



How City of Natchez Elected Officials Have Failed the Public: Budget and Fiscal Issues

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Natchez Convention Center (NCC aka the Elephant in the Room). The City failed to get ten (10) years of required contract reporting from the private manager/operator (NOHC) of the publicly-owned convention center. Under expired contracts, NOHC is a fiduciary, which means that the public/taxpayer interest is primary with the City responsible for performing due diligence. To the extent NOHC, as fiduciary, has made any profits as a result of its relationship with City/NCC and NOHC's private hotel, NOHC likely has a conflict of interest under Mississippi law, according to Mississippi counsel. The City's failure means that the public does not have enough information to know what it costs to run the convention center or whether income is derived from the convention center. If there is net income, the City is supposed to sweep the bank accounts into the general fund but has never done so. See OneBoardnatchezadams.com for the 3-year Financial Review posted under Budgets and Fiscal. Also, see Contracts and Agreements for Convention Center contracts and agreements. Also, see separate document about the Natchez Convention Center.

The Financial Review. Until the public expressed outrage and signed petitions for the City to audit the Convention Center management and operations, as required under the contract, City examination of finances at the Convention Center were poor or non-existent. City elected officials showed little, if any, interest in seeking

the information the public demanded. Rather than approve a 10-year audit, the City agreed to a 3-year Financial Review which, when produced, did not address many of the concerns of the public and the tourism stakeholders. When City elected officials were provided the list of concerns for further review, the City elected officials did nothing. The Financial Review can be found on the OneBoard website. The Review confirmed community stakeholder complaints that NOHC had over 70% of all catering, even though under the contract local caterers should be favored.

Debt Service. Debt on the Convention Center looms over Natchez after 20 years of no serious plan to pay off the debt. It is incredible that almost 8 million dollars of debt remains to be paid.¹ In March 2018, Natchez aldermen approved the refinancing up to \$7.45 million in debt on the Natchez Convention Center.² If the City had paid the installment due on July 1, 2018, the debt would be \$6.325 million. Interesting reads about saddling the struggling community with more debt to expand the Convention Center can be found throughout the Natchez Democrat and the Clarion Ledger through simple Google search. Only 5 years ago, the City wanted to expand the Convention Center, which would have resulted in burying current debt under new debt. This is like taking a credit card loaded with debt and pushing the debt to another credit card and only making the minimum payment. It may never be possible to pay off the debt under these

¹ Special Obligation Bonds, Series 1999 (Natchez, Mississippi Convention Center Project), Date of Original Bonds December 1, 1999, Original Issuance Amount: \$12,000,000. Source: The Mississippi Development Bank.

²“Debt refinancing of convention center approved” April 12, 2018 <https://www.natchezdemocrat.com/2018/04/12/debt-refinancing-of-convention-center-approved/>



scenarios with City government in place. Now, we lately read that the “financial advisor” who worked with the City on the 2006 interest-rate swap to refinance a 1999 Natchez Convention Center bond issue has been arrested. Of course, he is presumed to be innocent. Former City officials continue with questions about how the City did not receive the \$400,000 generated from the swap transaction, as expected. Read about it and you will recognize names which continue to have some sort of an unexplained foot-hold in Natchez.³

City Clerk’s Office.

The City now has its 5th City Clerk in 2.5 years. In a Special Report to the Mayor and Board of Aldermen, City of Natchez (February 10, 2017), a contract CPA is quoted regarding reconciliation of the 2016 accounts, “...the worst situation he had seen in 50 years...”⁴ Now, two years later, in May 2019, the City has spent hundreds of thousands of dollars on personnel annually, and still cannot balance its books or pay its payroll withholding taxes. The Natchez Democrat reported⁵ that the Mayor and Board of Aldermen approved the engagement of yet another questionable, additional level--an out-of-state accounting firm for the reconciliation of the city’s accounts in preparation for the fiscal year 2016-2017 and 2017-2018, audits with City’s contract CPA firm; that the City is one year behind on its auditor’s reports; that the City is finalizing the 2016-2017 audit; that the City would begin the 2017-2018 audit in June; that the accounting firm will prepare the City’s books and identify any errors that need to be reconciled with the City clerk’s office before turning the information over

to the contract CPA firm. The accounting firm’s service cost is approximately \$40,000 to \$45,000 for 3-4 weeks of work. How many more years will taxpayers allow this waste? Then, on April 30, 2019, we learn from the Natchez Democrat that “Tardiness in bookkeeping is causing problems for the City of Natchez, including a \$156,000 late fee to the IRS, an auditor told aldermen during a special-called meeting Tuesday morning.”⁶

Springbrook Accounting Software.

Springbrook accounting software was selected under Mayor Middleton’s administration,⁷ yet all Springbrook modules are still today not utilized, including accounts payable, which would push accounts payable out to the City departments. The Springbrook time clock still is not used. In contrast, the County Board of Supervisors has an integrated accounting system rather than 80 cigar boxes in the form of dozens of bank accounts, requiring reconciliation that never gets done timely.

Multiple Checking Accounts, Interfund Activity, and Related.

