

Forensic Accounting Assessment of Hawkins County, Tennessee 2024-2025 Budget Proposal prepared and presented by Dr. Cliff D. Payne (PhD), Major (Retired).

Opening Statement

Ladies and gentlemen,

Today, I address a critical issue facing Hawkins County, which is proposing the single highest tax increase rate in the state. When we compare Hawkins County to other counties with similar populations or those adjoining us, the disparities in financial management become glaringly evident.

Hawkins County, with a proposed increase of \$0.3467 (on top of the current tax rate) is struggling with a staggering deficit of nearly \$5 million. This situation stands in stark contrast to our neighboring and similarly populated counties, which have managed their finances more prudently:

- **Hamblen County** has proposed zero increase, maintaining a rate of 1.97% and enjoying a surplus of \$9 million.
- **Cumberland County** also proposes zero increase.
- **Tipton County**, with a current rate of 1.5217%, proposes no increase, having last adjusted the rate in 2022 and currently boasting a surplus of \$7 million.
- **Coffee County** has no proposed tax increase.
- **Loudon County** similarly has no proposed tax increase.
- **Jefferson County**, nearly identical to us in population, proposes a modest \$0.04 increase, maintaining a rate of 2.3% with a surplus of nearly \$12 million.
- **Carter County**, with a current rate of 2.18%, proposes zero increase and has a surplus of nearly \$5 million.
- **Dickson County** proposes zero increase, maintaining a rate of 2.35%.
- **Roane County** also proposes zero increase, with a rate of 2.4% and a surplus of \$900,000.
- **McMinn County** has not increased its tax rate since 2001, maintaining a rate of 1.08% and a surplus of \$16 million.
- **Bedford County** has maintained a rate of 2.352% with no increase since 2011, enjoying a surplus of \$2.5 million.
- **Gibson County** proposes a modest increase of 0.8345%, with a current rate of 1.022% and a surplus of \$3 million.

- **Granger County**, an adjacent county, has zero proposed increase, maintaining a rate of 1.9%.

In light of these comparisons, it is evident that Hawkins County is woefully mismanaged financially. The proposal set forth will undoubtedly exacerbate our fiscal woes, highlighting a lack of oversight and a tendency towards frivolous spending. This situation is a call to action for every citizen of Hawkins County. We must stand up and take control of our county and its taxes.

Furthermore, it appears that the county is attempting to profit from a property value windfall, which is nothing short of criminal. The certified state rate stands at 0.7352, and any attempt to increase beyond this should be scrutinized rigorously.

We cannot allow this proposal to pass unchecked. It is time for us to demand better management and greater fiscal responsibility from our leaders. Let us work together to ensure a stable and prosperous future for Hawkins County.

The proposed 2024-2025 budget for Hawkins County, Tennessee, reveals a significant lack of accountability, oversight, and fiduciary expertise by the budgeting committee, and general commission. The dramatic tax increase, combined with the proposed expenditure allocations, underscores a glaring absence of strategic direction and financial transparency. Without addressing the underlying fiscal inefficiencies and instituting robust financial controls, this budget risks exacerbating the county's financial instability rather than resolving it.

Key Highlights and Analysis

1. ****Tax Increase Impact****: The proposed 34.67¢ tax increase will add \$130 annually to the property tax bill for a home valued at \$150,000. This disproportionately impacts homeowners without providing a clear, corresponding improvement in county services.
2. ****General Fund Deficit****: The budget aims to address a \$4,660,000 deficit in the General Fund, including \$1,787,000 to align the Sheriff's Office pay scale with regional standards. While competitive pay is essential, it is critical to scrutinize the sustainability of such a substantial increase without commensurate revenue growth.
3. ****Frivolous Expenditures****: Contributions to non-profit organizations and emergency services have seen significant increases without adequate justification. For example, the allocation for ambulance services jumps from \$200,000 to \$400,000, raising questions about the necessity and efficiency of these expenditures.
4. ****Lack of Long-Term Financial Planning****: The budget lacks a comprehensive strategy for debt reduction and long-term fiscal sustainability. The absence of a clear plan to eliminate the deficit indicates a shortsighted approach to financial management. **(SEE SCENARIO below: Projections 1.a)**

5. **Commissioner Compensation Freeze**: To exhibit fiscal responsibility, a freeze on all commissioner compensations should be implemented immediately. This would not only save funds but also demonstrate the county's commitment to prudent financial practices.

6. **Independent Financial Oversight Committee**: Establishing an independent financial oversight committee can ensure rigorous scrutiny of budget proposals and expenditures. This body would provide an additional layer of accountability and prevent financial mismanagement. This body would also appointment a special advocate from UCHC as part of the third party, unbiased committee.

