



City of Chattanooga

Mayor Andy Berke

Superintendent Rick Smith
Hamilton County Department of Education
3074 Hickory Valley Road
Chattanooga, TN 37421

Re: City of Chattanooga / HCDE Agreement

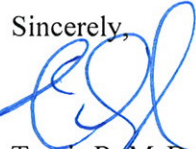
Dear Superintendent Smith:

Thank you for your time yesterday. I was disappointed to learn you have decided to back out of the agreement we jointly announced in August. That agreement would have improved academic and athletic opportunities for students and would have addressed important community issues like the future of the Poss Homes site. Mayor Berke is committed to improving youth development, and the collaboration we previously discussed would be in the best interests of all our constituents.

During our meeting, you suggested that HCDE's records reflect no liquor tax payments during 2013 from the City to HCDE. Your records are incorrect. With the enclosed payment for this month, the City has now paid approximately \$900,000 during 2013. If you have not recorded these payments, we would be happy to provide you copies of our records. Please note that the City has made these payments despite the outstanding storm water fees of between \$1.5 and 2.0 million.

You also asked whether the City intends to make liquor tax payments going forward. As you know, we were awaiting completion of the documentation of our agreement before making payments. HCDE took the same reasonable approach and did not pay storm water fees during the same period. Enclosed is a check for \$71,138.98, representing the City's October liquor tax payment (\$102,463.72), less HCDE's prorated storm water liability for October (\$31,324.73). Our present intent is to continue such payments each month.

You claim that, between 1998 and 2012, the City failed to pay approximately \$12 million in liquor tax payments. Please keep in mind that, since 1998, the City has transferred nearly *five times* that amount (about \$58 million) for the school system's use. The past decision to account for these funds as something other than liquor tax payments is not a basis to seek even more funding from the City. Our agreement was a clear solution to such issues, and we stand ready to perform if you ultimately decide to honor your commitment to collaborate on this issue.

Sincerely,

Travis R. McDonough
Chief of Staff and Counselor to the Mayor