Go to www.oneboardnatchezadams.com and click on “Fiscal, Budgets, and Audits.” Select “Audit City 2017 2018 Forensic Audit Pts. 1 2 and 3 combo 2018 02 08” for information about this subject. See comments above under “City Clerk’s Office” about bank reconciliation and The Natchez Democrat’s March 2019 reporting that the City was still preparing its books for audits of fiscal years 2016-2017 and 2017-2018. This means that this administration’s fiscal year audits have not been conducted or finalized since the 2015-2016

³ The Natchez Democrat “Financial advisor who worked with City of Natchez arrested in Delta case” April 5, 2019 <https://www.natchezdemocrat.com/2019/04/05/financial-advisor-who-worked-with-city-of-natchez-arrested-in-delta-case/>

⁴ Source: Page 9, Audit City 2017 2018 Forensic Audit Pts. 1 2 and 3 combo 2018, www.oneboardnatchezadams.com and click on “Fiscal, Budgets, and Audits.”

⁵ City of Natchez agrees to finance police squad cars March 20, 2019

<https://www.natchezdemocrat.com/2019/03/20/city-of-natchez-agrees-to-finance-police-squad-cars/>

⁶ Auditor: Tardiness costing city thousands, <https://www.natchezdemocrat.com/2019/04/30/auditor-tardiness-costing-city-thousands/>

⁷Mayor Middleton aggressively supported information technology. He pushed hard and was successful in his efforts to provide City staff with technology-tools to perform fiscal/accounting-related functions for complete transparency and accountability.



audit finally presented in early 2018.⁸ Folks, it is 2019.

Rents. No rents or insufficient rents are collected for use of City property. The City did not collect from or pursue monies owed by The Cock of the Walk (\$12,000.00). The City did not collect rents from the City Auditorium for approximately 2 years (\$26,000.00). Then, the City waived permit fees for churches, a violation of the Establishment Clause of the 1st Amendment of the U.S. Constitution. Regarding the City Auditorium, the City's response to the Circus planned at the City Auditorium was a fiasco and brought into question how, on February 2, 2018, the January 12, 2018 vote to shut down the circus was overturned without a meeting of the Board of Aldermen.⁹ Is this yet another violation for the attention of the Mississippi Ethics Board?

Business Licensing. The City continues to be in arrears in producing business licenses and fails to invoice or notice businesses each year. Recently, a business owner reported that when the business owner inquired, the City Clerk Office employee searched through stacks of papers on the floor, looking for the business owner's license. Staff attributes the reason business licensing is behind is due to the Mayor instructing all City Clerk staff to devote 100% of time to bank account reconciliations, which never get done, and add costs that can be reduced by reducing the number of cigar boxes maintained by the City.

Mayor's Discretionary Fund #001094-690. Standards for how these funds are disbursed are a mystery. Expenditures reported appear to be special interest- or tourism-related, more appropriately privately funded through the Community Alliance or with assistance from the separate political subdivision called the Natchez

Convention Promotion Commission (NCPC), which has monies for marketing and has in the past used some of its operations monies for grants to tourism partners or for match-funding for grants through the State of Mississippi.

Accounts Payable; Shortages. Providers complain that the City waits too long to pay its bills. The City continues to borrow and take advances of money to pay its bills, like an immature teenager with an open-ended allowance.

City Travel and Training. Under past administrations, the travel expenditures were budgeted at approximately \$20,000 per year for the aldermen. Usually only 2 aldermen traveled to each conference with the exception of the summer Mississippi Municipal League meeting when the Mayor and most aldermen attended. Under this administration, costs have skyrocketed with the budget line item at \$40,000.00 for the aldermen and \$24,000.00 for the Mayor. Source: FY2019 Budget Worksheet, Fund 001-001-610, 001-020-610. These travel expenses are of no discernible benefit to the taxpayers of Natchez. Natchez is a city in name only, with population loss of close to 50% since 1970. The reality is that the area is more properly classified as an unincorporated rural area, which is the reality that OneBoard embraces. Despite the reality, Urban League meetings in California and D.C. remain popular with City officials.

Duncan Park. A book could be written on this issue. See "How Natchez Elected Officials Have Failed the Public: Public Properties" for starters. More on the subject in the future.

Grass Mowing. Community complaints include the City mows grass, at no cost, at City-owned

⁸ The audit described by The Natchez Democrat is distinct from the forensic audit conducted by the Wallace Collins group.

⁹ Bruce Video, <http://brucetv.tv/natchez-mayor-and-board-of-aldermen-meeting-january-12-2018-2/>, City of Natchez Aldermen Meeting 1/12/18: 37:45-45:50,

<https://www.natchezdemocrat.com/2018/01/16/aldermen-shut-down-circus-due-to-animal-abuse-concerns/>
<https://www.natchezdemocrat.com/2018/02/02/aldermen-allows-circus-in-city-today/>; See Ethics, Openness, Responsiveness, Transparency.



property used exclusively by private groups.

Fines from City Court. There are reports that fines are down and \$2M uncollected, estimated.

Animal Control Underfunded: The City Animal Control Officer is assigned to the City Police Department. Animal control is underfunded. The City relies on the private Humane Society for animal control support services in the way of sheltering, maintaining, medical care, feeding of animals. There are ongoing issues for animal control strays. City sends Humane Society about \$24,999.97 (Budget 2018-2019) with increase needed for decades. The City needs to go—but keep the name “Natchez” for this community (as have been done by Kingston, Sibley, Cranfield, and Washington).

