

Report To The Mississippi Legislature



A Review of the Meridian/Lauderdale County Partnership

June 11, 1996

In 1991, the Legislature established the Meridian/Lauderdale County Partnership, a not-for-profit corporation, as the single authority responsible for economic development and tourism for Lauderdale County and its municipalities. Until 1995, the Partnership had no comprehensive strategy for industrial recruitment or existing industry support, primary tasks assigned to the Partnership by law. The Partnership also has no formal accountability system with which to measure its performance and gauge its effectiveness in accomplishing statutory mandates.

Inadequate supervision by the Partnership's board in its early years allowed misappropriation of funds, damaging the Partnership's credibility as a fiscally responsible entity. The Partnership has since implemented fiscal controls designed to prevent such misappropriation. Although the Partnership's practices of providing extra compensation to employees and giving vendor preference to Partnership members when expending private funds do not violate law, they may not ensure the most efficient use of financial resources.

The Partnership's enabling legislation will repeal effective October 1, 1996. Because other local, state, and private entities in the area can promote economic development, the Legislature's decision not to extend the Partnership or remove its repealer should not cause Meridian or Lauderdale County irreparable loss.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

A Review of the Meridian/Lauderdale County Partnership

June 11, 1996

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

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June 11, 1996

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At its meeting of June 11, 1996, the PEER Committee authorized release of the report entitled **A Review of the Meridian/Lauderdale County Partnership.**



Senator Bill Canon, Chairman

**This report does not recommend increased
funding or additional staff.**

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Executive Summary**June 11, 1996**

Introduction

Through local and private legislation, the Legislature created the Meridian/Lauderdale County Partnership in 1991 for the purpose of combining the economic development efforts of Lauderdale County. In response to legislative concerns regarding the Partnership's financial and program activities, the PEER Committee took the following steps in conducting a review of the Partnership:

- analyzing the Partnership's revenues and expenditures since its establishment in 1991;
- determining the Partnership's effectiveness in demonstrating any benefits that Meridian and Lauderdale County have realized as a result of Partnership activities;
- identifying managerial, financial, and program deficiencies of the Partnership; and,
- assessing the potential effect of the Partnership's termination on economic development efforts in Meridian and Lauderdale County.

During the course of the review, a legislative deadline for re-authorizing the Partnership passed without action. As a result, the Partnership's enabling legislation will repeal effective October 1, 1996.

Overview

The Meridian/Lauderdale County Partnership has been the subject of controversy throughout the five years of its existence. Much of the controversy has resulted from public perceptions that the Partnership exercises too few internal controls over its administrative operations, and that much of its program efforts have been "too little, too late."

Regarding the problem of internal controls over administrative operations, inadequate supervision by the Partnership's board of directors in its early years allowed misappropriation of approximately \$27,500. The current chief executive officer has implemented policies designed to prevent such misappropriation and the staff has effectively implemented these policies, but the Partnership's credibility as a fiscally responsible entity has been damaged by the early problems. Also, although the Partnership's practices of providing extra compensation to employees and giving vendor preference to Partnership members when expending private funds do not violate law, they may not ensure the most efficient use of financial resources. Since it receives the majority of its funding from public sources, the Partnership should maximize its resources to accomplish its mission of promoting economic development, tourism, and community development.

Regarding program efforts, the Partnership has been slow to develop and implement a comprehensive strategy for recruiting new businesses and providing assistance to existing businesses. These were primary tasks assigned to the Partnership by law. Also, the Partnership has not established a formal accountability system with which to measure its performance or gauge its effectiveness in accomplishing its statutory mandates. Without such an accountability system, the Partnership cannot objectively demonstrate its worth to the constituents of the area it serves.

Because of the October 1, 1996, repealer in the Partnership's enabling legislation, the entity will cease to exist on that date. While closure of the Partnership will mean utilizing a decentralized method of delivering services, private and public entities can provide each of the major services that the Partnership currently provides. Thus, the Partnership is not essential to the economic development and well-being of Meridian and Lauderdale County and its closure will not cause the area to suffer irreparable loss of promotional and development capacity.

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A Review of the Meridian/Lauderdale County Partnership

Introduction

Through local and private legislation, the Legislature created the Meridian/Lauderdale County Partnership in 1991 for the purpose of combining the economic development efforts of Lauderdale County. In response to legislative concerns regarding the Partnership's financial and program activities, the PEER Committee reviewed the Partnership. During the course of the review, a legislative deadline for re-authorizing the Partnership passed without action. As a result, the Partnership's enabling legislation will repeal effective October 1, 1996.

Authority

The PEER Committee conducted its review pursuant to MISS. CODE ANN. § 5-3-57, et seq. (1972).

Scope and Purpose

In conducting this review, PEER:

- analyzed the Partnership's revenues and expenditures since its establishment in 1991;
- determined the Partnership's effectiveness in demonstrating any benefits that Meridian and Lauderdale County have realized as a result of Partnership activities;
- identified managerial, financial, and program deficiencies of the Partnership; and,
- assessed the potential effect of the Partnership's termination on economic development efforts in Meridian and Lauderdale County.

Method

In accomplishing the purposes described above, PEER:

- reviewed the Partnership's legislative history and governance;
- reviewed the Partnership's revenues;
- analyzed the Partnership's expenditures, with greatest emphasis on its expenditure of public funds;

- interviewed selected Partnership staff and members of the Board of Directors;
- analyzed the Partnership's records documenting activities and accomplishments of staff and board members;
- reviewed selected board minutes;
- reviewed a consultant's reports regarding the Partnership's activities; and,
- analyzed the authority and economic development activities of other entities in the Meridian and Lauderdale County area.

Overview

The Meridian/Lauderdale County Partnership has been the subject of controversy throughout the five years of its existence. Much of the controversy has resulted from public perceptions that the Partnership exercises too few internal controls over its administrative operations, and that much of its program efforts have been "too little, too late."

Regarding the problem of internal controls over administrative operations, inadequate supervision by the Partnership's board of directors in its early years allowed misappropriation of approximately \$27,500. The current chief executive officer has implemented policies designed to prevent such misappropriation and the staff has effectively implemented these policies, but the Partnership's credibility as a fiscally responsible entity has been damaged by the early problems. Also, although the Partnership's practices of providing extra compensation to employees and giving vendor preference to Partnership members when expending private funds do not violate law, they may not ensure the most efficient use of financial resources. Since it receives the majority of its funding from public sources, the Partnership should maximize its resources to accomplish its mission of promoting economic development, tourism, and community development.

