Minute No. 107
Report "A" – Executive Policy Committee – December 7, 2011

Item No. 21 Discount(s) to be allowed for the Prepayment of 2012 Realty, Personal Property and Business Taxes

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That, pursuant to subsection 334(3) of *The City of Winnipeg Charter*, a by-law be adopted providing for prepayment discounts of the City's 2012 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 2012 at the following discount rates:

Realty & Personal Property Tax - payable at par up to June 29th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.328%	0.80%
February	0.267%	0.80%
Business Tax – payable at par up to May 31st		
January	0.262%	0.80%
February	0.201%	0.80%

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

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,

That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 7, 2011, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: **DISCOUNT(S) TO BE ALLOWED FOR THE PREPAYMENT OF 2012 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 CFO	Deepak Joshi COO

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 2012 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 2012 at the following discount rates:

Realty & Personal Property Tax - payable at par up to June 29th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.328%	0.80%
February	0.267%	0.80%
Business Tax – payable at par up to May 31st		
January	0.262%	0.80%
February	0.201%	0.80%

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

REASON FOR THE REPORT

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.

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 payments 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

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 1.50% as the City's short-term investment interest rate for 2012 (the prior year estimate for 2011 was 1.00%). A discount rate of approximately 0.80% is considered to be fair to both the City and to the taxpayer in 2012 (and provides for a breakeven position for the City).

The 2011 experience was as follows:

Total Interest earned on prepayment amounts	$ 13,676
Discount value	$ 5,210
Cost to administer (ignores overhead costs)	$ 3,000
Net Return	$ 5,466
Net Return on an annualized basis	0.52%

Using the 2011 actual prepayment information, with the City's 2012 expected short-term investment interest rate of 1.50%, the following represents the interest income that could be expected in 2012 from depositing the tax prepayments:

2012 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2011)	# of months invested	2012 Projected Investment Income
January			
Realty and Personal Property Tax	$1,660,288	5	$10,377
Business Tax	17,665	4	88
February			
Realty and Personal Property Tax	880,593	4	4,403
Business Tax	243,262	3	912
2012 Projected Gross Income	$2,801,807		15,780
less: Discounts and administration costs			15,780
2012 Projected Net Income			**$0**

2012 Projected Annualized Return of 0%

Comparison 2011 / 2012

	2011	**2012 (Projected)**
Net Return	$ 5,466	$ 0
Annualized Net Return	0.52%	0%

Note that the 2012 projected net income is nil. While interest rates are improving, there is still negligible investment income projected for the 2012 Prepayment Program; not sufficient to generate net income when all costs are considered. As in 2011, this program will be offered as a customer service initiative with full information on the Assessment and Taxation website. There will be one advertisement placed in the Winnipeg Free Press newspaper. Further, the 311 Customer Contact Centre will be prepared to handle phone calls on this program beginning in January 2012.

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 2012 at the following discount rates:

Realty & Personal Property Tax - payable at par up to June 29th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.328%	0.80%
February	0.267%	0.80%

Business Tax – payable at par up to May 31st	Face Value Discount Rate	Equivalent Annual Discount Rate
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FINANCIAL IMPACT

Financial Impact Statement **Date:** November 24, 2011

Project Name: **First Year of Program** **2012**

Discount for 2012 Prepayment of Realty, Personal Property and Business Taxes

	2012	2013	2014	2015	2016
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	$ 15,780	$ -	$ -	$ -	$ -
Less: Income from investment of prepayments	15,780	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Using the 2011 actual prepayment information, with the City's 2012 expected short-term investment interest rate of 1.50%, the interest income that could be expected in 2012 from depositing the tax prepayments is approximately $15,780. However, after applying the projected tax discounts and administrative costs, the projected net income is nil. Despite the nil net income, this program will still proceed as a customer service initiative. Based on past experience, it is expected that 2,000 - 3,000 property owners will take advantage of the 2012 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

SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: B. Cull, Manager of Taxation and Finance
Date: November 24, 2011
File No. n/a