants | Revised Preliminary budgets presented to Committee of the Whole during Budget Study session |
| | TBD | Supt. | Any required revisions make |
| | TBD | Supt. | Revised Preliminary budget presents to Committee of the Whole for review and approval |
| | TBD | Supt. | Approved Preliminary budget presented at Budget Hearing |
| | TBD | Supt. | Any required revisions made and revised Preliminary budget presented to Committee for approval |

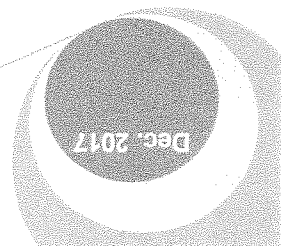


TBD = TO BE DETERMINED

| AUDIENCE/REVIEWER | DUE DATE (S) | PRIME MOVER (S) | TASK |
|-------------------------------------|--------------|-----------------|--|
| Staff/Board | TBD | Supt | Proposed Budget presented to Board of Education for approval |
| Board | TBD | Supt. | Approved FY 2017 budget approved by Board |
| Finance Staff/Financial Consultants | TBD | Supt. | Approved budget implemented and executed |



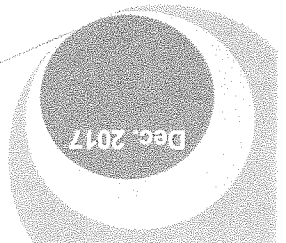
DECISION PACKAGE FORMS



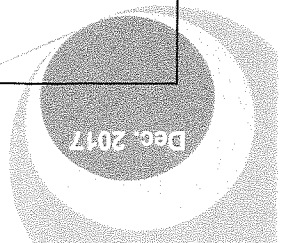
1. **FORM A – DIVISION OR PROGRAM SUMMARY:** Provides overall mission statement, summary of proposed revisions and analysis of proposed budgets adjustments and their impact for each DIVISION or program (if applicable).
2. **FORM 1 – ALTERNATIVE SUMMARY:** Provides description of Alternatives, purpose, strategies, budget impact and consequence of not approving decision package.
3. **FORM 2 – DETAIL BUDGET ADJUSTMENT ANALYSIS WORKSHEET:** Documents budget adjustments for all alternatives and levels of efforts considered.
4. **FORM 3 – UNIT DECISION PACKAGES RANKING:** When an DIVISION has multiple programs, this form should be used to rank all programs and alternative within the DIVISION. This form may also be used by departments and divisions for ranking purposes.

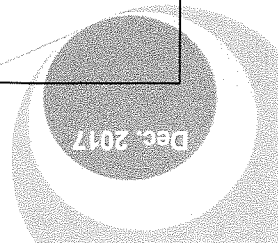
PURPOSE

**ZERO BASE BUDGETING
DECISION PACKAGES FORMS**



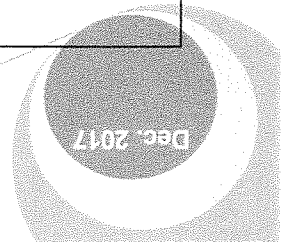
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|--|--|---|--|-----------|
| PREPARED BY: | | TITLE: | | DATE: |
| COMMENTS AND REMARKS: | | | | |
| SIGNIFICANT EXISTING ACTIVITIES AND FUNCTIONS - ALTERNATIVE 3 (at least 10% reduction in budget) | | | | |
| SIGNIFICANT EXISTING ACTIVITIES AND FUNCTIONS - ALTERNATIVE 2 (5% reduction in budget) | | | | |
| SIGNIFICANT EXISTING ACTIVITIES AND FUNCTIONS - ALTERNATIVE 1 (status quo budget) | | | | |
| MISSION AND OBJECTIVES OF DIVISION OR PROGRAM: | | | | |
| OPERATING UNIT NO. | | PROGRAM NAME (if applicable): | | |
| DIVISION: Accounting | | DEPARTMENT: Finance & Business Services | | DIVISION: |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE DIVISION OR PROGRAM SUMMARY YEAR ENDING DECEMBER 2017 | | | | |
| FORM A | | PAGE 1 | | |



