Acadiana parishes get loans, sell bonds

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BATON ROUGE – The lending business is booming with the advent of "payday loans" but it's got a way to go before catching up with state government.

The idea works like this: You're a bit short of cash at the moment and bills need to be paid. You expect to be paid soon, so you'll have the money to pay back the loan, with interest, provided some other emergency doesn't arise.

The state for years has offered its own form of "payday loans" to local governments in the form of "revenue anticipation notes" and "budgetary certificates of indebtedness." Like payday loans, they're expected to be paid off as soon as money is available or significant interest is assessed.

The city of Jeanerette took advantage of such an offer in securing $20,000 through the state Bond Commission. The city is financially strapped and needs to pay some bills. Tax revenues are expected before the end of the year so Mayor James "E.K." Alexander expects to be able to pay off the loan before its March 1, 1999, due date.

To do so, the Board of Aldermen has dedicated $35,000 — $25,000 from the general fund (through budget cuts), $9,000 from a 1-cent sales tax and $3,000 from a one-fourth-cent sales tax. First National Bank of Jeanerette purchased the certificates of indebtedness, effectively loaning the city the money.

But Jeanerette isn't the only place in Louisiana that has done this. Sheriff's departments, school boards, parish governments and various boards and commissions do it almost every month. At its meeting Thursday, the Bond Commission approved 22 similar requests. Six affect Acadiana parishes.

Hospital Service District 1, which governs Iberville Medical Center, was granted permission to borrow $1 million to weather a financial storm. The loan is secured by a $1.1 million accumulated surplus from past years. The hospital is suffering from a cash flow shortage. Interim financial statements for the period ending July 31, 1998, showed a net income loss of $1.74 million. The new budget anticipates the hospital being $3.3 million in the black by Sept. 30, 1999.

Numerous steps are being taken to reduce expenditures, including the recent layoff of 16 employees, the closing of all offsite clinics and the discontinuation of the geriatric psychology program. Both the chief executive officer and the chief financial officer have been replaced and a 90-day interim contract with Brin management has been signed to assist in the hospital's operations. Hospital Service District 1 in St. Mary Parish anticipates having the same type of cash flow problems with Franklin Foundation Hospital. Instead of a budgetary loan, it will establish a $500,000 line of credit, the same as it did last year but never used. The budget anticipates a $520,885 loss this fiscal year but non-operating revenues of $62,200 will more than cover that shortfall, so the long term reserve balance is expected to rise from $4.4 to $5.5 million.

St. Martin Parish Sheriff Charles Peltier also has secured a $2,373,560 budgetary loan for his department's operations. His budget anticipates a $1.4 million shortfall this year as revenues are expected to drop from $62.2 million in 1994 to $58.5 million for 1995-96. Expenditures, though, are anticipated to rise from $63.3 million to $68.5 million.

It would be the second year in a row that the department has ended with a deficit. Last year's budget was $114,000 in the red. That shortfall and this year's $1.4 million are to be covered by a long-term fund balance. The fund balance is $137,000 as of June 30, 1998, and it will be down to $75,303. The St. Mary Parish Council is securing a different type of loan to
Bonds

Another method of borrowing money used by local governments is through the issuance of bonds. For example, the city issued bonds for the construction of a new city hall. The bonds were sold to investors at a lower interest rate than the market rate, resulting in a savings for the city.

The city also sold bonds for the construction of a new library. The bonds were issued at a lower interest rate than the market rate, resulting in a savings for the city. The bonds were sold to investors who were interested in supporting the construction of the new library.

Another popular method of borrowing money is through the issuance of revenue bonds. Revenue bonds are issued to raise money for a specific project, such as the construction of a new stadium. The bonds are retired when the revenue from the project is sufficient to pay the interest and principal on the bonds.

In conclusion, local governments use a variety of methods to borrow money, including the issuance of general obligation bonds, revenue bonds, and certificates of participation. These methods allow the local government to raise money for a variety of projects, including infrastructure improvements and public safety.