Regarding program efforts, the Partnership has been slow to develop and implement a comprehensive strategy for recruiting new businesses and providing assistance to existing businesses. These were primary tasks assigned to the Partnership by law. Also, the Partnership has not established a formal accountability system with which to measure its performance or gauge its effectiveness in accomplishing its statutory mandates. Without such an accountability system, the Partnership cannot objectively demonstrate its worth to the constituents of the area it serves.

Because of the October 1, 1996, repealer in the Partnership's enabling legislation, the entity will cease to exist on that date. While closure of the Partnership will mean utilizing a decentralized method of delivering services, private and public entities can provide each of the major services

that the Partnership currently provides. Thus, the Partnership is not essential to the economic development and well-being of Meridian and Lauderdale County and its closure will not cause the area to suffer irreparable loss of promotional and development capacity.

Background

The Legislature created the Meridian/Lauderdale County Partnership in 1991 to serve as a single authority responsible for economic development and tourism activities for Lauderdale County and its municipalities.

State law authorizes the Partnership to acquire and make improvements on facilities and conduct projects for industrial or economic development purposes. The law also authorizes the Partnership to acquire financing for these facilities and projects through local governing authorities; solicit new business and industry and help ensure continued operation and expansion of existing industry; administer individual established projects (e.g., Main Street Program, Council of Governments, and the Small Business Development Center); conduct planning and development; and, coordinate and contract for future economic development activity.

Although the law intended the Partnership to benefit the people of the county and serve a “public purpose,” the Partnership may receive and expend both public and private funds. The law specifically states that the Partnership must keep a separate accounting for public and private funds, and that public funds are to be subject to laws governing expenditure of such funds.

Before creation of the Partnership took effect, the law required a local election with a majority of qualified electors voting to ratify its creation. The act creating the Partnership will automatically repeal October 1, 1996.

Partnership Operations

The following sections provide a general description of the Partnership's revenues and expenditures. Also included are discussions of the operations of the board of directors and staff and information regarding the Partnership's programs and activities.

Administrative Operations

Revenues

While state law established the Partnership as a not-for-profit corporation, the entity is dependent on both public and private funding for its existence. Section 1 of the Partnership's enabling legislation (Chapter 945, *Local and Private Laws of 1991*) authorizes Lauderdale County to contribute up to one mill of ad valorem tax collections to the Partnership. The section also authorizes Lauderdale County municipalities to contribute to the Partnership one percent of sales tax proceeds collected by the state and rebated to the municipalities. The Partnership's tourism program has its own source of public funding in the form of a dedicated tax not to exceed two and one-half percent of the gross proceeds from hotel and motel room rentals in Lauderdale County.

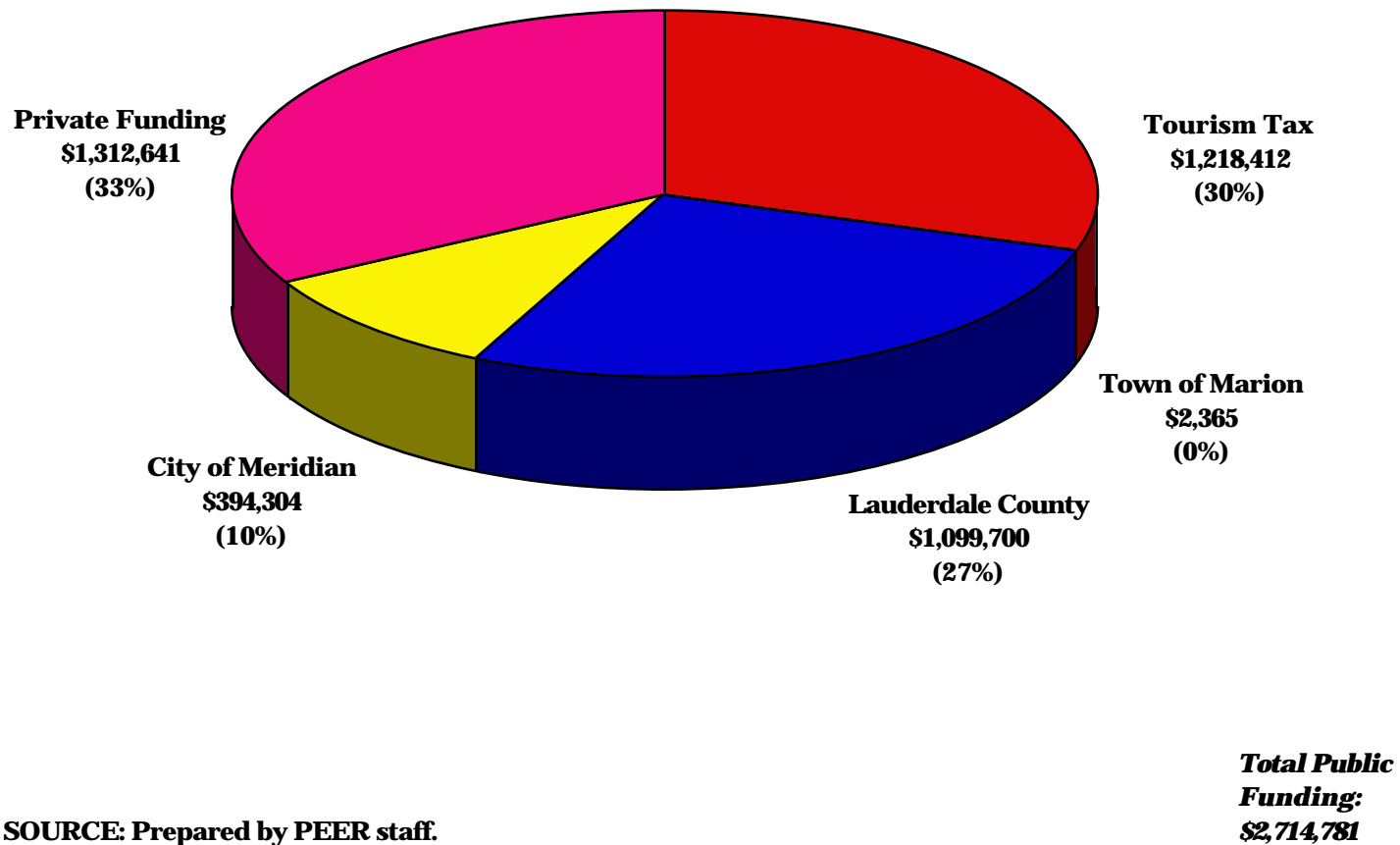
The Partnership's private funding is composed primarily of membership dues from individuals and companies, with lesser amounts derived from interest income, special project fees, and proceeds from the periodic sale of Partnership assets.

For the period October 1, 1991, through September 30, 1995, the Partnership received \$4,027,422 for its operations, \$2,714,781 from public sources and \$1,312,641 from private sources. Exhibit 1, page 6, presents the Partnership's revenues by source. As illustrated in the table below, the Partnership has received the majority of its funding since inception from public sources.