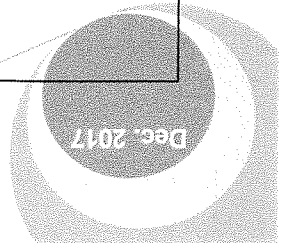


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| FORM #1 | | PAGE 1 | |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE ALTERNATIVE SUMMARY YEAR ENDING DECEMBER 31, 2017 | | | |
| DIVISION: Accounting | | DEPARTMENT: Finance & | DIVISION: Business Services |
| PROGRAM NAME (if applicable): | | | |
| ALTERNATIVE NO: | | ALTERNATIVE NAME: | |
| DESCRIPTION OF OBJECTIVES: (attach additional sheets as required) | | | |
| HOW WILL OBJECTIVES BE ACCOMPLISHED: (attach additional sheets as required) | | | |
| PREPARED BY: | | TITLE: | |
| DATE: | | | |

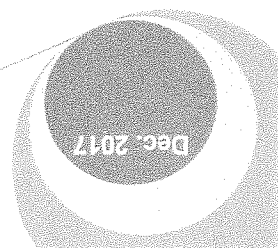
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| PREPARED BY: | | TITLE: | | DATE: |
| | | | | |
| HOW WILL BUDGET BE IMPACTED (attach additional sheets as required) | | | | |
| | | | | |
| PURPOSE (EXPECTED BENEFITS) – (attach additional sheets as required) | | | | |
| ALTERNATIVE NO: | | ALTERNATIVE NAME: | | |
| PROGRAM NAME (if applicable): | | OPERATING UNIT NO. | | |
| DIVISION: | | DEPARTMENT: | | |
| DIVISION: | | OPERATING UNIT NO. | | |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT – DECISION PACKAGE ALTERNATIVE SUMMARY YEAR ENDING DECEMBER 31, 2017 | | | | |
| FORM #1 | | PAGE 2 | | |



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|--|--|--------------------|-----------------|-------------------|
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE ALTERNATIVE SUMMARY YEAR ENDING DECEMBER 31, 2017 | | DIVISION: | DEPARTMENT: | DIVISION: |
| PROGRAM NAME (if applicable): | | OPERATING UNIT NO. | ALTERNATIVE NO: | ALTERNATIVE NAME: |
| CONSEQUENCES OF NOT APPROVING THIS PACKAGE (attach additional sheets if required) | | | | |
| DIVISION REMARKS, COMMENTS AND RANKING (attach additional sheets if required) | | | | |
| IN THE BOX TO THE RIGHT INDICATE RANKING AS 1, 2 OR 3 | | | | |
| PREPARED BY: | | TITLE: | DATE: | |

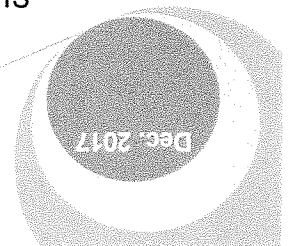


**SUMMARY OF BUDGET DEVELOPMENT
AND IMPLEMENTATION STEPS**

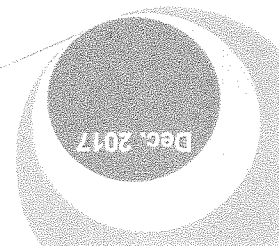


1. Determine "Decision Packages" within respective DIVISION.
2. Select maximum of three (3) alternatives (for each Program or DIVISION) to accomplish objectives:
 - a. **Alternative #1** – represents unadjusted request budget.
 - b. **Alternative #2** – total reduction of 5% or more of 2016 budget.
 - c. **Alternative #3** – total reduction of 10% or more to 2016 budget.
3. Complete Form #1 for each of the three alternatives.
4. Complete Form #2 for each of the three alternatives. Determine 2016 budget adjustments required for each alternative.
5. Review alternatives and rank at program and DIVISION level.
6. Complete Form A.
7. Submit completed Forms A, Form(s) #1 and Form(s) #2 for each alternative (three) to Department Head (two copies). Form(s) #3 should be completed and submitted if a unit has more than one program.
8. Department Head to review and rank decision packages.
9. Department Head return package(s) to DIVISION Head for refinement if required.
10. DIVISION Heads refine package(s), if required, and return to Department Head for approval.
11. Department Head forward approved packages to Division for review and approval.
12. Division Head reviews package(s) and either approves packages or returns to Department Head for refinement(s).
13. Department Head returns refined package(s) back to Division Head for approval.
14. Approved package(s) sent to FINANCE AND BUSINESS SERVICES for review.

