



JOHN ENGLER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



THOMAS D. WATKINS, JR.
SUPERINTENDENT OF
PUBLIC INSTRUCTION

August 6, 2002

MEMORANDUM

TO: State Board of Education

FROM: Thomas D. Watkins, Jr.

SUBJECT: Update on School District of the City of Inkster

On July 29, 2002, I forwarded my final determination to the Inkster Public Schools Board of Education that the Inkster Public Schools has a financial emergency. This determination confirmed my July 3, 2002, notification to the Inkster Board of Education that, pursuant to the Local Government Fiscal Responsibility Act ("Act"), 1990 PA 72, MCL 141.1235(1)(c), in concurrence with the findings of the Inkster Financial Review Team, I had determined that a financial emergency exists in the Inkster Public Schools ("Inkster") because a consent agreement containing a plan to resolve a serious financial problem within the school district had not been adopted. It was my further recommendation that an emergency financial manager be appointed to Inkster.

The second determination was the result of an appeal of the July 3, 2002, determination by the Inkster Board of Education, pursuant to Section 35(2) of the Act, MCL 141.1235(2). I conducted a hearing on July 18, 2002. My final determination was based on a thorough review of the entire hearing record, including the transcript and exhibits.

On July 29, 2002, I forwarded a copy of my final determination to the Inkster Board of Education to Governor Engler, with recommendations for three individuals to be considered for appointment as an emergency financial manager for the Inkster Public Schools, pursuant to MCL 141.1238(1). The three individuals were Dr. Harrison Blackmond, Dr. Albert Andrews Martin, and Mr. W. Howard Morris, CFA, CPA. Dr. Martin has since requested that his name be removed for consideration in that position.

On July 26, 2002, I sent a letter to the Inkster Board of Education and Edison Schools, Inc., expressing my deep concerns that the parties in dispute work together to ensure that the district be adequately prepared for the opening of school this month. I informed them that the current disputes would be resolved over time, but that we all need to work together to meet the needs of Inkster's students now. Conditions in the Inkster Public Schools have continued to deteriorate to date.

Attachment A is a chronology of events leading up to the current financial emergency in the Inkster Public Schools.

Attachment

KATHLEEN N. STRAUS - PRESIDENT • SHARON L. GIRE - VICE PRESIDENT
MICHAEL DAVID WARREN, JR. - SECRETARY • EILEEN LAPPIN WEISER - TREASURER
MARIANNE YARED MCGUIRE - NASBE DELEGATE • JOHN C. AUSTIN • HERBERT S. MOYER • SHARON A. WISE

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CHRONOLOGY OF EVENTS

DETERMINATION OF FINANCIAL EMERGENCY IN THE INKSTER PUBLIC SCHOOLS

For many years, the financial and academic state of affairs at Inkster Public Schools has caused concern. Instability has been documented for at least 20 years. The Inkster Board of Education hired and fired five superintendents in five years, prior to the appointment of Terry Boguth, as the Inkster Public Schools business manager and her subsequent appointment as interim superintendent in 1999, and as superintendent in 2000. She held that position until she left in May 2002. She was documented as stating that Inkster has had financial problems for more than ten years.

In 1995-96, the District had an approximately \$360,000 deficit, in 1996-97 the District had less than a \$2,000 fund equity, in 1997-98 it had a \$1.4 million deficit, a \$1.9 million deficit in 1998-99, and a \$1.7 million deficit in 1999-2000. Inkster was in violation of a deficit reduction plan from 1995-96 by being in deficit again in 1997-98, which played a role in the denial of an extension by former Superintendent of Public Instruction Art Ellis at that time.

During the tenure of former Superintendent Art Ellis, the Inkster Board of Education entered into a management contract with Edison Schools, Inc., dated March 14, 2000, with subsequent amendments. From its inception, this relationship has been tenuous, at best. This has precluded optimal teaching and learning.

EVENTS:

Tuesday, February 12, 2002:

In a letter, Guy Dobbs, Attorney for Edison Schools Inc., notified Inkster Superintendent Terry Boguth of a “serious delinquency” with regard to payment in accordance with the management agreement between Inkster Public Schools and Edison Schools, Inc. The letter was a formal demand for payment of \$1.2 million for management services provided during the 2000 – 2001 school year within five days.