<u>Fiscal Year</u>	<u>Public Funds</u>	<u>Percent Public Funds</u>	<u>Private Funds</u>	<u>Percent Private Funds</u>	<u>Total Funds</u>
1992	\$660,645	72%	\$257,096	28%	\$917,741
1993	664,241	63%	393,654	37%	1,057,895
1994	681,124	73%	251,972	27%	933,096
1995	708,771	63%	409,919	37%	1,118,690
Total	\$2,714,781	67%	\$1,312,641	33%	\$4,027,422

Exhibit 1

Meridian/Lauderdale County Partnership: Sources of Revenue for Fiscal Years 1992 through 1995



Expenditures

The Partnership's enabling legislation requires that "funds derived from private sources shall be kept separate from and accounted for separately from funds derived from public sources." The Partnership complies with this requirement and uses its public funds to pay expenditures common to most public entity operations, such as rent, salaries, equipment, grants, services, tuition/training, and printing. The Partnership uses its private funds to pay other expenditures such as travel, marketing, advertisement, catering, and prospect entertainment expenses. Exhibit 2, page 8, presents the Partnership's expenditures by type of expenditures. The table below shows that between one-third and one-half of the Partnership's total expenditures for fiscal years 1992 through 1995 represented expenditures for salaries.

<u>Calendar Year</u>	<u>Total Expenditures</u>	<u>Salary Expenditures</u>	<u>Percent of Total Expended on Salaries</u>
1992	\$1,106,038	\$434,791	39%
1993	\$1,036,911	\$444,725	43%
1994	\$826,676	\$332,253	40%
1995	<u>\$1,044,146</u>	<u>\$384,999</u>	37%
	\$4,013,771	\$1,596,768	

Although the Partnership expended some of its funds during 1992 and 1993 on items inconsistent with the entity's purpose (see page 12), Partnership expenditures during fiscal years 1994 through 1995 have appeared consistent with the entity's legislative mandates.

The Partnership's practice of giving preference to vendors who are members of the Partnership when making purchases does not ensure that the Partnership will receive the most economical prices and may be unfair to non-member vendors.

The Partnership's enabling legislation states the following with regard to the entity's compliance with state purchasing laws:

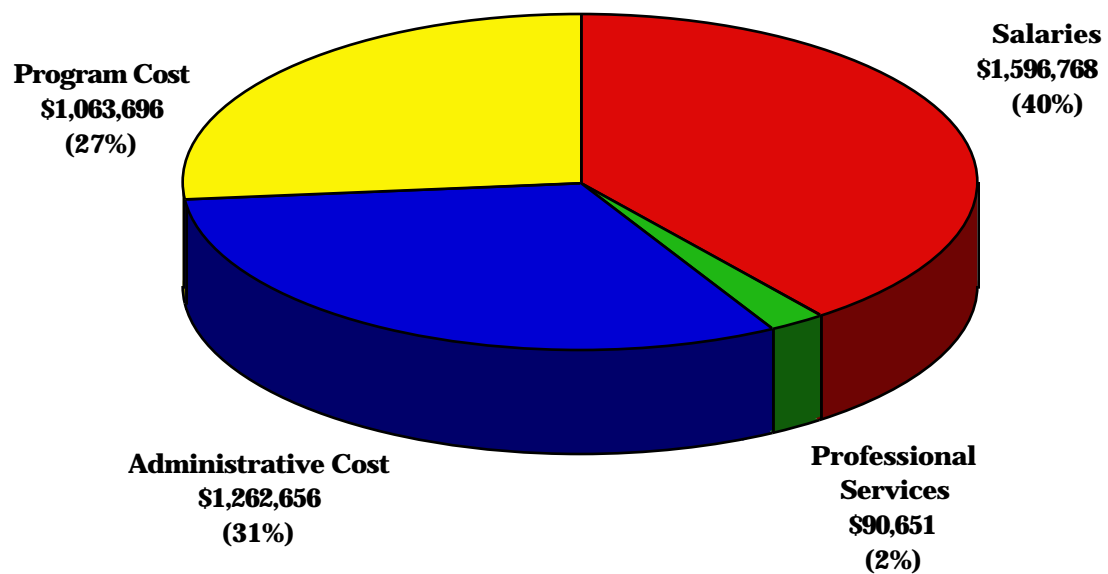
The Partnership shall be subject to the public purchasing laws of this state with respect to the expenditure of funds derived from public sources; however, in the expenditure of funds derived solely from private sources, The Partnership shall not be subject to any of the public purchasing laws of this state nor shall the expenditure of such funds derived from private sources be subject to any laws regulating the expenditure of public funds.

According to Partnership records, for purchases made from public funds the entity routinely solicits competitive bids from local vendors in accordance with statutory bid requirements. The Partnership's practice

Exhibit 2

Meridian/Lauderdale County Partnership:

Expenditures for Fiscal Years 1992 through 1995



SOURCE: Prepared by PEER staff

with regard to purchases made from private funds or for purchases less than the statutory bid limit is to solicit quotations or competitive bids only from the companies and firms that compose its membership.

While the Partnership's purchasing practices are not contrary to its enabling legislation or the state's purchasing laws, the entity's preferential policy of purchasing goods and services from members who contribute financially to the Partnership does not ensure that the Partnership will receive the most economical prices available. Considering that the majority (66%) of its total funding is provided from tax dollars, the Partnership's preferential purchasing practices may not be fair to non-member vendors which pay taxes to support the entity but which are excluded from the Partnership's pool of potential vendors.

Board Operations

The Partnership's enabling legislation establishes a board of directors consisting of thirty-three appointed and ex-officio members. The legislation provides that appointments to the board of directors be made by the Lauderdale County Board of Supervisors, City of Meridian city council, Town of Marion board of aldermen, and a nominating committee representing private entities which contribute funds to the Partnership. Exhibit 3, page 10, lists the Partnership's current board of directors along with the entities responsible for their appointments. The legislation requires the board of directors to adopt bylaws regarding: procedures and times for board meetings; the chief executive officer's monthly report on Partnership finances and operations; audits of the Partnership's financial records; and, annual private sector membership drives.

The Partnership's board of directors violates its enabling legislation and MISS. CODE ANN. Section 25-41-1 et seq. by failing to provide formal notice to the public regarding the board's executive committee meetings.

The Partnership's bylaws create standing committees of the board, consisting of the executive, audit, program of work, officer nominating, and private sector candidate nominating committees. The bylaws provide that such committees only have the power to make recommendations to the board for official actions of the board.