SUMMARY OF BUDGET DEVELOPMENT AND IMPLEMENTATION STEPS
 DECEMBER 31, 2017

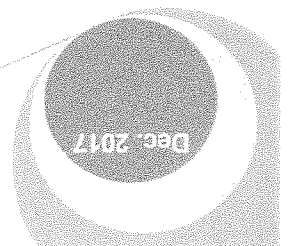


15. FINANCE AND BUSINESS SERVICES reviews packages and approves or returns to Division Head for refinement(s), if necessary.
16. Division Head returns refined package(s) to FINANCE AND BUSINESS SERVICES for finalization.





GLOSSARY OF TERMS



Alternative – Different way of achieving each objective or performing the same functions.

Budget – A spending plan.

Decision Package – Documents supporting DIVISION or Program budget request. Identifies a discrete activity, function, or operation in a definitive manner for management evaluation and comparison with other activities. Presents objectives, programs, alternatives, levels of effort and resource requirements.

Decision Unit – The decision unit is defined as an DIVISION or a program within an DIVISION.

Department – Organizational unit reporting to Superintendent.

Division – Organizational unit reporting to a Department.

Incremental Budgeting – A budgetary process whereby last year or other historical budgets are used as the basis for development of future budgets. Often last years budget plus inflation.

Level – Amount/quality of effort (services) required to achieve objective.

Long-range Plan – A document identifying the mission, goals and objectives of an organization over a three to five year period.

Objective – Results to be achieved.

Operational Feasibility – The degree of difficulty of successfully implementing an alternative based on the current operating environment.

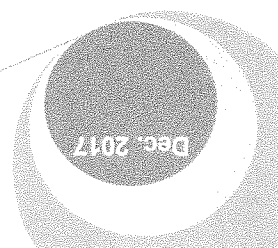
Program – A group of functions/activities performed to accomplish specific objectives within an Organizational unit.

Ranking – The evaluation and prioritization of decision packages.

Technical Feasibility – The degree of difficulty of successfully implementing an alternative based on the current technical resources available to the GCSC.

Zero Base Budgeting (ZBB) – An operating planning and budgeting process which requires each manager to justify his or her entire budget request in detail from scratch and shifts the burden of proof to each manager to justify why he or she should spend any money at all.

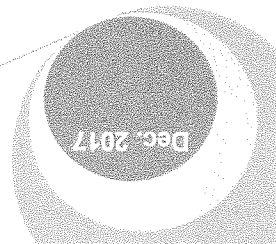
DECISION PACKAGE FORMS



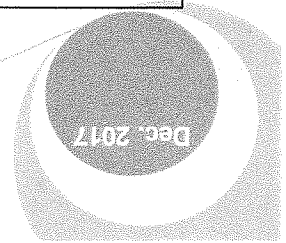
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| | | | | | |
| COMMENTS AND REMARKS: | | | | | |
| | | | | | |
| SIGNIFICANT EXISTING ACTIVITIES AND FUNCTIONS - ALTERNATIVE 3 (10% or more reduction budget) | | | | | |
| | | | | | |
| SIGNIFICANT EXISTING ACTIVITIES AND FUNCTIONS - ALTERNATIVE 2 (5% budget reduction budget) | | | | | |
| | | | | | |
| SIGNIFICANT EXISTING ACTIVITIES AND FUNCTIONS - ALTERNATIVE 1 (status quo budget) | | | | | |
| | | | | | |
| MISSION AND OBJECTIVES OF DIVISION OR PROGRAM: | | | | | |
| OPERATING UNIT NO. | | PROGRAM NAME (if applicable): | | | |
| DIVISION: | | DEPARTMENT: | | DIVISION: | |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE DIVISION OR PROGRAM SUMMARY YEAR ENDING DECEMBER 31, 2017 | | | | | |
| FORM A | | PAGE 1 | | | |