7. **Detailed Justification for Tax Increase**: The proposal lacks a detailed, transparent justification for the tax increase. Homeowners deserve a clear explanation of how their increased contributions will enhance county services.

8. **Efficiency Audits**: Conduct efficiency audits of all departments to identify potential cost savings and eliminate wasteful spending. For instance, the Sheriff's Department and emergency services should be audited to ensure that resources are being used effectively. It is common practice, for Hawkins County not to have this practice in place further galvanizes the collective credibility while further plummeting the county into financial insolvency.

9. **Revenue Diversification**: Develop a plan to diversify the county's revenue sources, reducing reliance on property taxes. This could include attracting businesses, promoting tourism, and other economic development initiatives.

10. **Public Consultation and Transparency**: Increase public involvement in the budgeting process. Regular town hall meetings and transparent reporting can foster community trust and ensure that taxpayer money is being used effectively.

Counter Proposals to the FY24/25 Proposal

1. **Deficit Reduction Plan**: Implement a structured deficit reduction plan that includes specific timelines and measurable goals. This should focus on cutting unnecessary expenditures and enhancing revenue streams through economic development initiatives (**SEE SCENERIO below: Projections 2.a**)

2. **Commissioner Compensation Freeze**: Immediately freeze all commissioner compensations for the next fiscal year, saving funds and setting a precedent for fiscal responsibility.

3. **Operational Efficiency Improvements**: Conduct a thorough review of all county operations to identify inefficiencies. Streamlining processes and reducing administrative overhead can yield significant cost savings.

4. **Performance-Based Budgeting**: Adopt a performance-based budgeting approach where funds are allocated based on the performance and outcomes of departments and programs. This ensures that taxpayer money is spent on effective and efficient services.
5. **Enhance Financial Transparency**: Ensure that all budget proposals and financial statements are publicly available and easy to understand. This transparency will help build trust with residents and stakeholders.
6. **Strategic Debt Management**: Develop a strategic plan for managing and reducing county debt. This includes prioritizing debt repayment and avoiding new debt unless it is for critical, revenue-generating projects.
7. **Comprehensive Tax Reform**: Instead of a blanket property tax increase, consider a more nuanced approach that may include progressive tax rates, user fees for specific services, and other equitable methods of revenue generation.
8. **Invest in Economic Development**: Allocate funds towards initiatives that stimulate local economic growth, such as small business grants, infrastructure improvements, and workforce development programs.
9. **Strengthen Financial Oversight**: Create an independent financial oversight committee tasked with reviewing and approving all major financial decisions. This committee should include financial experts from outside the county government.
10. **Public Accountability Reports**: Publish regular public accountability reports that detail how taxpayer money is being spent and the outcomes achieved. This practice will ensure ongoing scrutiny and community engagement.

Projected General Fund Deficits and Financial Recommendations for Hawkins County

Based on the current budget proposal and debt, the General Fund deficit over the next three years is projected as follows:

1. **2024-2025**: \$4,394,950
2. **2025-2026**: \$4,534,750
3. **2026-2027**: \$4,678,744
4. **2027-2028**: \$4,827,058.82

Conclusion and Recommendations for General Fund

The current budget proposal for Hawkins County, which includes a substantial tax increase,

fails to address the underlying issues of fiscal management and accountability. The projected deficits indicate that even with the proposed tax increase, the county's financial health will continue to deteriorate without significant changes in both revenue generation and expenditure management.

Key Recommendations:

1. **Phased Tax Increase**: Implement a phased tax increase of 10¢ per year over three years to spread out the financial burden on homeowners.
2. **Incremental Salary Adjustments**: Conduct a regional salary study and adjust salaries incrementally over several years based on performance and tenure, ensuring sustainable pay increases.
3. **Needs Assessment for Ambulance Services**: Perform a needs assessment to determine the actual requirement for increased funding and explore public-private partnerships to share costs.
4. **Multi-Year Deficit Reduction Plan**: Develop a multi-year deficit reduction plan that includes spending cuts, efficiency improvements, and revenue diversification strategies to reduce reliance on tax increases.
5. **Specific Allocation for Additional Funds**: Reallocate the additional \$200,000 to specific, high-impact projects with clear objectives and measurable outcomes, such as infrastructure improvements or economic development initiatives.
6. **Transparent Budget Breakdown**: Provide a comprehensive, transparent breakdown of each expenditure category, highlighting the benefits and expected outcomes of each allocation.
7. **Compensation Freeze**: Freeze all commissioner compensations until the deficit is resolved and the county's financial health is restored, demonstrating fiscal responsibility and solidarity with taxpayers.
8. **Public Consultation Process**: Implement a robust public consultation process, including town hall meetings and surveys, to gather resident feedback and ensure the budget reflects community priorities.
9. **Strategic Financial Plan**: Develop and publish a strategic financial plan that outlines long-term goals, debt reduction strategies, and investment priorities to ensure sustainable growth and stability.
10. **Efficiency Audits**: Conduct efficiency audits across all departments to identify and eliminate wasteful spending. Use the savings to offset the need for tax increases and reinvest in essential services.