Wednesday, February 27, 2002:

Dr. Marlene Davis, Superintendent, Wayne RESA, and I sent written notification that a joint fact-finding team would meet with representatives of Inkster Public Schools and Edison Schools, Inc., the Inkster Superintendent and the Inkster Board of Education. The team was formed to address issues involving contractual disputes between Inkster Public Schools and Edison Schools, Inc. Issues were clarified and involved parties had an opportunity to present their concerns during the fact-finding period.

Friday, March 15, 2002:

In a letter from Edison Schools, Inc., Attorney Guy Dobbs requested that I declare a financial state of emergency in Inkster Public Schools.

March 28, 2002:

The Department of Education/Wayne RESA Team presented their report to Superintendent Watkins and Superintendent Marlene Davis, Wayne RESA, regarding their findings.

Monday, April 15, 2002:

I hosted a meeting in Lansing, to afford all parties the opportunity to present their issues and concerns, with members of the MDE-Wayne RESA Team, representatives of Edison Schools, select Inkster Board members and union representatives. The fact-finding report was presented to the Inkster Board of Education, representatives of the Inkster community and Edison Schools, Inc., the Inkster Federation and Michigan Federation of Teachers, AFSCME and the Inkster Superintendent by members of the joint fact finding team.

Monday, April 22, 2002:

The Inkster Board of Education and I hosted an open forum at Inkster High School to hear the concerns and hopes of the Inkster community, its teachers, students and parents. The desire for local resolution of dispute issues was reiterated, as was the fact that if that were impossible, the State would intervene for the sake of the children at risk.

Tuesday, April 23, 2002:

As requested by impassioned and eloquent Inkster High students I visited their school. Student leaders, Dominique Whitner and Anthony Cheatham told me that they had no books to take home to do homework and that the books they did have were outdated and were missing pages. They then led a tour that saddened me deeply. Examples of what I saw included locker-less locker rooms, girl's restroom stalls without doors, toilet seats and faucet handles, black mold covering the shower walls, broken windows in the gym and a pool that had been without water for several years.

Thursday, April 25, 2002:

At a special meeting of the Inkster Board of Education the Board voted to repay Edison Schools, Inc., the amount of \$1.2 million due for management services during 2000-2001. Edison schools shows an amount still due for the 2000-2001 management fees of \$57,033.

Friday, May 2, 2002:

I sent a letter to Edison Schools, Inc and the Inkster Board of Education requesting resolution of all issues in dispute and a jointly prepared long-range plan for providing high quality academic education by May 15, 2002.

Tuesday, May 7, 2002:

I met with David Graff and Guy Dobbs, legal counsel for Edison Schools, Inc., and Jacqueline Sledge and Areeda Whitner, Secretary and President of Inkster's Board of Education respectively, to reiterate the need for immediate resolution of outstanding issues and the creation of a long-term strategic plan. Neither Edison Schools, Inc. representatives nor Inkster's Board leadership were optimistic that a local plan could successfully address outstanding issues.

Wednesday, May 15, 2002:

Inkster Board President Areeda Whitner, Secretary Jacqueline Sledge, Board Member John Rucker, Superintendent Terry Boguth, Inkster Board of Education Attorney Chui Karega, concerned Inkster citizens, Edison Schools attorneys David Graff and Guy Dobbs and I participated in a conference call. Both the Inkster Board represented by Areeda Whitner and David Graff representing Edison agreed that there has been no progress toward creation of a joint long-range plan that addresses the numerous concerns. Both parties agreed to disagree, and that local resolution of issues in dispute was improbable.

On May 15, 2002 I also received separate letters from Inkster's attorney Chui Karega and from Edison's attorney Guy Dobbs. Each cited a lack of cooperation on the other's part and reiterated that no further mutual gains had been made. No joint plan had been presented.

Thursday, May 16, 2002:

I notified Governor John Engler that pursuant to the Local Governmental Fiscal Responsibility Act, 1990 PA 72, MCL 141.1233(1)(d), I had determined that the Inkster Public Schools has a serious financial problem.

Thursday, June 13, 2002:

The Governor announced the appointment of five individuals to the Inkster Financial Review Team, charged with examining the school district's finances: Doug Roberts, State Treasurer; Thomas D. Watkins, Jr., Superintendent of Public Instruction; Duane Berger, Director of the Department of Management and Budget, Bruce Seymore, representing Senate Majority Leader Dan DeGrow, and Robert Queller, retired, representing Speaker Rich Johnson.

Friday, June 21, 2002:

The Financial Review Team met in Lansing to interview, individually, Inkster Superintendent Boguth, representatives of the Inkster School Board, and representatives of Edison Schools. After the interviews, the Team had a follow-up discussion regarding the day's proceedings.

