

Analysis of Projected Deficits and Financial Mismanagement in Hawkins County's Proposed Budget (30,000-foot view)

Disclaimer: This analysis was not conducted by a CPA or career finance professional, but by a C-suite executive officer with extensive experience managing multiple billion-dollar P&Ls. He is widely recognized as a leading expert in corporate solvency, evaluating financial performances across private, non-profit, and publicly traded sectors, often leading to divestitures, exits, and M&As (two multi-billion dollar due diligence phases). His background as a serial entrepreneur, coupled with a PhD in organizational psychology, an MBA, and several undergraduate degrees, may not make him "qualified" to understand the "unique" government financial practices and budgets. Has anyone else felt after the meetings on Tuesday, that they too are perhaps too ill-advised, undereducated, and lack the critical experience required to understand how a county budget is constructed and executed as stated by members of the Commission counsel? For the record, Dr. Payne has no experience in county government financial practices. However, perhaps that is precisely the point.

Current Plan and Historical Performance Leading to Substantial Debt

Upon reviewing Hawkins County's proposed budget for the fiscal years 2024-2025 through 2027-2028, it is evident that the current financial strategy and historical performance are exacerbating the county's debt burden. Below is a detailed analysis of the projected deficits, incorporating debt reduction measures, and an insightful examination of the financial challenges that lie ahead.

Projected Deficits with Debt Reduction Measures

1. 2024-2025:
 - Projected Deficit: \$4,394,950
 - Line Item: 99100-599
 - Page: 33
 - Debt Reduction Measure (20%): \$878,990
 - Adjusted Deficit: \$3,515,960
2. 2025-2026:
 - Projected Deficit: \$4,534,750
 - Line Item: 99100-599
 - Page: 33

- Debt Reduction Measure (20%): \$906,950
 - Adjusted Deficit: \$3,627,800
3. 2026-2027:
- Projected Deficit: \$4,678,744
 - Line Item: 99100-599
 - Page: 33
 - Debt Reduction Measure (20%): \$935,748.80
 - Adjusted Deficit: \$3,743,000
4. 2027-2028:
- Projected Deficit: \$4,827,058.82
 - Line Item: 99100-599
 - Page: 33
 - Debt Reduction Measure (20%): \$965,411.76
 - Adjusted Deficit: \$3,861,647.06

Cumulative Deficit Calculation

Cumulative Deficit with Debt Reduction Measures:

$$3,515,960 + 3,627,800 + 3,743,000 + 3,861,647.06 = 14,748,407.06$$

$$3,515,960 + 3,627,800 + 3,743,000 + 3,861,647.06 =$$

$$14,748,407.06$$

Difference from Provided Data:

Given Cumulative Deficit: 10,886,407.06

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$$\text{Difference: } 14,748,407.06 - 10,886,407.06 = 3,862,000$$

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Financial Negative Impact Analysis

- Cumulative Deficit with Current Proposal: \$14,439,502.82
- Cumulative Deficit with Debt Reduction Measures: \$14,748,407.06
- Difference:

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

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Tax Analysis and Debt Reduction Impact

To verify the tax impact and debt reduction, let's analyze the expected tax revenue and the reduction in deficit:

1. Expected New Taxes Over Three Years:

- 2024-2025: \$4,394,950 (20% reduction not considered here)
- 2025-2026: \$4,534,750 (20% reduction not considered here)
- 2026-2027: \$4,678,744 (20% reduction not considered here)
- Total Taxes Over Three Years:
 $4,394,950 + 4,534,750 + 4,678,744 = 13,608,444$
 $4,394,950 + 4,534,750 + 4,678,744 = 13,608,444$

However, considering the debt reduction measure, the total tax collection would be:

- 2024-2025: $4,394,950 - 878,990 = 3,515,960$
 $4,394,950 - 878,990 = 3,515,960$
- 2025-2026: $4,534,750 - 906,950 = 3,627,800$
 $4,534,750 - 906,950 = 3,627,800$
- 2026-2027: $4,678,744 - 935,748.80 = 3,743,000$
 $4,678,744 - 935,748.80 = 3,743,000$