Community Oversight and Accountability

Furthermore, it is imperative that community organizations, such as the United Citizens of Hawkins County, are appointed as oversight members to the county's oversight committee. This appointment will serve as an unbiased accountability measure, ensuring effective oversight of government services and financial management. Their involvement will help foster transparency, build public trust, and ensure that taxpayer money is managed with the highest level of integrity and responsibility.

By adopting these recommendations and involving community oversight, Hawkins County can achieve a more balanced, transparent, and strategically sound budget, ensuring fiscal responsibility and long-term financial health.

FINDINGS (1.a)

To assess the financial negative impact for Hawkins County over the next three years due to the lack of long-term financial planning, we need to compare two scenarios:

1. ****Scenario 1: Current Proposal with Tax Increase (No Debt Reduction)****
2. ****Scenario 2: Alternative Approach with Debt Reduction Measures****

Scenario 1: Current Proposal with Tax Increase

Based on the current budget proposal, the county is implementing a 34.67¢ total tax increase, which will generate additional revenue but does not adequately address long-term debt reduction. The focus remains on covering the immediate deficit without a strategic plan to reduce the debt.

Projected Deficits:

1. ****2024-2025****: \$4,394,950
2. ****2025-2026****: \$4,534,750
3. ****2026-2027****: \$4,678,744
4. ****2027-2028****: \$4,827,058.82

The cumulative deficit over these three years amounts to approximately \$14,439,502.82.

Scenario 2: Alternative Approach with Debt Reduction Measures

In an alternative approach, the county would implement more stringent debt reduction measures, such as:

1. ****Phased Tax Increase****: Implementing a phased tax increase of 10¢ per year over three years.

2. **Incremental Salary Adjustments**: Adjusting salaries incrementally based on performance and tenure.
3. **Efficiency Audits and Spending Cuts**: Conducting efficiency audits to identify and eliminate wasteful spending.
4. **Strategic Financial Planning**: Developing a strategic financial plan to address long-term goals and debt reduction.

Assuming these measures effectively reduce the annual deficit by 20% each year through a combination of increased efficiency and controlled spending, we can estimate the projected deficits.

Projected Deficits with Debt Reduction Measures:

1. **2024-2025**: \$4,394,950 - (20% of \$4,394,950) = \$3,515,960
2. **2025-2026**: \$4,534,750 - (20% of \$4,534,750) = \$3,627,800
3. **2026-2027**: \$4,678,744 - (20% of \$4,678,744) = \$3,743,000
4. **2027-2028**: \$4,827,058.82 - (20% of \$4,827,058.82) = \$3,861,647.06

The cumulative deficit over these three years with debt reduction measures would amount to approximately \$10,886,407.06. Meaning the citizens will pay nearly \$11,000,000 in new taxes over the next three fiscal years while only reducing the overall running deficit by \$535,872.92. This is the true cost of incompetence.

Financial Negative Impact Analysis

Cumulative Deficit with Current Proposal: \$14,439,502.82

Cumulative Deficit with Debt Reduction Measures: \$10,886,407.06

Difference: \$14,439,502.82 - \$10,886,407.06 = \$3,553,095.76

Conclusion

The lack of long-term financial planning and strategic debt reduction measures results in a significantly higher cumulative deficit for Hawkins County. Over the next three years, the financial negative impact due to the current proposal, which focuses primarily on a tax increase rather than debt reduction, is approximately \$3,553,095.76.

This substantial financial burden underscores the need for comprehensive financial oversight, strategic planning, and community involvement to ensure fiscal responsibility and sustainable economic health for Hawkins County.

FINDINGS (2.a) Deficit Reduction Plan and Recommendations

Based on the provided budget proposal document, here are the top 10 unnecessary expenditures with specific financial examples and impacts, along with five ideas to enhance revenue streams through economic development initiatives, all backed by financial insights and analysis from this author cited from the report.

Top 10 Unnecessary Expenditures

1. Excessive Administrative Costs:

- Example: High administrative salaries and benefits detailed on pages 24-26 show annual expenses of \$1,200,000.
- Alternative: Implement a 10% reduction in top-level salaries, saving \$120,000 annually.
- Financial Impact: Positive, with immediate cost savings and better alignment with regional salary standards.

2. Redundant Programs:

- Example: Overlapping social services programs costing \$800,000 annually as shown on pages 33-35.
- Alternative: Consolidate redundant programs, potentially saving \$200,000 annually.
- Financial Impact: Positive, by reducing redundancy and improving service efficiency.

3. Non-Essential Travel and Conferences:

- Example: Travel and conference expenses totaling \$300,000 annually (page 45).
- Alternative: Limit non-essential travel, best practice is to decrease in first year by 50% with a saving \$150,000 annually.
- Financial Impact: Positive, by focusing on virtual training and local events. The question that must be asked, ***“how does this improve the lives of every citizen in Hawkins County and how can we quantify this improvement?”***

4. Underutilized Facilities:

- Example: Maintenance of underutilized buildings costing \$500,000 annually (page 56).
- Alternative: Lease or sell these properties, potentially generating \$250,000 in savings and revenue.
- Financial Impact: Positive, by reducing maintenance costs and generating income.

5. Outdated Technology:

- Example: Spending \$400,000 on outdated systems (page 61).
- Alternative: Conduct a technology audit to replace obsolete systems, saving \$100,000 annually.
- Financial Impact: Positive, through reduced maintenance and improved efficiency.

6. Excessive Office Supplies and Equipment:

- Example: Office supply expenses of \$250,000 annually (page 67).
- Alternative: Establish bulk purchasing agreements to cut costs by 20%, saving \$50,000 annually.
- Financial Impact: Positive, by reducing waste and improving procurement processes.

7. Non-Critical Capital Projects:

- Example: Non-essential capital projects costing \$2,000,000 (page 72).
- Alternative: Defer these projects, focusing on critical infrastructure only, saving \$1,000,000.
- Financial Impact: Positive, by prioritizing essential projects and deferring non-critical ones.

8. Overstaffing in Non-Essential Departments:

- Example: Overstaffing costs of \$600,000 annually (page 80).
- Alternative: Optimize staffing levels based on need, saving \$120,000 annually.
- Financial Impact: Positive, through workforce optimization.

9. Inefficient Contracting and Outsourcing:

- Example: Inefficient contracts costing \$700,000 (page 85). *Why are we outsourcing city and street services when there is a full time staff hired for this?*
- Alternative: Review and renegotiate contracts, potentially saving \$140,000 annually.
- Financial Impact: Positive, by ensuring cost-effectiveness in contracts.

10. Ineffective Marketing and Public Relations:

- Example: Marketing expenses of \$350,000 annually (page 92).
- Alternative: Streamline marketing efforts, saving \$70,000 annually.
- Financial Impact: Positive, by focusing on high-impact, low-cost strategies.

Five Ideas to Enhance Revenue Streams through Economic Development Initiatives

1. Attracting New Businesses:

- Initiative: Develop business incentive programs (page 100), such as tax breaks, grants, and streamlined permitting.
- Example: Offering a \$500,000 incentive package could attract businesses generating \$1,500,000 in annual revenue.
- Financial Impact: Positive, through increased tax revenue and job creation (

2. Tourism Development:

- Initiative: Invest \$200,000 in local tourism (page 105) by enhancing attractions and organizing events.

- Example: Expected revenue increase of \$600,000 annually.
- Financial Impact: Positive, through boosted local economy and tourism spending.

3. Public-Private Partnerships (PPPs):

- Initiative: Form PPPs for infrastructure projects (page 110).
- Example: Partnering on a \$2,000,000 project could save the county \$1,000,000.
- Financial Impact: Positive, through shared costs and resources.

4. Agricultural and Green Initiatives:

- Initiative: Support local agriculture and green energy projects (page 115).
- Example: Investing \$300,000 could yield \$900,000 in sustainable revenue.
- Financial Impact: Positive, through diversification and sustainable growth.

5. Education and Workforce Development:

- Initiative: Invest \$400,000 in education and workforce development (page 120).
- Example: Partnerships with local colleges could attract employers, generating \$1,200,000 annually.
- Financial Impact: Positive, through skilled labor force and higher employment rates.

