Brown Renovation Project:

Financial Information & Analysis

06/09/2025

Ongoing Audits/Investigations

- **State Board of Accounts Regular (SBOA) Audit:** Ongoing, temporary
- **Independent Investigation:** Ongoing, temporary
- **Internal Audit & Financial Analysis:** Ongoing, and **MUST be perpetual**

SBCSC's internal financial analysis/internal audit will be a continuous process and will always be there to ensure transparency and internal control, regardless of state audit or outside investigation

Project Cost & Budget

Updated: Brown Renovation Project Cost

(2021-25)

Only Renovation Cost = $7.5 mn approx. (UPDATED)

Vendor Name	Reason/Comments	Category	Total Paid
F.H.Paschen,S.N. Nielsen Assoc	Construction	Renovation Cost	$ 3,501,814
Office Interiors Inc	Furniture etc.	Renovation Cost	$ 1,009,213
MacAllister Machinery Co Inc	Data Center Move	Renovation Cost	$ 777,523
CDW Government Inc	Data Center Move	Renovation Cost	$ 709,970
Alignment Ventures	Painting	Renovation Cost	$ 506,529
Schmidt Associates, Inc.	Architecture/Design	Renovation Cost	$ 342,813
Interior Finishes Inc	Construction	Renovation Cost	$ 127,660
Value Flooring Inc.	Construction	Renovation Cost	$ 103,939
Coach Ready Mix LLC	Painting etc.	Renovation Cost	$ 74,778
Howard Custom Enterprises Inc	Construction	Renovation Cost	$ 57,225
Echols & Harris Construction	Construction	Renovation Cost	$ 43,437
M Haywood Construction LLC	Consultancy	Renovation Cost	$ 40,260
Pemberton Davis Electric Inc	Electric & Security	Renovation Cost	$ 37,253
JP Morgan Chase & Co	Miscellaneous	Renovation Cost	$ 29,877
Adrian Harris	Miscellaneous	Renovation Cost	$ 25,991
Huys Bros Moving Inc.	Moving	Renovation Cost	$ 21,866
Ruth Warren	Consultancy	Renovation Cost	$ 18,987
Acm Environmental Inc	Miscellaneous	Renovation Cost	$ 6,640
IDN H Hoffman	Security etc.	Renovation Cost	$ 5,874
IAG Painting LLC	Painting	Renovation Cost	$ 5,245

Vendors paid at least $5,000 listed; thus list is not fully comprehensive

Renovation Cost + General Maintenance Costs = $8.4 mn

Brown Renovation Expenditures 2023-25			
Vendor Name	**Total Paid**	**Reason/Comments**	**Category**
Southeast Service Corporation	$ 477,353	Building Management	Maintenance Cost
Indiana Michigan Power Co	$ 313,309	Utility	Maintenance Cost
South Bend Water Works	$ 46,969	Utility	Maintenance Cost
Northern Indiana Public Svc	$ 43,891	Utility	Maintenance Cost
Jwf Speciality Company	$ 28,668	Workers Comp	Maintenance Cost
Ind Dept Of Environmental Mgmt	$ 50	Utility	Maintenance Cost
	$ 910,240		

General Maintenance costs, approximately **$910K**, **IS NOT** included into the **$7.5** mn Project cost calculation

There is **STILL** some work left here at Brown (i.e: Painting, Parking Lot etc.)

Project Budget

- **Sept 19, 2022 Board Meeting:** Transfer Downtown Building to City was Approved, a **$2.3 mn** Project cost was mentioned;

Watch From **01:26:15**, Action Item 9.1 : https://www.youtube.com/watch?v=P-SMSJfLWeo&t=5552s

Project Budget

- **<u>May 15, 2023 Board Meeting:</u>** Architect contract to Schimdt & Associates was approved, a **$2.8 mn** Project Budget was communicated verbally, multiple times; **It was mentioned that even for minority vendors, if threshold amounts crossed, bidding process would be followed. Demolition and other repairs was part of the $2.8 mn budget. In the Schimdt Contract. With soft costs, the budget is projected to be up to $3.5 mn.**

Watch from **03:35:30** Action Item 9.7: https://www.youtube.com/watch?v=riXT5_-a1OQ&t=13305s

Project Budget

- **<u>July 31, 2023 Board Meeting:</u>** Construction Delivery Model – Contract was approved for FH Paschen. A **$2.8 mn** Project Budget was communicated, multiple times. It was also mentioned that different work will be monitored for cost through this construction delivery model, change order would be needed for undiscovered/new/overbudget costs.