According to Partnership board members, the board's executive committee meets approximately one week prior to the board's monthly meetings to discuss items scheduled to be considered by the board. (Other board committees meet subject to the call of their respective chairpersons.) The board of directors meeting minutes do not reflect that the executive committee provides any formal notice of its meetings to the general public, such as posting of a meeting notice at the Partnership's offices or publication of a meeting notice in the local newspaper. The Partnership and its attorneys contend that the state's open meetings law applies only to meetings in which bodies take binding action, which does not and cannot

Exhibit 3

Meridian/Lauderdale County Partnership Current Board Members *

<u>Board Member</u>	<u>Appointing Authority</u>
Jimmy Alexander	Private Members
Billy Barrett	Lauderdale County
Robert Beasley	Private Members
Ray Boswell	Lauderdale County
Tal Braddock	Private Members
Jane Bruckmeier	City of Meridian
Jeff Buckley	Lauderdale County
Jenifer Buford	City of Meridian
Callie Cole	Lauderdale County
Norman Coleman	Town of Marion
David Compton	Lauderdale County
James Covington	Private Members
Don Cross	City of Meridian
Tommy Dulaney	Private Members
Ikie Ethridge	Lauderdale County
Myles Frank	City of Meridian
Hardy Graham	Private Members
Ronnie Massey	Private Members
Lou McNair	Lauderdale County
Mark McPhail	Private Members
C. E. Oatis, Jr.	Lauderdale County
John Olander	City of Meridian
Chuck Rea	Private Members
Bud Robinson	Private Members
Greg Robinson	Private Members
Judy Siefker	City of Meridian
Carolyn Smith	Private Members
Tommy Snell	Lauderdale County
David Stephens	Private Members
Allie Fae Turner	Lauderdale County
Richard Wilbourn	Private Members
Charles Woodall	Private Members

*The board has one vacancy in its membership due to a resignation effective April 1996.

SOURCE: Meridian/Lauderdale County Partnership.

occur during executive committee meetings since the committee serves in an advisory capacity only.

The Partnership's enabling legislation states that the "board shall comply with the open meetings law of Mississippi, being Chapter 41, Title 25, Mississippi Code of 1972." Thus, the Partnership is bound by the duties, requirements, and definitions of the state's open meeting law. Specifically, this statute requires that public bodies have open meetings, with the definition of public bodies including governing boards and their committees. The open meetings law further defines "meetings" as assemblages of members of public bodies where official acts are to be taken on matters over which the assemblage has supervision, control, jurisdiction, or advisory power. Because committees are within the definition of "public bodies," and the definition of the term "meeting" includes advisory meetings, it is clear that the Legislature intended that advisory bodies such as the Partnership's executive committee conduct their meetings in the open and provide notice to the public of such meetings. The Partnership's failure to comply with this law leaves the public without the opportunity to observe the deliberations of the board of director's advisory body, its executive committee.

During 1992 and 1993, inadequate supervision by the Partnership's board of directors allowed the misappropriation of approximately \$27,500 in private funds which the Partnership had collected. The board and new chief executive officer subsequently implemented policies designed to prevent and/or detect misappropriation of funds.

The Partnership's enabling legislation states that the board shall "employ a chief executive officer and establish the specific duties of the office, including day to day administration and implementing policies established by the board." Inherent in the board's authority is the responsibility to supervise the activities of the chief executive officer who works on behalf of the board.

In January 1992, the Partnership's board of directors employed Harvey Paneitz, an economic developer from Denver, Colorado, as its chief executive officer. Paneitz employed one of his associates, Damien Lamb, as the Partnership's Vice-President for Economic Development. Soon after Paneitz's employment, he enacted a new accounting procedure in which he and Lamb approved all of the Partnership's expenditures, including their own. The new accounting procedure provided an opportunity for Paneitz and Lamb to misuse Partnership funds, given the board's apparent lack of oversight regarding the Partnership's financial affairs.

Two types of abuses occurred as a result of the accounting procedure implemented by Paneitz and the board's lack of oversight regarding his administration of Partnership affairs. The first abuse involved misappropriation of the Partnership's private funds on expenditures which had questionable value to the Partnership's mission. As presented in Exhibit 4, page 12, Paneitz and Lamb spent at least \$7,048.68 of Partnership

Exhibit 4

**Questionable Expenses by Harvey Paneitz and Damien Lamb
May 1992-February 1993**

Adult Entertainment Clubs	\$ 150.00
Bar Tabs and Liquor Purchases	629.66
Cash Advance-President Casino	421.98
Clothing Items, Accessories and Cosmetics	353.03
Excessive Meal Tip	25.00
Expenses Lacking Documentation	2,063.09
Golfing Supplies and Expenses	124.08
Limousine Services	2,378.88
Pharmaceuticals	42.96
Travel Advances and Upgrades	<u>860.00</u>
Total	\$7,048.68

SOURCE: Meridian/Lauderdale County Partnership records.

funds on items such as jewelry, liquor, adult entertainment clubs, and casinos. The second abuse involved Paneitz's embezzlement of a portion of a private contribution made to the Partnership. During FY 1993, the Partnership assisted the Pilliod Cabinet Company in selling a building in Meridian. In return, Pilliod made a \$75,000 contribution to the Partnership to be used for the entity's programs--economic development, tourism, and community development. In violation of the board's bylaws, Paneitz deposited Pilliod's contribution in a new bank account which required only his signature for disbursement. (Board bylaws require dual signatures for the disbursement of all Partnership funds.) Following deposit of the contribution, Paneitz used at least \$20,455.27 of the contribution for his and Damien Lamb's personal use, as detailed below.

<u>Amount</u>	<u>Description of Expenditure</u>
\$12,500.00	Bonus paid to Damien Lamb (12/19/92)
\$2,694.27	Payment of Paneitz's personal credit card charges (12/19/92)
1,261.00	Cash payment to Paneitz (12/19/92)
<u>4,000.00</u>	Payment to Paneitz's personal attorney for legal services (12/19/92)
\$20,455.27	Total

The State Auditor, District Attorney for Lauderdale County, and two members of the Partnership's board of directors investigated Paneitz's personal use of Partnership funds and presented results of the investigations, which confirmed Paneitz's misappropriation of Partnership funds, to the board of directors during a special meeting on February 8, 1993. During the meeting, the board adopted a resolution which allowed Paneitz to resign voluntarily, required him to make restitution to the Partnership, and requested the District Attorney not to prosecute Paneitz for the misappropriations (see Exhibit 5, page 14). Twenty-three board members favored adoption of the resolution, while five members opposed its adoption.