Total Taxes Collected with Debt Reduction:

$$3,515,960 + 3,627,800 + 3,743,000 = 10,886,760$$

$$3,515,960 + 3,627,800 + 3,743,000 = 10,886,760$$

2. Net Debt Reduction:

- Original Deficit (No Reduction):
 $4,394,950 + 4,534,750 + 4,678,744 = 13,608,444$
 $4,394,950 + 4,534,750 + 4,678,744 = 13,608,444$
- Adjusted Deficit (With Reduction):
 $3,515,960 + 3,627,800 + 3,743,000 = 10,886,760$
 $3,515,960 + 3,627,800 + 3,743,000 = 10,886,760$

- Net Debt Reduction: $13,608,444 - 10,886,760 = 2,721,684$
 $13,608,444 - 10,886,760 = 2,721,684$

3. Impact on Overall Running Deficit:

- Difference:

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

Critical Insights on Financial Planning and Debt Management

The financial trajectory indicated by the proposed budget reveals a deeply concerning trend. Despite implementing debt reduction measures, the discrepancies in the projected and actual cumulative deficits illustrate significant deficiencies in the county's financial planning. The expectation of raising nearly \$11,000,000 in new taxes over the next three fiscal years, while only achieving a minimal reduction in the overall running deficit by approximately \$535,872.92, underscores the severe financial mismanagement at play.

Key Issues Highlighting Lack of Transparency and Accountability

1. Non-Specific "Other" Categories: The budget allocates \$2,050,470 across various non-itemized "Other" categories in the general fund, which include:
 - Other General Administration: \$1,155,420 (Page 16, Line 51900)
 - Other Emergency Management: \$47,350 (Page 24, Line 54490)
 - Other Public Safety: \$445,862 (Page 25, Line 54900)
 - Other Local Health Services: \$4,600 (Page 26, Line 55190)
 - Miscellaneous: \$397,238 (Page 31, Line 58900)

Conclusion

The current financial plan for Hawkins County is not only leading to increased debt but also lacks the necessary transparency and strategic foresight. The substantial reliance on non-specific budget categories and the minimal impact of proposed debt reduction measures highlight the urgent need for more accountable and efficient financial management. It is imperative that the finance committee reassess these strategies to prevent further financial deterioration and ensure the responsible use of taxpayer money.

If further analysis or additional support is required, please do not hesitate to reach out.

2024-2025 Proposed Budget Hawkins County TN (Travel Analysis)

This detailed breakdown includes all the proposed travel expenses, travel-related costs, and additional costs related to professional development (based on the available itemization and explanations, the conclusions drawn are subject to interpretation due to the limited details provided) for the fiscal year 2024-2025 in Hawkins County, **now excluding fuel that is allocated in the Highway/Public Works Fund**, along with their respective line items and page numbers from the budget document.

Summary of Travel Expenses YoY (year over year)

- 2022-2023: \$34,535
- 2023-2024: \$42,878
- 2024-2025 (Projected): **\$178,900**
- Percent Increase from 2022-2023 to 2023-2024: **Approximately 24.15%**
- Percent Increase from 2023-2024 to 2024-2025 (proposed): **Approximately 317.11%**

Detailed Breakdown of Travel Costs for 2024-2025

Travel Expenses:

1. County Commission: \$15,000
 - Line Item: 51100-355
 - Page: 13
 - Subtotal: \$15,000
2. Board of Equalization: \$300
 - Line Item: 51210-355
 - Page: 13
 - Subtotal: \$300
3. Beer Board: \$300
 - Line Item: 51220-355
 - Page: 13
 - Subtotal: \$300

4. Budget and Finance Committee: \$2,500

- Line Item: 51230-355
- Page: 13
- Subtotal: \$2,500

5. County Mayor: \$2,500

- Line Item: 51300-355
- Page: 13
- Subtotal: \$2,500

6. Election Commission: \$12,000

- Line Item: 51500-355
- Page: 14
- Subtotal: \$12,000

7. Circuit Court: \$3,000

- Line Item: 53100-355
- Page: 17
- Subtotal: \$3,000

8. General Sessions Court: \$2,500

- Line Item: 53300-355
- Page: 17
- Subtotal: \$2,500

9. County Clerk's Office: \$4,500

- Line Item: 52500-355
- Page: 18
- Subtotal: \$4,500

10. Veterans' Services: \$2,500

- Line Item: 58300-355
- Page: 30
- Subtotal: \$2,500

11. Airport: \$500

- Line Item: 58220-355

- Page: 30
- Subtotal: \$500

12. Storm Water Management: \$500

- Line Item: 57800-355
- Page: 18
- Subtotal: \$500

13. Education Technology: \$3,000

- Line Item: 72250-355
- Page: 53
- Subtotal: \$3,000

Total Travel Expenses: \$15,000 + \$300 + \$300 + \$2,500 + \$2,500 + \$12,000 + \$3,000 + \$2,500 + \$4,500 + \$2,500 + \$500 + \$500 + \$3,000 = \$49,600

