



STATE OF INDIANA

Mitchell E. Daniels, Jr.
Governor

OFFICE OF MANAGEMENT & BUDGET
212 State House
Indianapolis, Indiana 46204-2796
317/232-5617

Adam M. Horst
Director

DISTRESSED UNIT APPEALS BOARD
ORDER DENYING MSD WAYNE TOWNSHIP'S PETITION FOR RELIEF

Under IC 5-1-5-2.5(d), certain eligible school corporations may issue refunding bonds to refund a percentage of their outstanding bonds to obtain an annual savings to their debt service funds that can be transferred from those funds to the school corporations' capital projects funds, transportation funds, or school bus replacement funds.

In order for a school corporation to be considered eligible, it must submit to the distressed unit appeals board for approval the school corporation's financial plan for paying any refunding bonds. The board must either approve or disapprove the financial plan not more than sixty days after the date the school corporation submits the plan. The board may grant approval of the plan after making a determination that the financial plan is feasible. The board may not unreasonably deny the school corporation's financial plan.

FACTS

1. On August 7, 2012, the distressed unit appeals board (DUAB) received a petition for approval of a financial plan for paying refunding bonds from the Metropolitan School District of Wayne Township (MSD Wayne).
2. The DUAB scheduled two public hearings for September 20, 2012 to hear testimony from MSD Wayne and for October 3, 2012 to vote on MSD Wayne's petition. On August 16, 2012, notice of the hearings was sent to Dennis Tackitt, Chief Financial Officer for MSD Wayne. Notice of the hearings was posted on the DUAB website on September 13, 2012 and outside the meeting room on September 17, 2012 and October 1, 2012.
3. On September 17, 2012, the DUAB received supplemental petition materials from MSD Wayne.
4. On September 20, 2012, the DUAB conducted a public hearing where it heard testimony from representatives of MSD Wayne, including Superintendent Jeffrey K. Butts and Chief Financial Officer Dennis Tackitt. Rod Wilson with City Securities also answered questions from the board regarding the proposed refinancing.
5. On September 24, 2012, the DUAB sent follow-up questions to MSD Wayne seeking additional information and clarification on comments made during its presentation at the September 20th hearing.
6. On September 28, 2012, MSD Wayne responded to the DUAB's September 24th letter.

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7. On October 3, 2012, the DUAB conducted a public hearing where it voted 5-0 to deny MSD Wayne's petition.

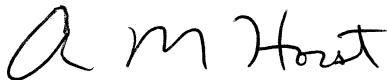
DETERMINATION

1. Pursuant to IC 5-1-5-2.5(e), the DUAB denies MSD Wayne's petition for approval of its financial plan for paying refunding bonds. The board determines that MSD Wayne did not submit a feasible financial plan that the board can reasonably approve.
2. According to Appendix B of the materials MSD Wayne submitted on September 28, 2012, the school corporation demonstrated it has the ability to experience savings in excess of its circuit breaker losses without needing to restructure its debt.
3. According to Appendix D of the materials MSD Wayne submitted on September 28, 2012, the school corporation considered sixteen different debt restructuring options. The option it selected to include in its financial plan was more costly to taxpayers than a majority of the other options and results in a net increase in total payments by the school corporation of \$50.5 million.
4. MSD Wayne indicated it plans to seek two referenda in 2014. Pursuant to IC 20-46-1-14, the school corporation may instead seek an operating referendum sooner at a special election in 2013. At a minimum, MSD Wayne is encouraged to investigate the costs associated with holding such a special election.
5. According to MSD Wayne's contracts with its teachers, as well as Appendix H of the materials MSD Wayne submitted on September 28, 2012, the school corporation has provided significant salary increases over the past ten years. Further, in 2011 MSD Wayne had one of the highest average teacher salaries of all school corporations statewide. The school corporation should evaluate adjusting its salary schedule to experience savings. Alternatively, MSD Wayne could reduce the number of teacher contract days as was suggested at the October 3, 2012 meeting.
6. MSD Wayne has taken some steps to achieve savings through scaling back on the generous benefits provided. However, additional savings could be achieved by further evaluating the generous benefits provided, including annuities, retiree health care, and life insurance.
7. MSD Wayne indicated it is meeting with its vendors to discuss potential savings from outsourcing. These opportunities, as well as, possible cost-sharing with other political subdivisions should be evaluated before increasing costs to taxpayers through the proposed debt restructuring.
8. MSD Wayne is encouraged to investigate the possibility, under I.C. 36-7-14-39, of the redevelopment commission releasing excess assessed valuation for the benefit of other taxing units in the tax increment financing area, including MSD Wayne.
9. MSD Wayne has shown there are opportunities for savings by freezing or reducing salaries and benefits, outsourcing services, and selling property, in addition to opportunities to gain flexibility

by using substantial cash balances and asking voters to pass an operating referendum. At this time, MSD Wayne's financial plan for restructuring its debt is not sufficient. It is not reasonable for the DUAB to approve the school corporation's plan to restructure its debt and allow for an increase in costs to the taxpayers when MSD Wayne has demonstrated that it has not exhausted all of its cost savings measures. If MSD Wayne takes steps to reduce its costs and still believes it needs additional savings from a debt restructuring, the school corporation may submit a new petition for relief to the DUAB.

Dated this 3rd day of October, 2012.

STATE OF INDIANA
DISTRESSED UNIT APPEALS BOARD



Adam M. Horst, Chairman