Following Paneitz's and Lamb's resignations, the Partnership's board of directors began enforcing its enabling legislation's requirement for the chief executive officer to report monthly to the board regarding the entity's expenditures. After being employed as the Partnership's new chief executive officer, Richard Roberts also enacted an accounting procedure which requires all Partnership expenditures to be approved by the chairman of the board of directors and the chief executive officer.

Staff Operations

Staffing

The Partnership's enabling legislation states that the chief executive officer shall "employ a staff or contract for staff and professional services with other organizations such as attorneys, engineers, accountants, consultants and such personnel as shall be reasonably necessary to carry

Exhibit 5

**Board of Directors' Resolution
Regarding Harvey Paneitz's Resignation**

February 8, 1993

BE IT RESOLVED that the Meridian/Lauderdale County Partnership Board of Directors does hereby accept the unconditional voluntary resignation of Chief Executive Officer Harvey R. Paneitz, effective immediately, a copy of which resignation shall be attached to and made a part of the minutes of this meeting.

BE IT FURTHER RESOLVED that the Meridian/Lauderdale County Partnership Board of Directors does hereby understand that Mr. Paneitz promptly shall reconcile the accounts and make payment to the Meridian/Lauderdale County Partnership of all monies of the Partnership received or used by Mr. Paneitz or on his behalf during his tenure as Chief Executive Officer but to which it is determined he was not entitled to so receive or use, all in such manner and upon such terms as directed by the Chairman of the Board, and, further, that Mr. Paneitz shall make himself available as directed and requested by the Chairman to assist in a transition to any other Chief Executive Officer or temporary Chief Executive Officer, all as the Meridian/Lauderdale County Partnership Board best may determine.

BE IT FURTHER RESOLVED that in view of the understanding set forth hereinabove, the Meridian/Lauderdale County Partnership Board of Directors hereby respectfully does request the Honorable Bilbo Mitchell, District Attorney, not to pursue any criminal charges against its former Chief Executive Officer, Harvey R. Paneitz.

SOURCE: Meridian/Lauderdale County Partnership.

out the duties and powers” of the enabling legislation. The legislation also states that the chief executive director “shall establish an organizational structure for the Partnership” with separate divisions to accomplish the entity’s statutory mandates.

As illustrated in Exhibit 6, page 16, the Partnership had fifteen full-time and three part-time positions as of June 5, 1996 (including three vacant full-time positions). The Partnership’s positions consist of a President/Chief Executive Officer, four vice-presidents, a project manager, and twelve support staff.

In violation of the intent of its enabling legislation and bylaws, the Partnership’s board of directors did not affirm or approve the hiring of its present vice-presidents until December 13, 1995, months after their initial hire dates.

The Partnership’s enabling legislation and bylaws require the board of directors to confirm “by an affirmative vote of a majority of the board present and voting” the appointment of the Partnership’s division directors (i.e., vice-presidents). Although the legislation does not establish a time frame for the board’s affirmation, this requirement helps to ensure that the board of directors is cognizant of the employment of individuals responsible for directing on a day-to-day basis the Partnership’s efforts in accomplishing its statutory mandates.

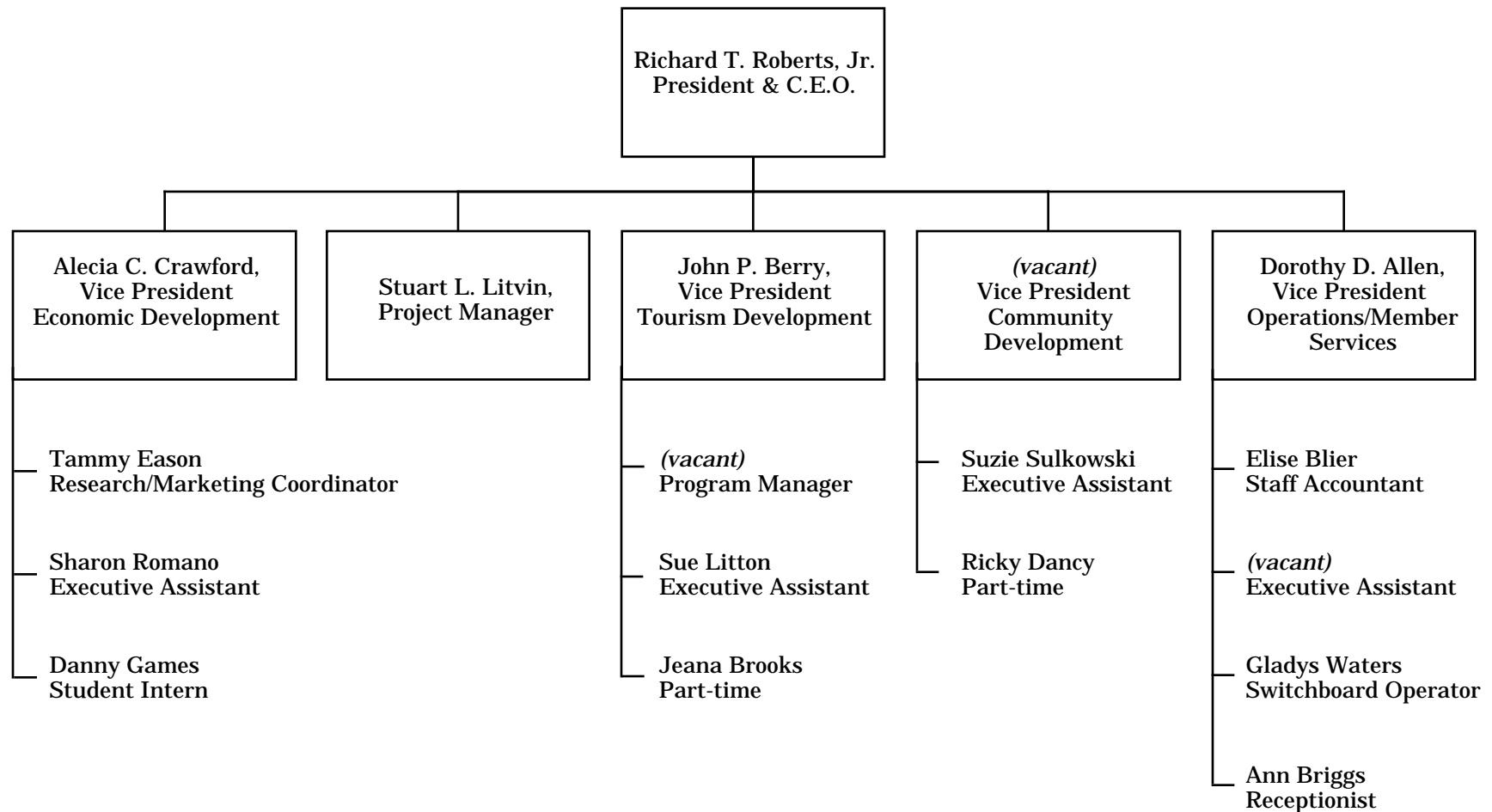
According to Partnership records, the board of directors did not approve the employment of its present vice-presidents until its December 13, 1995, meeting. As illustrated below, three of the Partnership’s four vice-presidents had been working in their positions without their appointments being submitted by the chief executive officer to the board of directors for approval. (The chief executive officer promoted the Vice-President-Operations/Member Services to her present position effective with the board’s December 13 meeting.)