Additional Travel-Related Costs:

1. County Commission - Tuition (CTAS Certification for Public Officials): \$1,200

- Line Item: 51100-356
- Page: 13
- Subtotal: \$1,200

2. County Mayor - Tuition: \$200

- Line Item: 51300-356
- Page: 13
- Subtotal: \$200

3. General Sessions Court - In-Service/Staff Development: \$500

- Line Item: 53300-524
- Page: 19
- Subtotal: \$500

4. Education Technology - In-Service/Staff Development: \$8,000

- Line Item: 72250-524
- Page: 53
- Subtotal: \$8,000

5. Board of Education - In-Service/Staff Development: \$23,000

- Line Item: 72310-524
 - Page: 54
 - Subtotal: \$23,000
6. Office of the Superintendent - In-Service/Staff Development: \$12,000
- Line Item: 72320-524
 - Page: 54
 - Subtotal: \$12,000
7. Human Services/Personnel - In-Service/Staff Development: \$4,000
- Line Item: 72520-524
 - Page: 55
 - Subtotal: \$4,000
8. Health Services - In-Service/Staff Development: \$6,000
- Line Item: 72120-524
 - Page: 51
 - Subtotal: \$6,000
9. Other Student Support - In-Service/Staff Development: \$6,000
- Line Item: 72130-524
 - Page: 54
 - Subtotal: \$6,000
10. Regular Instruction Program - In-Service/Staff Development: \$25,500
- Line Item: 72210-524
 - Page: 54
 - Subtotal: \$25,500

Total Additional Travel-Related Costs: \$1,200 + \$200 + \$500 + \$8,000 + \$23,000 + \$12,000 + \$4,000 + \$6,000 + \$6,000 + \$25,500 = \$86,400

Associated Travel Costs:

1. Office of the Superintendent - Travel: \$4,000
- Line Item: 72320-355
 - Page: 54
 - Subtotal: \$4,000

2. Attendance - Travel: \$5,400
 - Line Item: 72110-355
 - Page: 51
 - Subtotal: \$5,400
3. Health Services - Travel: \$5,600
 - Line Item: 72120-355
 - Page: 51
 - Subtotal: \$5,600
4. Vocational Education Program - Travel: \$1,500
 - Line Item: 72230-355
 - Page: 53
 - Subtotal: \$1,500
5. Maintenance of Plant - Travel: \$700
 - Line Item: 72620-355
 - Page: 56
 - Subtotal: \$700
6. Other Student Support - Travel: \$5,400
 - Line Item: 72130-355
 - Page: 54
 - Subtotal: \$5,400
7. Fiscal Services - Travel: \$300
 - Line Item: 72510-355
 - Page: 54
 - Subtotal: \$300

Total Associated Travel Costs: $\$4,000 + \$5,400 + \$5,600 + \$1,500 + \$700 + \$5,400 + \$300 = \$22,900$

Additional Costs Related to Professional Development through Travel:

1. Regular Instruction Program - Travel: \$20,000
 - Line Item: 72210-355
 - Page: 52
 - Subtotal: \$20,000

Grand Total (Travel Related Costs + Associated Travel Costs):
- **Total: \$178,900**

2024-2025 Proposed Budget Hawkins County TN (Office Supplies)

This detailed breakdown includes all proposed "**office supplies**" for the fiscal year 2024-2025 in Hawkins County. Each item is listed with its respective line item and page number from the budget document. The conclusions drawn are based on the available itemization and explanations and are subject to interpretation due to the limited details provided.

Summary:

Total "Office Supplies" (proposed): **\$237,650**

Year-Over-Year Analysis

- 2022-2023 Total for Office Supplies: \$159,319
- 2023-2024 Total for Office Supplies: \$198,764

Year-Over-Year Increase

- 2022-2023 to 2023-2024 Increase: $\$198,764 - \$159,319 = \$39,445$ (**24.76% increase**)
- 2023-2024 to 2024-2025 Increase: $\$237,650$ (proposed) - $\$198,764 = \$38,886$ (**19.57% increase**)

The above totals and year-over-year increases reflect the grand totals for office supplies for Hawkins County, TN for the fiscal years 2022-2023, 2023-2024, and 2024-2025.

Total Costs "Office Supplies"

1. Reappraisal Program (Account 52310)
 - Office Supplies: \$700 (Page 17, Line 435)
 - Subtotal: \$700
2. County Buildings (Account 51800)
 - Office Supplies: \$100 (Page 15, Line 435)
 - Subtotal: \$100
3. County Trustee's Office (Account 52400)
 - Office Supplies: \$5,000 (Page 18, Line 435)
 - Data Processing Equipment: \$2,500 (Page 18, Line 709)
 - Subtotal: \$7,500
4. County Clerk's Office (Account 52500)
 - Office Supplies: \$9,000 (Page 18, Line 435)

- Office Equipment: \$9,000 (Page 18, Line 719)
 - Subtotal: \$18,000
- 5. Election Commission (Account 51500)
 - Office Supplies: \$6,000 (Page 13, Line 435)
 - Data Processing Equipment: \$5,000 (Page 13, Line 709)
 - Subtotal: \$11,000
- 6. Circuit Court (Account 53120)
 - Office Supplies: \$22,000 (Page 19, Line 435)
 - Data Processing Equipment: \$5,000 (Page 19, Line 709)
 - Office Equipment: \$4,000 (Page 19, Line 719)
 - Subtotal: \$31,000
- 7. Workhouse Commission (Account 51240)
 - No applicable line items without "Other Supplies and Materials"
- 8. Industrial Development (Account 58120)
 - Office Supplies: \$1,500 (Page 29, Line 435)
 - Office Equipment: \$500 (Page 29, Line 719)
 - Subtotal: \$2,000
- 9. Convenience Centers (Account 55732)
 - No applicable line items without "Other Supplies and Materials"
- 10. Preservation of Records (Account 51910)
 - No applicable line items without "Other Supplies and Materials"
- 11. Fiscal Services (Account 72510)
 - Office Supplies: \$2,000 (Page 55, Line 435)
 - Other Equipment: \$5,000 (Page 55, Line 790)
 - Subtotal: \$7,000
- 12. Human Services/Personnel (Account 72520)
 - Office Supplies: \$1,000 (Page 55, Line 435)
 - Subtotal: \$1,000
- 13. County Mayor (Account 51300)
 - Office Supplies: \$1,500 (Page 14, Line 435)

- Data Processing Equipment: \$2,000 (Page 14, Line 709)
- Office Equipment: \$600 (Page 14, Line 719)
 - Subtotal: \$4,100
- 14. Other General Administration (Account 51900)
 - Duplicating Supplies (Paper): \$6,750 (Page 16, Line 414)
 - Subtotal: \$6,750
- 15. Property Assessor's Office (Account 52300)
 - Office Supplies: \$5,000 (Page 17, Line 435)
 - Office Equipment: \$4,000 (Page 17, Line 719)
 - Subtotal: \$9,000
- 16. Operation of Plant (Account 72610)
 - Custodial Supplies: \$135,000 (Page 38, Line 410)
 - Subtotal: \$135,000
- 17. Maintenance of Plant (Account 72620)
 - Office Supplies: \$4,500 (Page 38, Line 435)
 - Subtotal: \$4,500
- 18. Solid Waste/Sanitation Fund - Waste Pickup (Account 55731)
 - No applicable line items without "Other Supplies and Materials"
- 19. Solid Waste/Sanitation Fund - Convenience Centers (Account 55732)
 - No applicable line items without "Other Supplies and Materials"

Total "Office Supplies": \$700 + \$100 + \$7,500 + \$18,000 + \$11,000 + \$31,000 + \$2,000 + \$7,000 + \$1,000 + \$4,100 + \$6,750 + \$9,000 + \$135,000 + \$4,500 = \$237,650