Monday, June 24, 2002:

Representatives from the Department of Treasury (Ernest Hodgers) and the Department of Education (Don Weatherspoon and Norm Lupton) visited the Inkster Schools to perform on-site review of the district's finances. An attorney representing Edison Schools (Jeff Neidle) was also present. Their findings have been provided to the Team. Concurrently, another team (Steve Ezikian from Wayne RESA and Terry Boguth) visited Wayne RESA to review the RESA financial information regarding Inkster Schools, and have provided their findings to the team.

Thursday, June 27, 2002:

The Financial Review Team met in Lansing with local and state union representatives to listen to their concerns regarding the Inkster/Edison relationship.

Thursday, July 18, 2002:

A hearing was held as the result of an appeal of the Inkster Board of Education to my July 3, 2002, determination of a financial emergency in the school district, pursuant to MCL 141.1235(2).

Friday, July 26, 2002:

By letter to the Inkster Board of Education and Edison Schools, Inc., I expressed my strong concern that the Inkster School District be prepared to provide the quality education to the Inkster children that they deserve. I requested that the Inkster Board of Education and Edison staff work together, as specified in the Inkster-Edison Management Agreement, and forward to me their respective plans for several areas of concern. I asked that the information requested by forwarded to my attention by Monday August 5, 2002.

Monday, July 29, 2002:

I forwarded my final determination to the Inkster Public Schools Board of Education that the Inkster Public Schools has a financial emergency. This determination confirmed my July 3, 2002, notification to the Inkster Board of Education that, pursuant to the Local Government Fiscal Responsibility Act ("Act"), 1990 PA 72, MCL 141.1235(1)(c), in concurrence with the findings of the Inkster Financial Review Team, I had determined that a financial emergency exists in the Inkster Public Schools ("Inkster"), because a consent agreement containing a plan to resolve a serious financial problem within the school district had not been adopted. It was my further recommendation that an emergency financial manager be appointed to Inkster. The second determination was the result of the appeal of my July 3, 2002 by the Inkster Board of Education. My final determination was based on a thorough review of the entire hearing record, include the transcript and exhibits.

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CONTINUING DISPUTES AND INSTABILITY IN THE DISTRICT:**Tuesday, July 30, 2002:**

The Inkster Board of Education, without cooperation or consultation with Edison Schools as specified in the Inkster/Edison Management Agreement, voted to hire a new superintendent (Paula Davis), and three new principals, by a four-person majority. These actions have prompted objections by Edison Schools, through their attorneys, as evidence of further violations of the management agreement. Edison attorneys have further made allegations to violations in the Open meetings Act regarding posting of a special meeting at least 18 hours to the meeting, and improperly going into closed session for discussions. Edison does not accept these appointments.

Monday, August 5, 2002:

Janet Hunter-Moore, Executive Director of the Michigan Municipal Bond Authority, Department of Treasury faxed a letter to Manuel E. Wilson, Inkster Administrator in Charge, informing the district that Inkster's application to participate in the Bond Authority's August 2002 State Aid Note Program's "no set aside option" was denied by the Letter of Credit Bank, and concurred by the Authority on July 17, 2002. In addition, there were questions regarding the cash flow material forwarded by the Inkster Public Schools in support of its application. Ms. Hunter-Moore requested a written response to the questions by 3:00 p.m. on August 5, 2002. The information had been requested previously, but sufficient detail was not provided in the information received late the previous Friday.

Tuesday, August 6, 2002:

Janet Hunter-Moore, Executive Director of the Michigan Municipal Bond Authority, Department of Treasury, faxed a letter to Manuel E. Wilson, Inkster Administrator in Charge, informing the district that Inkster's application to participate in the Bond Authority's August 2002 State Aid Note Program was denied, due to the school district's failure to meet the State Aid Note requirements. Primary reasons for the denial were:

- The amount that is still owed to Edison Schools, Inc., and how it impacts the school district's cash flow and repayment of the note;
- The pending appointment by the Governor of an Emergency Financial Manager pursuant to the Local Government Fiscal Responsibility Act, which raises questions regarding who could enter into a purchase contract for the note, as well as what actions might be taken by the Emergency Financial Manager that could impact the repayment of the note; and
- The legal necessity to disclose to the Municipal Bond Market the various actions that an Emergency Financial Manager might take to resolve fiscal issues for the Inkster Public Schools, which has the potential to negatively impact the other 212 school districts participating in the pooled financing.