<u>Vice-President</u>	<u>Employment Date</u>	<u>Affirmation Date</u>
Community Development	March 24, 1995	December 13, 1995
Economic Development	May 20, 1995	December 13, 1995
Tourism Development	October 23, 1995	December 13, 1995

Minutes from the board of directors’ December 13 meeting record that the chief executive officer’s failure to submit the names to the board and the board’s failure to approve the vice-presidents had been an “oversight going back pretty far. . . .” This “oversight” occurred despite the board’s knowledge of the Partnership’s enabling legislation and bylaws and the chief executive officer’s tenure with the Partnership (approximately two and one-half years as of December 1995).

Exhibit 6

Organizational Chart for the Meridian/Lauderdale County Partnership, 1996



SOURCE: Meridian/Lauderdale County Partnership, 1996.

As presented in Exhibit 7, page 18, the Partnership's approved FY 1996 salaries for full-time employees range from \$11,300 for the entity's receptionist to \$83,000 for the chief executive officer. The Partnership has provided compensation other than salaries to selected employees.

The Partnership has provided additional compensation to selected employees in the form of moving expenses and salary bonuses instead of spending such funds on economic development, tourism, and community development.

Moving expenses--The Partnership has provided moving expenses to four employees, as listed below:

<u>Employee</u>	<u>Position</u>	<u>Date</u>	<u>Moving Expenses</u>
Harvey Paneitz	Former Chief Executive Officer	April 1992	\$26,332.00
Damien Lamb	Former VP Economic Development	April 1992	3,620.79
Richard Roberts	Chief Executive Officer	November 1993	4,466.89
Stuart Litvin	Project Manager	September 1995	<u>3,240.00</u>
			\$37,659.68

The Partnership paid moving expenses directly to Paneitz and Lamb, (which were largely undocumented), but paid expenses of Roberts and Litvin directly to vendors. While the Partnership's payment of moving expenses on behalf of selected employees does not violate the entity's enabling legislation or bylaws, the propriety of such payments should be questioned given the public nature of its mission and local scrutiny of its activities.

Bonuses--The Partnership has provided two types of compensation bonuses in recent years--a bonus to its chief executive officer and employee Christmas bonuses.

- When the board of directors employed its present chief executive officer, it established a performance review process whereby the board could review the chief executive officer's performance every six months and possibly award a \$5,000 bonus. During 1994, the board awarded the present chief executive officer a \$5,000 bonus from private funds, making his total compensation for the calendar year \$83,000. Partnership records do not show that the board has awarded its chief executive officer any other performance bonuses. On November 11, 1994, the board approved raising the chief executive officer's salary from \$78,000 to its current level of \$83,000, without a bonus option.

Exhibit 7

**Meridian/Lauderdale County Partnership
FY 1996 Approved Salaries**

President & Chief Executive Officer	\$83,000
Project Manager: Economic Development	54,000
Vice-President: Economic Development	43,500
Vice-President: Tourism	40,000
Vice-President: Operations & Memberships	34,000
Research/Marketing Coordinator	25,808
Staff Accountant	23,500
Executive Assistant: Community Development	22,000
Executive Assistant: Economic Development	20,000
Executive Assistant: Tourism	18,500
Switchboard Operator	15,000
Receptionist	11,300
Community Development (Part-time)	7,000

Note: Salaries for two part-time positions and three vacant full-time positions are not included on this exhibit

SOURCE: Meridian/Lauderdale County Partnership, May 30, 1996.

- During fiscal years 1993, 1994, and 1995, the board of directors expended a total of \$4,552 from private funds to provide Christmas bonuses to its full-time employees below the chief executive officer level.

While the Partnership's board of directors approved the bonuses paid to the chief executive officer and Partnership staff and such payments do not violate the Partnership's bylaws or enabling legislation, these expenditures reduced the amount of funds available to be expended for the development and betterment of the Meridian and Lauderdale County area. If the Legislature had created the Partnership as a public entity rather than a not-for-profit corporation, such bonuses would have been in violation of MISS. CONST. of 1890, Article 4, Section 96. Considering that the majority (66%) of its total funding represents tax dollars, the Partnership should maximize available financial resources to accomplish its statutory mandates, rather than operating as a private sector entity.

Program Operations

As stated in its bylaws, the Partnership's mission is to:

. . .act as a driving force for securing jobs and providing a variety of services and opportunities designed to build a better future for all of our people.

Presently, the Partnership attempts to fulfill its mission through the following areas of emphasis: tourism, community development, and economic development.

Tourism

The Partnership's tourism emphasis is intended to promote the Lauderdale County and Meridian area through advertising campaigns directed primarily at out-of-state residents. The Partnership uses magazine and newspaper advertisements and brochures to promote the Lauderdale County and Meridian area as a destination for tourists. The Partnership also works with local industry groups in attracting conventions to the area and participates in trade shows in an attempt to stimulate tour group interest in the area. The Partnership presently is promoting the development of new tourist attractions in the area, such as entertainment theaters in the Bonita Lakes area and a possible retirement community.

Community Development

The Partnership's community development program performs functions previously performed by the area's chamber of commerce. The

community development program primarily focuses its activities on the Meridian Strategic Plan, which calls for Meridian and Lauderdale County to:

. . .be a united community building on our strengths and diversity to provide superior quality of life, economic vitality, and leadership for our region. . . .

The Partnership's community development program performs other functions, such as coordinating an Adopt-a-School program, promoting Crime Stoppers, supporting community development clubs, and providing staff support for meetings of the Council of Governments (an organization of Lauderdale County municipal and government officials). The Partnership also helped coordinate a team of community leaders who lobbied the federal base closure committee regarding the Meridian Naval Air Station.

Economic Development

Effective October 1, 1995, the Partnership established four programs within its economic development emphasis, which include:

- *industrial recruitment*--In this program, the Partnership seeks to attract primarily manufacturing firms which were targeted as being opportunities in a 1995 consulting study conducted on behalf of the City of Meridian.
- *retention and expansion of existing industrial firms*--The Partnership has a goal of contacting all existing firms in the Meridian area at least once each year to inquire about their needs.
- *non-manufacturing recruitment*--In this program, the Partnership works with developers to attract new retail businesses to the Meridian area.
- *non-manufacturing retention*--The Partnership conducts seminars and other informational programs to assist business owners with matters such as taxes, training, and financing.

