



Date: November 12, 2024
To: Mayor and Town Council
From: Oscar Ojeda, Finance Supervisor
Re: Consideration and Approval: **Town Line of Credit**

Objective:

To decide whether the Town should proceed with the previously approved loan proposal by United Southern Bank or approve the line of credit proposal by United Southern Bank.

Summary:

The loan and line of credit (LOC) are for the same amount of \$250,000 and have the same interest rate of 5.30% for 5 years. Both have a closing fee of between \$1,000 to \$3,000.

The term loan provides fixed monthly payments, which simplifies budgeting and financial planning. This fixed structure allows for greater predictability in cash flows, which is particularly important for the town's fiscal planning. The loan also provides the option of being repaid early resulting in less interest being paid

In contrast, a LOC carries the risk of fluctuating balances, which could lead to higher interest costs if the line is used frequently or not managed carefully, potentially causing a prolonged debt burden.

Recommended Motions:

The Town Council has the following options:

1. The Town Council motions to approve the United Southern Bank Loan Proposal

OR

3. The Town Council motions to approve the United Southern Bank Line of Credit Proposal

Fiscal Impact:

The Town will incur a liability for either \$250,000 (loan) plus interest or the amounts of funds used (LOC) plus interest.

Staff Recommendation:

Staff recommends approval of the United Southern Bank loan proposal.