Discount(s) to be Allowed for the Prepayment of 2002 Realty and Business Taxes

File FL-2.1 (Vol. 3)

1. The Executive Policy Committee has been advised that Council must adopt a by-law prescribing the discount rates on the prepayment of realty and business taxes.

Section 209 of The City of Winnipeg Act permits the City to provide for the allowance of discounts when taxes are prepaid, as stated below:

209(1) The council may pass by-laws in relation to realty and business taxes levied in a year

(c) providing that, when taxes are paid other than by installments, discounts at the rates prescribed in the by-law may be allowed on taxes that are prepaid by the dates specified in the by-law.

Council annually adopts a by-law establishing a discount rate that will financially benefit the City and at the same time provide an attractive investment opportunity for Winnipeg taxpayers.

The proposed discount rates are based on information received from the Financial Services Division, which considers 2% as the City's projected return on investment for a five-month period. Current deposit rates available to taxpayers are around 1.5% for a six-month period. A rate of approximately 1.75% is considered to be fair to both the City and to the taxpayer.

The costs of administering the program (approximately $10,000), the tax discount expenditure (2002 projection $108,000), as well as the additional investment income (est. $128,000) are already incorporated in the tax-supported estimates, as outlined on Appendix "A". No changes to the budget are required to continue with this tax prepayment program.

For the Committee's information, statistics on the prepayment of discounted taxes for 2001 and 2000 comparative are presented in Schedule 1.

The Executive Policy Committee recommends:

I. That pursuant to Section 209 of The City of Winnipeg Act, Council adopt a by-law providing for prepayment discounts of the City's 2002 realty and business taxes and such discounts be allowed on prepayments received by the Taxation & Revenue Division during the months of January and February, 2002 at the following discount rates:

	Face Value Discount Rate	Equivalent Annual Discount Rate
Realty Tax – Payable at par up to June 28th		
January	0.70%	1.75%
February	0.57%	1.75%
Business Tax – Payable at par up to May 31st		

January	0.57%	1.75%
February	0.44%	1.75%

II. That the Proper Officers of the City be authorized to do all things necessary to effect the intent of the foregoing.

Appendix "A" referred to in Clause 1 of the Report of the Executive Policy Committee dated December 5, 2001

Financial Impact Statement:

Project Name: Discount for 2002 Prepayment Realty and Business Taxes

Date: November 27, 2001 First Year of Program

	2002	2003	2004	2005	2006
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Less: Incremental Revenue/Recovery	128,000				
Net Cost/(Benefit)	$ (128,000)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(128,000)				
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The costs of administering the program (approximately $10,000), the tax discount expenditure (2002 projection $108,000), as well as the additional investment income (est. $128,000) are already incorporated in the tax-supported estimates. No changes to the budget are required to continue with this tax prepayment program.

Manager of Finance & Administration

The accelerated cash flow generated by the prepayment of realty and business taxes (2001 total $15.3 million) increases the City's short-term investment opportunities for the period January to June. The investment income earned from these early payments continues to exceed the tax discount given (2001 actual of $245,689) as well as the cost of administering the program (approx. $10,000) by the Taxation & Revenue Division.

Using the 2001 actual prepayment information, with the City's 2002 expected short term investment interest rate of 2.00%, the following represents the interest income that could be expected in 2002 from depositing the tax prepayments:

January Prepayments					
Realty Tax	$	14,374,959 x	2.00% x 5/12 =	$	119,791
Business Tax	$	604,953 x	2.00% x 4/12 =	$	4,033
February Prepayments					
Realty Tax	$	600,859 x	2.00% x 4/12 =	$	4,006
Business Tax	$	1,423 x	2.00% x 3/12 =	$	7
Total Investment Income expected in 2002				$	127,837

Schedule 1 referred to in Clause 1 of the Report of the Executive Policy Committee dated December 5, 2001

"Schedule 1"

2001 / 2000 TAX PREPAYMENTS

	JANUARY 2001			JANUARY 2000		
	Prepayments	No. of Accounts	Discount Rate	Prepayments	No. of Accounts	Discount Rate
REALTY	$14,374,959	5,793	1.60%	$13,979,935	5,438	1.60%
BUSINESS	604,953	66	1.30%	504,785	90	1.30%
SUB-TOTAL	14,979,912	5,859		14,484,720	5,528	
DISCOUNT	237,864			230,241		
TOTAL	$14,742,049			$14,254,479		

	FEBRUARY 2001			FEBRUARY 2000		
	Prepayments	No. of Accounts	Discount Rate	Prepayments	No. of Accounts	Discount Rate
REALTY	$600,859	647	1.30%	$955,112	616	1.30%
BUSINESS	1,423	24	1.00%	18,391	21	1.00%
SUB-TOTAL	602,282	671		973,503	637	
DISCOUNT	7,825			12,600		
TOTAL	$594,457			$960,903		

	TOTAL 2001		TOTAL 2000	
	Prepayments	No. of Accounts	Prepayments	No. of Accounts
REALTY	$14,975,818	6,440	$14,935,047	6,054
BUSINESS	606,376	90	523,176	111
SUB-TOTAL	15,582,194	6,530	15,458,223	6,165
DISCOUNT	245,689		242,841	
TOTAL	$15,336,505		$15,215,382	

	2001	2000
APPROXIMATE ANNUAL DISCOUNT RATE:	**4.00%**	**4.00%**

Corp. Finance-Tax Br. November 2001 File:v:\adjbal\gwladyka\taxprepayments2001.xls