In violation of the intent of its enabling legislation, the Partnership did not develop a comprehensive strategy to recruit new businesses or assist existing businesses until October 1, 1995.

The Partnership's enabling legislation requires the entity to:

. . .expend funds to promote and solicit new business and industry for the city, town, and county, and to provide services which will insure the continued operation and expansion of existing industry in the city, town, and county. . . .

From its inception in October 1991 until October 1995, the Partnership lacked a comprehensive strategy for recruiting and providing assistance to new firms. The Partnership's recruitment approach was reactive in nature, primarily consisting of pursuing leads developed by the Mississippi Department of Economic and Community Development, other economic development entities, and private companies interested in economic development, such as Mississippi Power Company. Partnership staff contacted interested firms to determine what services, if any, the Partnership could provide relative to the firms' location decisions. Partnership files contain documentation of efforts made to follow up on leads produced by other entities. However, the files do not reflect a strategy to develop original leads and pursue new industry and firms in an effort to attract them to the area. With regard to existing businesses, the Partnership did not have a practice of making regular on-site visits to existing businesses until 1994, and did not develop a formal strategy for making such visits until 1995. The primary reason for the Partnership's lack of a recruitment strategy was the entity's lack of specific and measurable objectives for industry recruitment and assistance to existing business. Thus, the Partnership lost four years' worth of opportunities to implement an aggressive recruitment and assistance plan, in compliance with its enabling legislation.

In 1995, four years after its creation, the Partnership implemented a recruitment strategy for economic development based on recommendations of a consulting study prepared for the City of Meridian in conjunction with the United States Department of Defense's base closure procedures. The Partnership coordinated the study on behalf of the city and hired, through a competitive bid process, the consulting firm of Lockwood-Green. Costs of the study were paid by a \$250,000 federal grant provided by the Office of Economic Adjustment. The purpose of the study was to devise an economic diversification strategy to reduce Meridian and Lauderdale County's dependence on the Meridian Naval Air Station for economic benefit.

The Lockwood-Green study recommended that economic development efforts of local government be targeted toward certain industry groups which are experiencing expansion and which would find the area attractive because of its proximity to other specialized industries, its labor force, its lower utilities, and its transportation infrastructure. The study went further to target the industry groups which would find the area attractive, including: household furniture, plastics, machine products, electrical apparatus, metalworking equipment, railroad repair, warehousing, airport terminal services, and laboratory and medical supplies. The consultants suggested contacting firms within these industry groups and establishing a tracking system for following up on such contacts.

During 1995, the Partnership produced a list of 1,339 firms within the targeted industry groups. After making initial contact with the firms by mail, the Partnership plans to make follow-up contacts and visits to firms which express an interest in the Meridian and Lauderdale County area.

Future of Partnership Activities

PEER initially reviewed the Partnership's expenditures and benefits derived therefrom. During the fieldwork for this project, the deadline passed for legislation required to continue the Partnership. As a result, the Partnership will close after October 1, 1996.

With closure imminent, PEER expanded the project's scope to include an examination of the potential effect of the Partnership's closure. This section presents PEER's conclusion that loss of the Partnership will not significantly harm economic development in Meridian and Lauderdale County.

The Partnership has not established a formal accountability system with which to measure its performance or gauge its effectiveness in accomplishing its statutory mandates. Without such an accountability system, the Partnership cannot objectively demonstrate its worth to the city of Meridian or Lauderdale County.

Economic development agencies often publicize their accomplishments regarding the number of jobs they have secured and may secure in the future if they receive increased funding. As often as they advertise their achievements, the policy makers who must fund and oversee these agencies will ask whether the organizations are actually achieving what they purport to have achieved. Economic development programs often lack systems to monitor what they have actually achieved. In light of this problem, economic development professionals have developed systems of accountability by which administrators and outsiders can review program achievements and make reasonable decisions regarding program funding changes or structural modifications in the programs themselves.

Normally, the basis for measurement of success begins with a needs assessment which describes the costs of failing to meet some societal need. The assessment suggests the dimensions for the program's effort, which in turn suggest criteria for measuring the program's value.

Recently developed systems of program accountability for economic development agencies respond to concerns of policy makers that economic development agencies may not be achieving the results policy makers intend. One system of accountability is that offered by Hatry, Fall, Singer, and Liner in *Monitoring the Outcomes of Economic Development Programs* (Washington: Urban Institute Press, 1990). This system attempts to identify the objectives of economic development programs and establish performance indicators which the economic development agency can use to monitor its own performance.

An economic development organization such as the Partnership must be able to define what it produces and to whom it directs its services.

It should try to communicate with its customers, whether they be tour groups, firms interested in coming to Meridian or Lauderdale County, or local civic groups, and try to determine what services these groups need and try to measure user satisfaction with these services. They should also try to determine from working with these customers the extent to which the services provided were instrumental in getting the firm to relocate or the convention groups to come to town for a convention.

The Partnership has no system of accountability which can measure user satisfaction with the services it renders and which can assist the board of directors in determining how useful Partnership services are in influencing firms to locate, expand, or visit in the Meridian and Lauderdale County area. The Partnership maintains a list of firms which have located in the Meridian and Lauderdale County area since formation of the Partnership in 1991 (see Appendix A, page 29). However, the list does not distinguish between firms the Partnership has assisted, firms it has contacted which did not consider Partnership assistance material to their decision, and firms it has not assisted. The list cannot serve as a basis for an accountability system of the type described above, since it cannot demonstrate that the Partnership's efforts are associated with any change in the economy. Two firms on the list no longer do business in the Meridian area. The list also does not include firms recruited which chose not to come to the area.

In other program areas, PEER found no evidence of any accountability system for community development or the other programs of economic development such as assistance programs for existing businesses. For tourism, the Partnership had not collected information regarding tourist, tour group, or convention use and satisfaction with Partnership programs.

The lack of indicators leaves the Partnership without a means of measuring and assessing the following:

- *the number of firms assisted who ultimately locate in the county*--While the Partnership can identify firms which have located in the Meridian and Lauderdale County area since the Partnership's inception, its records do not distinguish between those which received assistance from the Partnership and those which did not.
- *the number of firms that the Partnership contacted, recruited, and assisted, but failed to locate*--Such information can help an organization such as the Partnership determine whether it has devised a proper recruitment strategy and has offered the kinds of services firms need.
- *effectiveness of the organization's strategy and appropriateness of objectives*--Of greater importance than the above-mentioned factors, the lack of a formal monitoring system leaves the Partnership without a system of evaluating its strategies and objectives. Strategies and objectives must change when major

changes in the environment or in the organization require it. Without a system of monitoring performance, the organization lacks a means of assessing the need for changing its recruitment strategy or modifying its program structure.

