



**TITLE:** Consider/Discuss/Act on a Resolution Authorizing the Restructure of Debt for the McKinney Economic Development Corporation's Repayment of a Loan from the Solid Waste Fund

**MEETING DATE:** March 5, 2013

**DEPARTMENT:** Financial Services

**CONTACT:** Rodney Rhoades, Chief Financial Officer

**RECOMMENDED CITY COUNCIL ACTION:**

- Approval of the Resolution

**ITEM SUMMARY:**

- McKinney Economic Development Corp (MEDC) desires to renegotiate the terms of a \$4 million loan given by the City.
- The restructuring will offer interest savings to the MEDC of \$160,796 and sets the interest rate to be more in line with current market conditions.
- A restructured loan will free up resources to pursue other potential economic development projects.

**BACKGROUND INFORMATION:**

- A Resolution was passed on January 20, 2009 authorizing the City to enter into a 380 Economic Development agreement with MEDC for a \$4 million loan from the General Fund for the redemption of the MEDC 2002 Tax Exempt Revenue Bonds.
- The original loan had a term of eight years at 4% interest.
- A Resolution was passed on July 20, 2010 to transfer the loan from the General Fund to the Solid Waste Fund.
- The first five years of the loan repayment was scheduled as interest only, \$160,000 per annum. Years six through eight reflect principal & interest payments ranging from \$1.43 to \$1.45 million.
- The restructured loan would have annual principal & interest payments of \$824,159.

**FINANCIAL SUMMARY:**

Principal: \$4 million	Current Loan	Restructured Loan
Time:	4 years	6 years

Interest Rate:	4%	1%
Total Interest:	\$485,000	\$160,796

- The attached debt schedule reflects the current and restructured annual principal payments.

**BOARD OR COMMISSION RECOMMENDATION:**

- MEDC Board approved to restructure the debt on February 19, 2013.