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|--|--|--------------------|--|-------|
| PREPARED BY: | | TITLE: | | DATE: |
| | | | | |
| HOW WILL OBJECTIVES BE ACCOMPLISHED: (attach additional sheets as required) | | | | |
| | | | | |
| DESCRIPTION OF OBJECTIVES: (attach additional sheets as required) | | | | |
| ALTERNATIVE NO: | | ALTERNATIVE NAME: | | |
| PROGRAM NAME (if applicable): | | OPERATING UNIT NO: | | |
| DIVISION: | | DEPARTMENT: | | |
| DIVISION: | | OPERATING UNIT NO: | | |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE ALTERNATIVE SUMMARY YEAR ENDING DECEMBER 31, 2017 | | | | |
| FORM #1 | | PAGE 1 | | |

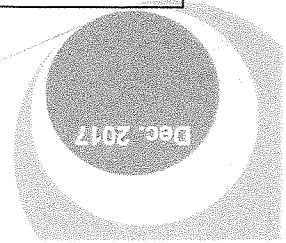
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|--|--|--------------------|--|-----------|
| PREPARED BY: | | TITLE: | | DATE: |
| | | | | |
| HOW WILL BUDGET BE IMPACTED (attach additional sheets as required) | | | | |
| PURPOSE - EXPECTED BENEFITS - Complete this section for alternative #2 only (attach additional sheets if required) | | | | |
| ALTERNATIVE NO: | | ALTERNATIVE NAME: | | |
| PROGRAM NAME (if applicable): | | OPERATING UNIT NO. | | |
| DIVISION: | | DEPARTMENT: | | DIVISION: |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE ALTERNATIVE SUMMARY YEAR ENDING DECEMBER 31, 2017 | | | | |
| FORM #1 | | PAGE 2 | | |



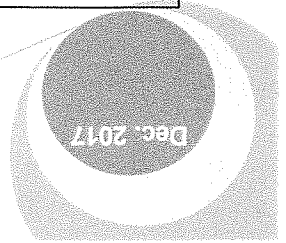
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| DATE: | | TITLE: | | PREPARED BY: |
| IN THE BOX TO THE RIGHT INDICATE RANKING AS 1, 2 OR 3 | | | | |
| | | | | |
| DIVISION REMARKS, COMMENTS AND RANKING (attach additional sheets if required) | | | | |
| | | | | |
| CONSEQUENCES OF NOT APPROVING THIS PACKAGE (attach additional sheets if required) | | | | |
| ALTERNATIVE NO: | | ALTERNATIVE NAME: | | |
| PROGRAM NAME (if applicable): | | OPERATING UNIT NO. | | |
| DIVISION: | | DEPARTMENT: | | DIVISION: |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE ALTERNATIVE SUMMARY DECEMBER 31, 2017 | | | | |
| FORM #1 | | PAGE 3 | | |



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|--|------------|-----------|--------------|-------------------------------|-------------------------------|-------------------|
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE DETAIL BUDGET ADJUSTMENT ANALYSIS WORKSHEET YEAR ENDING DECEMBER 31, 2017 | | DIVISION: | DEPARTMENT: | PROGRAM NAME (if applicable): | OPERATING UNIT NO. | ALTERNATIVE NAME: |
| FORM 2 PAGE 1 | | DIVISION: | DEPARTMENT: | PROGRAM NAME (if applicable): | OPERATING UNIT NO. | ALTERNATIVE NAME: |
| ALTERNATIVE # | | | | | | |
| BUDGET \$ | INCREASE | F.T.E. | ACCOUNT NO. | PCN | POSITION(S) FILLED AND VACANT | |
| 2008-09 | (DECREASE) | INCREASE | (Fund, etc.) | | | |
| TOTAL | | | | | | |
| NON - SALARIES: | | | | | | |
| TOTAL | | | | | | |
| BUDGET \$ | | | | | | |
| 2016 | | | | | | |
| INCREASE | | | | | | |
| (DECREASE) | | | | | | |
| DESCRIPTION | | | | | | |
| ACCOUNT NO. | | | | | | |
| (Fund etc.) | | | | | | |
| BUDGET \$ | | | | | | |
| 2016 | | | | | | |
| INCREASE | | | | | | |
| (DECREASE) | | | | | | |
| TOTAL | | | | | | |
| PREPARED BY: | | | | | | |
| DATE: | | | | | | |
| FORM 3 | | | | | | |