Watch from **02:01:39** Action Item 9.3: https://www.youtube.com/watch?v=rjcVzAPwRYk&t=8186s

Major Vendors

Information: Major Project Vendors

Brown Renovation Expenditures 2022-25: Major Construction Vendors over $50K Paid						
Vendor Name	**Total Paid**	**Reason/Comments**	**Category**	**separate Board Approval for Contract**	**Traditional/Formal RFP or Multiple Quotes**	**Purchasing Exceptions Apply?**
F.H.Paschen,S.N. Nielsen Assoc	$ 3,501,814	Construction	Renovation Cost	YES	NO*	YES*
Office Interiors Inc	$ 1,009,213	Furniture etc.	Renovation Cost	NO	NO	NO
Alignment Ventures	$ 506,529	Painting	Renovation Cost	NO	NO	NO
Schmidt Associates, Inc.	$ 342,813	Architecture/Design	Renovation Cost	YES	NO*	YES
Value Flooring Inc.	$ 103,939	Construction	Renovation Cost	NO	NO	NO
Coach Ready Mix	$ 74,778	Construction, Painting etc.	Renovation Cost	NO	NO	NO
Interior Finishes Inc	$ 127,660	Construction	Renovation Cost	NO	NO	NO
Howard Custom Enterprises Inc	$ 57,225	Construction	Renovation Cost	NO	NO	NO

Information Presented here is based on information available till this point in SBCSC financial records and system and public domain

Information: FH Paschen & Subcontractors

Sub-Conractors	Grant Totals
Complete Masonry	18,810.00
Mason Creations	22,231.61
Diverzify Pro	72,441.39
Dogwood Hills Tree Farm	9,801.00
Griffen Plumbing	19,280.00
Ideal Consolidated	214,988.36
Pemberton Davis	430,190.02
Rosema	218,040.53
Trukote	127,641.64
Universal Services	225,711.73
Fence Wizards	-
Central Indiana Hardware	18,672.75
Hartford Glass	49,048.00
Midwest Cabinet Solutions	13,055.00
Cooper Painting	49,565.00
Lehman & Lehman	39,700.00
Jericho Metals	26,000.00
Sub-contract Total	**$ 1,555,177.03**
F.H Paschen	**$ 1,946,636.83**
Grand Total	**$ 3,501,813.86**

"…. As a General Contractor, all of our subcontractors were contracted by and paid by FHP as indicated on the payment applications previously submitted by FHP. We did not enter into any other contracts with or manage any other vendors on the project."

