City gets OK for $800,000 credit

By STEPHEN J. DILL
managing editor

The City of Abbeville has completed one leg of an extensive journey toward what administrators have described as a matter of fiscal survival in 1986; namely, it has secured the state's seal of approval for establishing an $800,000 line of credit.

The state Bond Commission last week approved the city's request to borrow the money to finance operations of the city — now operating on a $12 million budget — and to unplug a reported bottleneck in increasingly sluggish cash flow, said Thomas Burbank, director of the commission.

"This is seen as a normal budgetary procedure — something out of the ordinary," said Burbank, referring to the Abbeville administration’s request, approved at a Sept. 3 meeting of the commission in Baton Rouge.

The city must repay the loan by March 1, 1986, using revenues accruing to the city’s general fund throughout the fiscal year, Burbank said.

Approval of such government loans is considered routine, but state law requires that all local political subdivisions get permission from the bonding authority before taking on any debts.

Abbeville Mayor Larry Campisi was reluctant to comment on the development, explaining he had not yet received official confirmation from the state commission.

"I have a policy of never releasing information until I get official confirmation," he said.

The idea of establishing a line of credit was first recommended to the City Council in early August by the consulting firm of Beard Engineering in Baton Rouge.

In that recommendation, company spokesman Harold Beard explained to the City Council that unless the Abbeville administration undertook drastic reorganization of fiscal structure, the city would face a debilitating cash depletion in fiscal 1986 and a gaping budget deficit of nearly $1 million.

The cash depletion, described in Beard’s report as a reduction of those revenues that the city would normally be able to count on, would leave the city short in 1986 by $90,622.

According to Beard’s report, the drain on city funds would occur primarily in five budget columns, namely, a reduction in federal and state revenue sharing; increasingly onerous payments made by the city to Gulf States Utilities for purchased electricity; legal and engineering fees that the city must pay for past contract battles with Gulf States; the loss of expected revenues from a Pennzoil oil lease that will not be renewed; and rising costs of the liability insurance that the city must provide city workers.

Beard further warned that federal revenue sharing cuts, pushed by the Reagan administration, would leave the city short by an additional $200,000.

In advising the council to reorganize fiscal structure to forestall further revenue losses, Beard recommended not only that the city establish an $800,000 line of credit, but that the administration pump more money into the city’s general fund through a rededication of a 1-cent city sales tax, which is now reserved strictly for capital improvements.

The more than $1 million now accruing from the tax greatly exceeds annual payments of $25,000 that is city is currently making on certificates of indebtedness issued in 1983 for capital improvements, Beard said.

The proposed rededication would make it legal to transfer the sales tax revenues to the general fund.

The City Council has set the tax election for Oct. 19.