| | | |
|---|--|-------------------|
| FORM # | | PAGE |
| GARY COMMUNITY SCHOOL CORPORATION BUDGET DEVELOPMENT - DECISION PACKAGE ALTERNATIVE SUMMARY ADDITIONAL FORM SHEET YEAR ENDING DECEMBER 31, 2017 | | |
| DIVISION: | | DEPARTMENT: |
| PROGRAM NAME (if applicable): | | DIVISION: |
| ALTERNATIVE NO: | | ALTERNATIVE NAME: |
| OPERATING UNIT NO. | | |
| (INSERT DESCRIPTION): | | |





**EXHIBIT IV
DEBT AMORTIZATION
SCHEDULE**

**EXHIBIT IV
DEBT AMORTIZATION SCHEDULE**

| CLOSING DATE | Maturity | NAME | ORIGINAL PRINCIPAL AMOUNT | INTEREST RATE | PRINCIPAL BALANCE (A) JUNE 30, 2015 | PAYMENTS DUE CY 2016 TOTAL | PAYMENTS DUE CY 2017 TOTAL | MADM Comments |
|-------------------------------------|------------|------------|---|------------------|-------------------------------------|----------------------------|----------------------------|---|
| BONDS | | | | | | | | |
| 1 | 6/2/2009 | 1/15/2029 | General Obligation Bonds, Series 2009A | | \$1,665,000 | \$162,682 | \$159,082 | Agreed to amort sch |
| 2 | 6/2/2009 | 1/15/2029 | General Obligation Bonds, Series 2009B | | \$1,610,000 | \$159,162 | \$155,784 | Agreed to amort sch |
| 3 | 6/2/2009 | 1/15/2029 | General Obligation Bonds, Series 2009C | | \$1,665,000 | \$162,682 | \$159,082 | Agreed to amort sch |
| 4 | 6/2/2009 | 1/15/2029 | General Obligation Bonds, Series 2009D | | \$1,665,000 | \$162,682 | \$159,082 | Agreed to amort sch |
| 5 | 10/23/2012 | 1/15/2029 | Ad Valorem Property Tax First Mortgage Refunding Bonds, Series 2012 | 10% - 4% - 5% | \$14,340,000 | \$1,392,677 | \$1,568,450 | Agreed to amort sch |
| 6 | 12/13/2012 | 1/15/2024 | General Obligation Judgement Funding Bonds, Series 2012 | 2.00% - 3.25% | \$5,700,000 | \$642,400 | \$647,150 | Agreed to amort sch |
| 7 | 1/3/2013 | 1/15/2025 | Tax Ad Valorem Property Tax First Mortgage Bonds, Series 2013 | 4.35% | \$20,000,000 | \$920,954 | \$791,265 | Agreed to amort sch |
| 8 | 3/10/2015 | 1/15/2025 | 2015 General Obligation Judgement Bonds, Series 2015 | 2.00% - 3.50% | \$2,000,000 | \$225,000 | \$221,300 | Agreed to amort sch |
| | | | TOTAL BONDS OUTSTANDING | | \$47,575,000 | \$3,728,573 | \$3,691,865 | |
| LEASES | | | | | | | | |
| 9 | 3/9/2010 | 2/1/2029 | Taxable Ad Valorem Property Tax First Mortgage Bonds, Series 2010 | PI 6.20% - 7.50% | \$9,910,000 | \$936,384 | \$1,274,300 | Agreed to amort sch |
| 0 | 11/27/2013 | 3/1/2017 | Kansas State Bank | 5.54% | \$205,776 | \$235,300 | \$29,752 | Agreed to amort sch |
| | | | TOTAL LEASES | | \$10,115,776 | \$1,121,684 | \$1,304,053 | |
| COMMON SCHOOL LOAN | | | | | | | | |
| 1 | 8/29/2003 | 7/1/2029 | Debt Name: Loan No: A0508 | 4.00% | \$1,486,436 | \$156,854 | \$154,792 | Agreed to amort sch |
| 2 | 4/4/2007 | 7/1/2030 | Debt Name: Loan No: A4252 | 4.00% | \$0 | \$0 | \$0 | Paid in full 7/13 |
| 3 | 6/11/2004 | 7/1/2030 | Debt Name: Loan No: A0521 | 1.00% | \$6,649,500 | \$667,110 | \$664,950 | Agreed to amort sch |
| 4 | 6/11/2004 | 7/1/2030 | Debt Name: Loan No: A0513 | 4.00% | \$11,000,000 | \$692,600 | \$692,600 | Agreed to amort sch |
| 5 | 6/11/2006 | 3/1/2030 | Debt Name: Loan No: A0525 | 4.00% | \$1,488,503 | \$133,816 | \$133,816 | Agreed to amort sch |
| 6 | 7/20/2010 | 7/1/2030 | Debt Name: Loan No: A4436 | 4.00% | \$4,033,000 | \$0 | \$0 | Paid in full 7/15 |
| 7 | 10/28/2015 | 6/1/2022 | Debt Name: DUAB Loan | 0.00% | \$15,000,000 | \$0 | \$2,500,000 | DUAB loan used as a revolver |
| | | | TOTAL COMMON SCHOOL LOAN | | \$40,825,201 | \$1,674,420 | \$4,135,559 | |
| Qualified Zone Academy Bonds | | | | | | | | |
| 8 | 4/19/2003 | 7/1/2035 | \$1.86-Million Bond - Bank One | 0% | \$4,550,000 | \$0 | \$0 | Agreed to amort sch; Paid in full 7/15 |
| | | | TOTAL QUALIFIED ZONE ACADEMY BONDS OUTSTANDING | | \$4,550,000 | \$0 | \$0 | |
| TEMPORARY LOANS | | | | | | | | |
| 9 | 2/14/2015 | 12/31/2015 | Temporary Loan | PI 0% | \$5,000,000 | \$0 | \$0 | Agreed to amort sch; Paid in full 12/15 |
| | | | GRAND TOTAL | | \$78,101,513 | \$6,524,677 | \$9,131,477 | |

