STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD

ONE NORTH CAPITOL AVENUE, SUITE 900
INDIANAPOLIS, IN 46204
PHONE (317) 234-2273

School Corporation Fiscal and Qualitative Indicators Committee
Meeting Memorandum

September 27, 2018

Call to Order: A meeting of the School Corporation Fiscal and Qualitative Indicators Committee ("Committee") was held on September 27, 2018, at 2:00 p.m. EDT at One North Capitol Avenue, Suite 900, Large Conference Room, Indianapolis, Indiana. Members of the Committee attending the meeting included Courtney Schaafsma (Chair), Melissa Ambre, Matt Parkinson, Neil Broshears, Chase Lenon, Josh Martin and David Holt.

Ms. Schaafsma called the meeting to order and recognized compliance with the Open Door Law. The first agenda item was the approval of minutes from the September 6, 2018 meeting. Mr. Parkinson made a motion to approve the minutes and Mr. Broshears seconded. The Committee voted 6-0 in favor of the motion.

Ms. Schaafsma then explained that an updated version of the potential indicators report had been made available to the Committee and was also posted on the Distressed Unit Appeal Board webpage. She then introduced the main agenda item being to take public comment on the indicators from interested parties.

Mr. Bob Schultz with Marion Community Schools was the first person to provide public comment. Mr. Schultz questioned who the audience of the indicators would ultimately be. Based on who the audience is, that may impact how the indicators should be displayed and presented. He recommended that fewer indicators presented would allow for the focus to stay on the main focus of identifying fiscal distress. He indicated that he felt the indicators should provide school corporations with a sign as to whether the school corporation is on the right or the wrong road. Mr. Schultz indicated that he does not like to use all funds combined when reviewing financial condition of a school corporation, as grant funds are reimbursable funds and can be misleading. He focuses on operations funds, general fund and rainy day fund. Mr. Schultz noted that property tax caps should also be evaluated. He recommended three to five tier 1 indicators that would provide the clearest picture of the school corporation's fiscal health. Mr. Broshears asked which indicators should be included. Mr. Schultz indicated average daily membership ("ADM"), annual deficit/surplus for certain funds, and fund balances as percent of expenditures for certain funds.

Mr. Denny Costerison, Indiana Association of School Business Officials, then provided comments. Mr. Costerison commended the Committee for its work and for not taking a punitive approach in the indicators. He noted that he felt the indicators were a work in progress and would continue to evolve over time as the Committee learns more and works through the process. He also noted that the Committee will remain together moving forward and will continue to update the indicators, particularly in response to the new fund structure for school corporations. Mr. Costerison also indicated that he viewed the indicators as primary and secondary indicators and agreed with Mr. Schultz on the use of specific funds rather than all funds. He recommended using calendar year data and updating the

indicators on an annual basis. Mr. Costerison highlighted that he felt property tax caps and protected taxes were an important part of a school corporation's financial picture. He felt it will be important to use the indicators to identify school corporations where there may be a concern and then to go and listen to their stories. He indicated that looking at cash flow and whether the school corporation can pay its bill is most important. Lastly, Mr. Costerison noted that, even with the indicators, it may not be possible to detect fraud occurring at the local level.

Ms. Belvia Gray and Mr. Brock Bowsher, Umbaugh and Associates, then provided comments. Ms. Gray noted that too many indicators may dilute the purpose of the indicator process and she recommended focusing on primary indicators such as annual deficit/surplus and the fund balance to expenditure comparisons. She noted that the indicators did not include a lot of information on property tax caps in the indicators and recommended that more focus be placed there. She also recommended more analysis on the tax base and assessed value of the school corporation. Mr. Bowsher indicated that the Government Finance Officers Association recommends using at least five years of data but not more than 10 years of data. This provides the ability to highlight and note changes in circumstances for the school corporation. He also noted differences between restricted and unrestricted funds. For proposed indicators, he recommended focusing on missed debt payments, economic base analysis, and overlapping tax rates. Mr. Bowsher also suggested the dashboard have a customizable field that would allow the local official to comment on the indicators.

Dr. Michele Moore, MSD Martinsville, then spoke. She indicated that this had been a positive process. She then highlighted that every school corporation has a story that must be understood in order to fully understand the indicators. Dr. Moore shared that she felt a one size fits all analysis would be difficult to apply. She agreed with Mr. Schultz regarding not using all funds in the indicators. She also recommended getting to three to five indicators, with enrollment drops being the number one indicator. She also mentioned property tax caps and deficits in funds as potential indicators.

Mr. David Finkel, Shelbyville Central School, next provided comments. He recommended keeping the indicators consistent across all school corporations. Mr. Finkel expressed that he felt net assessed value and population could both be misleading and needed to be handled carefully. He suggested that audit findings be aggregated over time rather than considering just a single audit report. Mr. Finkel also highlighted that age of buildings does not necessarily correspond with condition of the building. On use of short-term financing for cash flow purposes, he felt it would only be an indicator if this method is used continually. Mr. Finkel noted that looking at students within the boundaries but not enrolled at the school corporation could be impacted by other educational options.

Mr. Bob Coddington, Muncie Community Schools, then provided comments. Mr. Coddington highlighted that he felt that the impact of the debt levy on the operations fund was not included in the indicators. He also suggested that county tax rate should be incorporated in the indicators.

Mr. Lenon noted that it may be worthwhile to exclude State and Federal funds from the Annual Deficit/Surplus indicator to address some of the concerns raised in the public comments.

New business: None.

Adjournment: Ms. Schaafsma adjourned the meeting at 2:58 p.m.