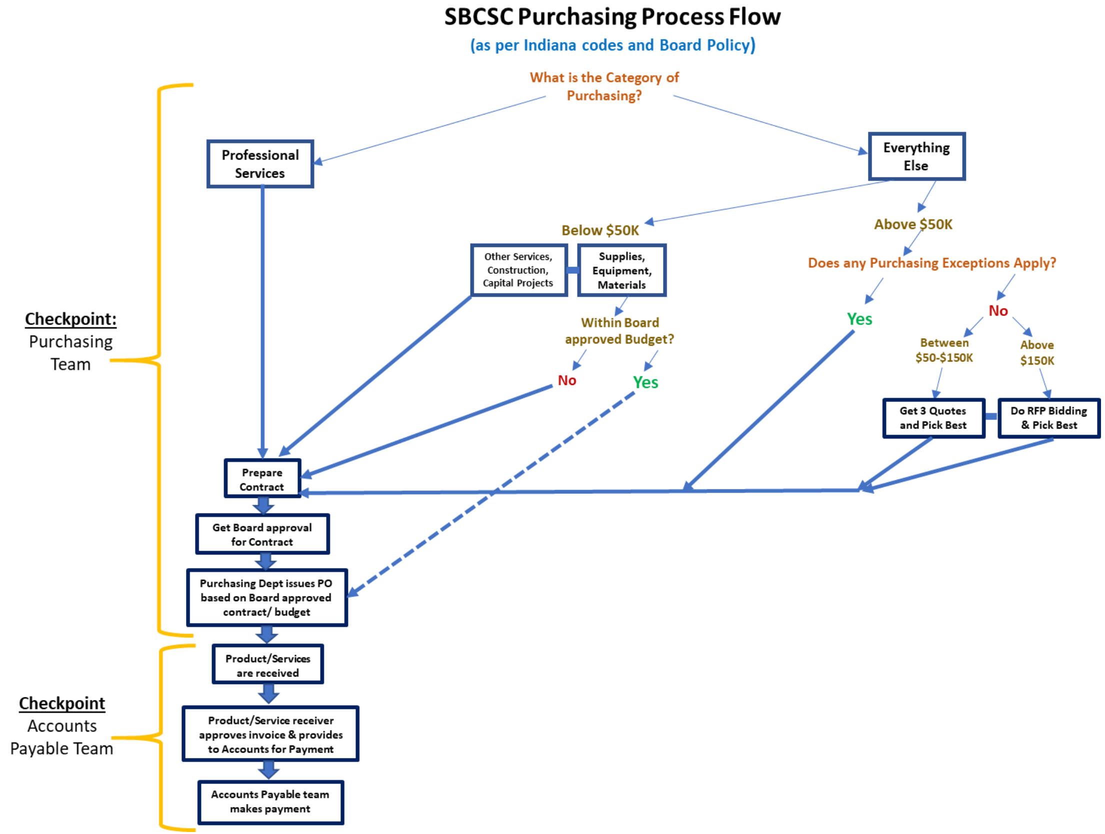
- <u>From Email Received from FH Paschen, dated May 9, 2025, 5:58 PM</u>

Information: FH Paschen & Subcontractors

Multiple vendors worked directly with SBCSC **NOT included** in the subcontractor list of FH Paschen (the general contractor)

What is the General Purchasing Process as per Indiana Purchasing Law and SBCSC Board Policy?

District Purchasing Process Flow being in Action Now



Important Notes

- Unless the purchase is supply/equipment/material below $50K and is within board approved budgets, a contract will be required with the vendor for all purchases. All Contracts will also need to be board approved, before Purchasing team can create a PO (only exception: emergency purchases, which can be approved later by the board)
- If a purchase is made from federal grants, certain special rules may apply based on the grant; in addition, the purchasing threshold is different for federal grants. Unless any of the purchasing exceptions apply, anything over $10,000 would require at least 3 quotes and over $150,000 a formal bidding process will be required.
- Purchasing Exceptions/Special Purchasing Methods: Indiana Purchasing codes allow some exceptions/special methods, under which multiple quotes or traditional RFP bidding process will not be required; the most common allowed exceptions by Indiana code are:

- No solicitation of bids or proposals, IC 5-22-10:
- Competition required, IC 5-22-10-2.
- Unique opportunity for substantial savings, IC 5-22-10-5.
- Auctions, IC 5-22-10-6.
- Data processing contracts or license agreements, IC 5-22-10-7.
- Compatibility, IC 5-22-10-8.
- Failure to receive responsive offer, IC 5-22-10-10.
- Discount, IC 5-22-10-12.
- Single source, IC 5-22-10-13.
- Contract with federal or state agency, IC 5-22-10-15.
- Gifts, IC 5-22-10-17.