(A) Per Gateway debt/leases debt files, unless otherwise indicated.

(1) Per the official statement "Debt and Taxation" schedule the balance as of Feb. 1, 2015 was \$15,080,000. Per the attached amortization schedule the balance at Feb. 1, 2015 should be \$14,340,000. This represents a difference of \$740,000. Per the amortization schedule no payment was due between 2-1-2015 and 6-30-2015.

(2) This balance is per debt schedule provided to Jack Martin by the State of Indiana (see attached). There was no file or amortization schedule in Gateway relating to this debt.

(3) This balance is per the official statement. The attached amortization schedule does not reflect a balance nor does it represent a true amortization. However, the amortization schedule does indicate that only a principal payment of \$90,000 was due on Feb. 1, 2015. This payment when deducted from \$10,000,000 would result in a balance of \$9,910,000 at Feb. 1, 2015.

(4) The total balance per this schedule is \$78,101,513. However, the Statement of obligations referenced in (2) above reflects a total of only \$75,014,331, a difference of \$3,087,184. The difference by type of obligation is as follows:

| | |
|---|---------------------|
| Notes and Loans Payable - Holding Company (Per above schedule) | \$47,525,000 |
| Notes and Loans Payable - Holding Company (Per Debt Statement) | \$42,873,592 |
| Difference | <u>\$4,651,408</u> |
| Other Bonds- School Bonds (\$10,115,776 - \$155,000) Per above schedule | \$10,270,776 |
| Other Bonds- School Bonds (Per Debt Statement) | <u>\$11,835,000</u> |
| Difference | <u>-\$1,564,224</u> |
| NET DIFFERENCE - Above Total Over Debt statement | <u>\$3,087,184</u> |