Agenda – Executive Policy Committee – December 2, 2009

REPORTS

Item No. 1 Discounts for Prepayment of 2010 Realty, Personal Property and Business Taxes
eFile FL-2.1

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That, pursuant to Subsection 334(3) of The City of Winnipeg Charter, Council adopt a by-law providing for prepayment discounts of the City's 2010 Realty, Personal Property and Business Taxes.

2. That the prepayment discounts be allowed on payments received by the Assessment and Taxation Department during the months of January and February 2010 at the following discount rates:

Realty & Personal Property Tax - payable at par up to June 30th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.062%	0.15%
February	0.049%	0.15%

Business Tax – payable at par up to May 31st		
January	0.050%	0.15%
February	0.038%	0.15%

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

ADMINISTRATIVE REPORT

ISSUE: DISCOUNT(S) TO BE ALLOWED FOR THE PREPAYMENT OF 2010 REALTY, PERSONAL PROPERTY AND BUSINESS TAXES

CRITICAL PATH: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Cull Manager of Taxation and Finance	N. Karpa Director of Assessment and Taxation	M. Ruta	G Laubenstein

RECOMMENDATIONS

1. That, pursuant to Subsection 334(3) of The City of Winnipeg Charter, Council adopt a by-law providing for prepayment discounts of the City's 2010 Realty, Personal Property and Business Taxes.

2. That the prepayment discounts be allowed on payments received by the Assessment and Taxation Department during the months of January and February 2010 at the following discount rates:

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

IMPLICATIONS OF THE RECOMMENDATIONS

General Implications

(X) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

Comment(s): The City receives advanced tax bill payment and, in doing so, property and business owners are provided a beneficial tax payment discount rate.

Financial Implications

(X) Within approved current and/or capital budget

Comment(s): This recommendation results in a projected net income of $0 (nil net income or cost neutral).

HISTORY

Subsection 334(3) of *The City of Winnipeg Charter* permits the City to provide for the allowance of discounts when taxes are prepaid, as stated below:

> *334(3) Council may pass by-laws in respect of real and personal property taxes and business taxes*
>
> *(c) providing that, when taxes are paid other than by installments, discounts at rates prescribed in the by-law may be allowed on amounts that are prepaid on account of those taxes by 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 investment opportunity for taxpayers.

DISCUSSION:

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 0.25% as the City's short-term investment interest rate for 2010. The 2009 estimate was 2.75%. Therefore, a discount rate of approximately 0.15% is considered to be fair to both the City and to the taxpayer in 2010 (and provides for a breakeven position for the City).

The 2009 experience was as follows:

Total Interest earned on prepayment amounts	$ 116,971
Discount value	$ 54,949
Cost to administer	$ 10,000
Net Return	$ 52,022
Net Return on an annualized basis	1.60%

Using the 2009 actual prepayment information, with the City's 2010 expected short-term investment interest rate of 0.25%, the following represents the interest income that could be expected in 2010 from depositing the tax prepayments:

2010 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2009)	# of months invested	2010 Projected Investment Income
January			
Realty and Personal Property Tax	$7,170,324	5	$7,468
Business Tax	542,000	4	452
February			
Realty and Personal Property Tax	179,472	4	150
Business Tax	(72,286)	3	(45)
2010 Projected Gross Income	$7,819,510		8,025
Less: Discount			4,747
Cost to administer			3,278
2010 Projected Net Income			**$0**

2010 Projected Annualized Return of 0%.

Comparison 2009 / 2010

	2009	**2010 (Projected)**
Net Return	$ 52,022	$ 0
Annualized Net Return	1.60%	0%

Note that the 2010 projected net income is nil due to this economic environment of extremely low interest rates. To achieve a breakeven position, certain out of pocket costs were eliminated from the program this year. This includes elimination of the mailing to Prepayment participants in 2009 and elimination of advertisements in major newspapers. Nonetheless, this program will be offered as a customer service initiative with full information on the Assessment and Taxation website. Further, the 311 Customer Contact Centre will be prepared to handle phone calls on this program beginning in January 2010.

It is recommended that Council adopt a by-law to provide for prepayment discounts received by the Assessment and Taxation Department during the months of January and February 2010 at the following discount rates:

Realty & Personal Property Tax - payable at par up to June 30th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.062%	0.15%
February	0.049%	0.15%
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FINANCIAL IMPACT

Financial Impact Statement **Date:** November 4, 2009

Project Name: **First Year of Program** **2010**

Discount for 2009 Prepayment of Realty, Personal Property and Business Taxes

	2010	2011	2012	2013	2014
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grant	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 8,025	$ -	$ -	$ -	$ -
Less: Income from investment of prepayments	$ 8,025	$ -	$ -	$ -	$ -
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	$ -	$ -	$ -	$ -	$ -
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Using the 2009 actual prepayment information, with the City's 2010 expected short-term investment interest rate of 0.25%, the interest income that could be expected in 2010 from depositing the tax prepayments is approximately $8,025. However, after applying the projected tax discount of $4,747 and an administrative cost of $3,278, the projected net income is nil ($0). Despite the nil net income, this program will still proceed as a customer service initiative. Based on past experience, between 2500 and 3000 property owners will take advantage of the Prepayment Discount program.

[original signed by]

Radhika Abeysekera
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this Report, there was consultation with:

Internal

Financial Services Branch of Corporate Finance Department

External

SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: B. Cull, Manager of Taxation and Finance
Date: Nov 4, 2009
File No. : N/A