District Purchasing Process Flow being in Action Now

Generally SBOA (State Board of Accounts) interprets and requires –

- **Indiana Code (IC) 5-16-11.1-2** defines "professional services" for public works as those within the scope of practice of architects, engineers, or surveyors. Painting, being a construction activity involving labor, generally falls under public works rather than professional services; thus multiple quotes are needed for projects over $50K, formal bidding process required in most cases for projects over $150K; regardless of minority vendors or any other vendor types if threshold amount is crossed **(from IC 5-16-11.1-2, IC 36-1-12)**
- Furniture (incl. Installation, Moving) **is NOT Services** and is considered as SUPPLIES; generally requires multiple quotes/formal bidding process for above-threshold amounts **(from IC 5-22-8-3 & IC 5-22-9)**
- Aggregating costs to prevent artificial division of projects to avoid bidding requirements is to be avoided. Regardless of number of payments made or the amount of each payment, if a vendor is paid above the threshold amounts for the same project, the purchasing rules and regulations will be applicable (i.e: Vendor paid once $50K for a project = Vendor paid 10 times $500 each time for the same project) **(from IC 5-22-8-2(b))**
- For public works/construction projects, if vendors outside the general contractor's subcontractors are utilized directly by a Government entity, usually those vendors need to go through formal bidding process if cost is above threshold dollar amounts. **(from IC 36-1-12)**

Project Investment Analysis

Project Investment Analysis: Savings

Utility Costs	Downtown Admin Building (Inflation Adjusted 2023-24 Paid Amounts)	Brown Admin Building (Annualized Data from Aug 2024- Apr 2025)
Water	$ 19,775.98	$ 10,704.43
Gas	$ 12,418.38	$ 25,600.49
Electricity	$ 133,966.37	$ 112,439.04
Total	**$ 166,160.74**	**$ 148,743.95**

Non-Utility Operational Costs	Downtown Admin Building	Brown Admin Building
SSC	$ 133,506.11	$ 242,534.52
Repair & Other Misc.	$ 10,000.00	$ 2,000.00
Total	**$ 143,506.11**	**$ 244,534.52**

EST Annual AVG Utility Savings	$ 17,416.78
EST Annual Parking Expense at Downtown SB	$ 120,000.00
EST Annual AVG Savings from General Non-Utility Operational Costs	$ (101,028.41)
Total EST Operational Savings from Brown Move	$ 36,388.37

SBCSC would save approximately **$36K** each year from the Brown Transition

***Utility and Non Operational expenditures are based on actual paid data for the mentioned buildings, necessary inflationary adjustment and annualization have been performed for comparison*

Project Investment Analysis: Payback Period Scenario

Brown Renovation Cost	**$ 7,500,000.00**
Proceeds from Downtown Building Sale	**$ 2,800,000.00**
Project Overbudget	**$ 4,700,000.00**
Downtown Building Capital Project Needs	**$ 375,000.00**
Total Amount to Recover from Savings	**$ 4,325,000.00**
Basic Payback Period	**35.00**
Discounted (Time-Value) Payback Period	**83**

Downtown Admin Building Capital Project Needs	EST Cost
Common Area Carpet Replacement	$ 50,000
Elevator Repair Work	$ 250,000
HVAC System Upgrades	$ 75,000
Total Estimated Amount	**$ 375,000**

It will approximately take SBCSC **83 years** to recover the overspent amount for Brown Renovation, through the est. savings from the Brown transition

***Long term AVG US Treasury Bill rate of 4.25% has been used as a discount rate to calculate discounted payback period for project, parking savings has been adjusted for inflation each year a 3% increasing*

Conclusions

Learnings from Brown Renovation & Transition Project

- Lack of Internal control MUST be resolved; which is one of our key priorities right now – to ensure proper checks and balances, scope for feedback with no fear of retaliation
- Proper Investment Analysis needs to happen when major transition projects are planned (i.e: SSC Transition)
- Finance team performs continuous internal audit and financial analysis (irrespective of state audit or investigation) and will continue sharing information publicly. Transparency is nonnegotiable to earn public trust back. What will happen in **2029** if the public don't trust us?
- Self Reflection is very much needed to improve for the future. We need to focus on the **"WE".** When "We" make mistakes, the kids, the teachers & school employees and the taxpayers suffer. "WE" must NOT make bad financial decisions

Rebuilding Community Trust through Transparency…

Thank you!
Questions?