- *the number of tourists, conventioners, or retirees who came to the area who considered Partnership promotional efforts helpful to their decision to visit or locate their convention in Meridian or Lauderdale County.*
- *the usefulness and quantifiable value of community development programs (former chamber of commerce programs) in general.*

In conclusion, the Partnership cannot clearly demonstrate if it has succeeded in its objectives, or even that its objectives are properly directed toward economic development. Because the outcomes of the Partnership's efforts are unknown, the Partnership has not demonstrated that its demise will irreparably harm the economic development efforts or the economy of Meridian and Lauderdale County.

Because there are economic development entities that exist at the state and local level, the City of Meridian and Lauderdale County do not need the Partnership to conduct industrial recruitment and other economic and community development activities.

The 1991 legislation that created the Partnership provided for its own repeal in 1996. During the 1996 legislative session, the Legislature did not repeal the sunset provision. The Partnership will cease to exist after October 1, 1996. In addition, any special tax levies, such as the hotel and motel tax and statutory transfers of public revenue, will also repeal on that date.

The Partnership's demise raises questions about how the city and county will continue to promote themselves for new industry. A review of economic development vehicles in the state shows other means by which these governments can continue economic development without relying on a single entity such as the Partnership.

State law recognizes the importance of economic development to local governing authorities and makes provision for counties and cities to devise and execute strategies to promote themselves. At present, general law authorizes the following activities by local boards of supervisors or city councils to promote economic development:

- *Boards of supervisors and city governments may expend funds for promotion.* MISS. CODE ANN. Section 17-3-1 authorizes boards of supervisors and municipalities to appropriate and expend moneys not to exceed one mill of their assessed valuation for advertising and bringing into favorable notice the opportunities, possibilities, and resources of their municipality or county. Under this section,

the governing authorities of the county and cities within Lauderdale County could expend funds to promote the area for new industry.

- *Lauderdale County may establish or participate in an economic development district.* State law allows counties to establish industrial development authorities. These bodies may work to recruit new industry for their county or service area. At present, Lauderdale County is a member of such a district--the Mid-Mississippi Development District. This economic development district pursues economic development activities for member counties. Such districts are established under the authority of MISS. CODE ANN. Sections 19-5-99 and 19-9-111. These districts may engage in the development of industrial parks. Further, the section authorizes the boards of supervisors to do all in their power to promote the county for industrial development through these districts.

The Mid-Mississippi Development District receives approximately \$9,000 annually from Lauderdale County for the purpose of helping the neighboring counties whose development indirectly benefits Lauderdale County. This organization also works with the Partnership in order to help firms that might better fit in the Lauderdale County area. Likewise, the Partnership may also contact the district about firms that might locate in other counties in its area due to a lack of suitable space in Lauderdale County. In either case the entire area benefits from the location efforts. Legally, the district could continue to promote economic development for Lauderdale County since the county is a member of the district.

Thus, other means exist by which local governments may promote their area for new industrial development.

Other activities related to economic development may be carried out by existing local and state bodies. Examples of existing bodies which could assist Meridian and Lauderdale County in the promotion of the area are:

- *The Department of Economic and Community Development*--This state agency seeks economic development opportunities for the entire state. It has the legal authority to carry out economic development activities throughout the state, and further has the authority to work with local entities which are charged with developing the economy within their own jurisdictions. Specifically, the department is authorized to:
 - maintain a coordinated liaison function with other economic development groups, including state and federal agencies, and planning and development districts, utility companies, chambers of commerce, and railroads; and,

- assist communities and counties within the state in preparation for economic growth.
- *The East Central Mississippi Planning and Development District*--Planning and development districts carry out certain federal-state mandates such as the allocation of funds for child care, services to elderly persons, and community development. The East Central Planning and Development district includes Lauderdale County and eight other counties. Some of its work aids economic development in Lauderdale County. Specifically, the district prepares Community Development Block Grant applications for such projects as sewer and water system extensions and modifications which benefit businesses. These applications are ultimately approved or rejected by the Department of Economic and Community Development. The district does not engage in other activities related to industrial recruitment or tourism promotion.
- *Community Colleges*--While these entities do not promote industrial expansion or recruit firms, they provide assistance to existing businesses. This assistance can come in the form of job training and, in some cases, assistance with business planning.

While the aforementioned entities are examples of government bodies which can pursue economic development, the private sector can also assist in economic development activities. Examples of private economic development entities include:

- *Utility Companies*--Firms such as the Mississippi Power Company often pursue economic development activity such as industrial recruitment. They do this because their primary costs are fixed, and increased economic activity will bring them increased profits.
- *Chambers of Commerce*--While Meridian and Lauderdale County no longer have a chamber, such an organization could be re-established. These privately funded organizations generally provide community leadership programs, promote the general improvement of a city and county through the making of recommendations for civic action, and often assist in the promotion of business and tourism. A new chamber of commerce could take up those programs such as community development and tourism which could not be administered through a local economic development authority or a county board of supervisors.

While closure of the Partnership will cause Meridian and Lauderdale County to return to a more decentralized method of delivering services for development, private and public entities could provide each of the major services (industrial recruitment, tourism, and community development) that the Partnership currently provides to the Lauderdale County area. Consequently, the Partnership is not essential to the economic development and well-being of Meridian and Lauderdale County

and the closure of the Partnership will not cause the area to suffer an irreparable loss of promotional and development capacity.

Appendix A

Firms Locating in Meridian Since the Inception of the Partnership (1991)

<u>Firm</u>	<u>Date</u>	<u>Number of Jobs</u>
Jansko	June 1992	50
Quality Logistics	June 1992	150
Tire Centers Inc.	October 1992	15
Volume Reduction	October 1992	10
Pallet Recycling	February 1993	15
Great River Insurance	February 1994	100
Gay Woodworks	February 1994	40
Magnum Products	March 1994	10
James River Corp.	July 1994	40
Meridian Lamp	September 1994	200
Desperado X Press	February 1995	15
Vital Care	March 1995	60
Central Freight Lines	March 1995	4
Consolidated Freight	April 1995	10
Ryan's Restaurant	May 1995	75
Mid South Lumber	May 1995	100
Industrial Mechanical	June 1995	30
Ferguson Enterprises	July 1995	15
Red Lobster	September 1995	110
Applebee's Restaurant	September 1995	110
Modern Materials	October 1995	25
Autocoil South	January 1996	20

SOURCE: Meridian/Lauderdale County Partnership.

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