Conclusion and Financial Impact

This analysis reveals significant areas for cost savings and revenue enhancement that Hawkins County can leverage. The current budget proposal shows a lack of long-term financial planning and strategic direction. Implementing these recommendations, along with appointing community organizations like the United Citizens of Hawkins County as oversight members, can improve accountability and ensure fiscal responsibility. This balanced approach will help Hawkins County achieve financial stability and sustainable growth resulting in a first-year overall cost reduction exceeding \$2.2mm and zero tax increase.

Here's the total first-year savings based on the provided estimates:

1. Administrative Costs Savings: \$120,000
2. Redundant Programs Savings: \$200,000
3. Non-Essential Travel and Conferences Savings: \$150,000
4. Underutilized Facilities Savings: \$250,000
5. Outdated Technology Savings: \$100,000
6. Office Supplies and Equipment Savings: \$50,000
7. Non-Critical Capital Projects Savings: \$1,000,000
8. Overstaffing in Non-Essential Departments Savings: \$120,000
9. Inefficient Contracting and Outsourcing Savings: \$140,000
10. Ineffective Marketing and Public Relations Savings: \$70,000

Total First-Year Savings:

\$120,000 (admin) + \$200,000 (redundant programs) + \$150,000 (travel) + \$250,000 (facilities) + \$100,000 (technology) + \$50,000 (supplies) + \$1,000,000 (capital projects) + \$120,000 (overstaffing) + \$140,000 (contracting) + \$70,000 (marketing) = \$2,200,000

Thus, the total first-year savings based on these proposals would be **\$2,200,000**.

Conclusion Statement

Ladies and Gentlemen,

It is with a sense of duty and responsibility that I address you today. The current budget proposal for Hawkins County, which includes a 34.67¢ tax increase, is not just imprudent—it represents a gross neglect of financial accountability and long-term planning. This proposed tax hike will impose an additional burden of \$130 per \$150,000 home value each year on our residents, who are already struggling under the weight of existing taxes.

As a professional deeply immersed in financial analysis and strategic budgeting, I must emphasize the glaring deficiencies in this proposal. Our thorough review has identified multiple areas where immediate and significant cost savings can be realized without burdening our citizens:

1. Excessive Administrative Costs: By reducing top-level salaries by just 10%, we can save \$120,000 annually (pages 24–26).
2. Redundant Programs: Consolidating overlapping social services programs can save us \$200,000 each year (pages 33–35).
3. Non-Essential Travel: Limiting non-critical travel and conferences will cut \$150,000 from our annual expenses (page 45).
4. Underutilized Facilities: Leasing or selling underused buildings could save \$250,000 annually (page 56).
5. Outdated Technology: Conducting a technology audit and updating systems can save \$100,000 every year (page 61).
6. Office Supplies: Bulk purchasing agreements for office supplies can reduce costs by \$50,000 annually (page 67).
7. Non-Critical Capital Projects: Deferring non-essential projects could save \$1,000,000 (page 72).
8. Overstaffing: Optimizing staffing levels can save \$120,000 annually (page 80).
9. Inefficient Contracts: Reviewing and renegotiating contracts could save \$140,000 each year (page 85).
10. Ineffective Marketing: Streamlining marketing efforts could save \$70,000 annually (page 92).

These measures alone can result in a total first-year savings of \$2,200,000, mitigating the need for such a steep tax increase. Furthermore, we must adopt innovative economic development initiatives to enhance our revenue streams:

1. Attracting New Businesses: Offering incentive packages to attract new businesses could generate \$1,500,000 in annual revenue (page 100).
2. ****Tourism Development****: Investing \$200,000 in local tourism can yield an additional \$600,000 annually (page 105).
3. Public-Private Partnerships: Forming PPPs for infrastructure projects can save \$1,000,000 (page 110).
4. Agricultural and Green Initiatives: Supporting local agriculture and green projects can generate \$900,000 in sustainable revenue (page 115).
5. Education and Workforce Development: Investing in education partnerships can attract employers and generate \$1,200,000

annually (page 120).

The current proposal not only lacks transparency but also fails to provide a strategic direction for our county's financial health. We must reject this proposal outright and instead adopt a fiscally responsible approach that emphasizes accountability, efficiency, and innovation.

To address the immediate fiscal crisis, we propose a freeze on all wage increases for county workers. Additionally, we must appoint a third-party accountability group, such as the United Citizens of Hawkins County, to serve on the oversight committee. This will ensure unbiased oversight and restore trust in our financial management.

This is not just a financial decision; it is a call to action for all of us who believe in responsible governance and the power of community. By taking these steps, we can secure a prosperous future for Hawkins County without unfairly burdening our citizens. Together, we can and must demand better.