Agenda – Executive Policy Committee – November 30, 2005

REPORTS

Item No. 7 2006 Local Improvement Interest Rates
File SL(2006)

ADMINISTRATIVE RECOMMENDATION:

That the interest rates for local improvements for which taxes are first imposed in 2006 be established as follows:

Term	2006 Interest Rate		2005 Interest Rate
2 - 5 years	5.50%	the same as	5.50%
6 15 years	5.75%	down from	6.00%
16-20 years	6.00%	down from	6.50%

ADMINISTRATIVE REPORT

RE: 2006 LOCAL IMPROVEMENT INTEREST RATES

FOR SUBMISSION TO: EXECUTIVE POLICY COMMITTEE

ORIGINAL REPORT SIGNED BY: CHIEF FINANCIAL OFFICER

REPORT DATE: November 17, 2005

RECOMMENDATION(S):

That the interest rates for local improvements for which taxes are first imposed in 2006 be established as follows:

Term	2006 Interest Rate		2005 Interest Rate
2 – 5 years	5.50%	the same as	5.50%
6 – 15 years	5.75%	down from	6.00%
16 – 20 years	6.00%	down from	6.50%

REPORT SUMMARY:

Key Issue(s):

Allows for Council to formally establish interest rates for local improvements for 2006.

Implications of the Recommendation(s):

General Implications

- [ ] **None**
- [ ] **For the organization overall and/or for other departments**
- [X] **For the community and/or organizations external to the City**
- [ ] **Involves a multi-year contract**

Comment(s):

Policy Implications

- [X] **No**
- [ ] **Yes**

Comment(s):

Environmental Implications:

X	**No**
	Yes
	Comment(s):

Human Resources Implications:

X	**No**
	Yes
	Comment(s):

Financial implications

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required
	Comment(s):

REASON FOR THE REPORT:

The City of Winnipeg Charter Act provides that the cost of carrying out a local improvement may include the costs of financing. In keeping with this requirement, it is desirable to have Council formally approve the interest rates to be charged to property owners for local improvements for which local improvement taxes are first imposed in 2006.

HISTORY:

For many years the City has established interest rates for financing local improvements prior to the start of a new fiscal year. When a property owner chooses to have a local improvement financed over time as opposed to paying it outright, the property owner is charged interest on the local improvement at the established rates over the financing period chosen.

DISCUSSION:

Section 418 of The City of Winnipeg Charter states, “The City may include the following in the cost of carrying out a local improvement: (d) the cost of financing the local improvement;”. For administrative purposes, it is desirable to have interest rates for local improvements approved by Council. The different interest rate terms are designed to reflect the variety of work being undertaken and to take into account the expected life expectancy of the work. As an example, concrete work is financed over a ten-year period, sewer work is financed over a twenty-year period.

FINANCIAL IMPACT STATEMENT

There is no financial impact as the interest rates set for financing local improvements provide for the recovery of the City's cost of capital and assessment and collection costs.

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Corporate Services Department, Legal Services Division
Corporate Finance, Taxation and Revenue Division

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Financial Services
Prepared by: Garry Steski, Manager of Financial Services
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