

To: School System Viability Committee

From: John Friedl, Chair

Subject: Interim Report from Budget/Finance Working Group

Date: April 12, 2017

The budget and finance working group has met three times, on Monday April 3, Thursday April 6, and Monday April 10. We have spent roughly eight hours in those meetings reviewing the proposed budget for a separate school district, in addition to the time that each of us has spent individually outside those meetings going over the budget and raising questions about it. We have another meeting scheduled for tomorrow, April 13, and a fifth meeting on Monday April 24.

Our group discussion was led by committee member Amy Wakim. Prior to our meetings, Amy had distributed a preliminary budget that was part of the report of the Ad Hoc Committee presented by the group headed by Rob Hensley. I believe that document will soon be available to the public on the Signal Mountain Town web site.

I want to assure you that whatever the ad hoc group may have concluded, this committee has reached no conclusion about that budget or about the viability of a separate school district, financial or otherwise. If we had, it would undermine the credibility of the work this committee is engaged in. We are

starting with the ad hoc group's budget because it is the most complete compilation of data available to us, but we have already gone far beyond what that group presented to us. We are painstakingly conducting a line-by-line review of every entry, and finding that many items require further documentation and verification, and a number of entries have been revised as new information becomes available.

We began by looking at projected revenues for a separate school district. Amy explained the source of funds from the State of Tennessee and from Hamilton County, which for the most part would be based upon enrollment and attendance figures for the three Signal Mountain public schools. Additional revenues were then discussed, including what are known as "pass through" funds from other sources, and also including contributions from the Town of Signal Mountain which are mandated by state law.

Next, we began to look at proposed expenditures for a separate school district. As you might imagine, this is a far more complex task, and we only began to scratch the surface toward the end of our first three-hour meeting. At our second meeting, we delved into the expense side of the budget and flagged those items where we needed more information to support our numbers. At that meeting we had also received responses from HCDE to some of our questions and we were able to confirm some of the budget figures that we had previously questioned. We wish

to offer our sincere thanks to Dr. McDade and the HCDE staff for their cooperation and assistance in providing this information to us.

At our third meeting we continued to examine the expense side of the budget. We were able to revise several figures presented in the ad hoc group's budget, based on more accurate and complete information from Hamilton County and from other sources.

The budget document that Amy created is now able to track all additions and changes made from the original budget from the ad hoc group, with an explanation and documentation for each entry. We examined the administrative structure for a proposed school district and compared it to the structure in place in school districts of similar size. Information provided by Hamilton County was used to update estimates in the earlier budget as well.

As I mentioned, there will be at least two more meetings of this group in the future. We will not conclude our research until all of the supporting documentation has been obtained so that we will have a complete data set on which to construct a proposed budget for the initial operating year of a separate school district. We will then address questions regarding the future, specifically what the effects will be on the school

budget of inflation, increases or decreases in enrollment, and any other variables that we are able to assess.

My goal for this working group is to reach a consensus that the proposed budget for a separate school district accurately reflects the revenues and expenses that will be experienced if a separate school district were to be established. Whether that budget would result in viability for the school district has yet to be determined. And I must remind the committee and all those in attendance tonight that the role of this committee is not to determine whether to go forward in establishing a separate school district. Our role is strictly limited to presenting the facts to the Town Council, the body elected by the voters of Signal Mountain, who will make a determination as to whether to put the matter on the ballot for a vote by the residents of the Town.

Finally, if we are not able to reach a consensus within this committee as to the conclusions about the budget, I believe it is this committee's responsibility to report the different viewpoints of our members so that the Town Council will have the full picture before them as they deliberate this question. I want to assure each member of this committee that there is no interest in, and there will be no attempt to, suppress any dissenting views on this or any other question before our committee.

It is important that our fellow citizens on Signal Mountain have faith in the work we are doing, and to assure them that we appreciate the trust they have placed in us.