



Report to: General Committee

Report Date: Feb 13, 2012

SUBJECT: Markham Enterprises Corporation Promissory Note Interest Rate Adjustment
PREPARED BY: Mark Visser, Senior Manager of Financial Strategy & Investments x.4260

RECOMMENDATION:

- 1) THAT the interest rate charged to Markham Enterprises Corporation on the \$9.6 Promissory Note, owed to the Town of Markham, be adjusted from a fixed rate of 4.67% to a fixed rate of 5.58%.
- 2) AND THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Not applicable

PURPOSE:

To adjust the interest rate charged to Markham Enterprises Corporation (MEC) on the \$9.6 million Promissory note owed to the Town of Markham to be consistent with the long term rates applied to other related party outstanding loans involving the Town and/or its affiliates (MEC, Markham District Energy (MDEI), PowerStream).

BACKGROUND:

Since Markham Enterprises Corporation was set up in 1999, the Town has held a Promissory Note with a principal sum of \$9.6 million. The rate that has been applied to the Note has been 4.67%. Insofar as this investment has been in place for 12 years and is expected to continue indefinitely, it is recommended the interest rate be increased to 5.58% to reflect the long-term nature of the loan. The 5.58% rate aligns with the rate charged to PowerStream on the \$67.9 million Promissory Note between the Town and PowerStream.

As per the terms set out in the Promissory Note, the Town “may, from time to time, by written notice to (MEC) designate a specific interest rate to be paid by (MEC) with respect to the outstanding Principal. Any change in the established rate shall be effective thirty (30) days after the date of the written notice of such change by the Town to (MEC).”

FINANCIAL CONSIDERATIONS:

Increasing the interest rate on the Promissory Note between the Town and Markham Enterprises Corporation (MEC) from 4.67% to 5.58% will increase interest revenue earned by the Town by \$87,360 from \$448,320 to \$535,680. This interest is allocated directly to the Town's Lifecycle Replacement and Capital Reserve.

OPTIONS/ DISCUSSION:

FINANCIAL TEMPLATE (Separate Attachment):

Not applicable

ENVIRONMENTAL CONSIDERATIONS:

Not applicable

ACCESSIBILITY CONSIDERATIONS:

Not applicable

ENGAGE 21ST CONSIDERATIONS:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

[Insert text here]

RECOMMENDED BY:

07/02/2012

2/8/2012

X 

Joel Lustig
Treasurer

X 

Nasir Kenea
Acting Commissioner, Corporate Services

ATTACHMENTS: