

## **Agenda – Council – December 11, 2013**

### **Report – Executive Policy Committee – December 4, 2013**

#### **Item No. 4                    2014 Local Improvement Interest Rates**

##### **EXECUTIVE POLICY COMMITTEE RECOMMENDATION:**

On December 4, 2013, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the interest rates for local improvements for which taxes are first imposed in 2014 be established as follows:

| Term          | 2014 Interest Rate |                  | 2013 Interest Rate |
|---------------|--------------------|------------------|--------------------|
| 2 – 5 years   | 3.00%              | no change        | 3.00%              |
| 6 – 15 years  | 4.25%              | no change        | 4.25%              |
| 16 – 20 years | 5.00%              | 0.25% lower than | 5.25%              |
| 21 – 25 years | 5.50%              | no change        | 5.50%              |
| 26 – 30 years | 5.50%              | no change        | 5.50%              |

2. 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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**Report – Executive Policy Committee – December 4, 2013**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 4, 2013, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

## ADMINISTRATIVE REPORT

**Title:** 2014 LOCAL IMPROVEMENT INTEREST RATES

**Critical Path:** Executive Policy Committee - Council

### AUTHORIZATION

| Author                                            | Department Head              | CFO       | CAO               |
|---------------------------------------------------|------------------------------|-----------|-------------------|
| R. Provencher<br>Manager of Financial<br>Services | J. Ferrier<br>City Treasurer | Mike Ruta | D. Joshi<br>A/CAO |

### RECOMMENDATIONS

1. That the interest rates for local improvements for which taxes are first imposed in 2014 be established as follows:

| Term          | 2014 Interest Rate |                  | 2013 Interest Rate |
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2. 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

The City of Winnipeg Charter 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 2014.

### IMPLICATIONS OF THE RECOMMENDATIONS

The interest rates have been set to recover the City's projected cost of financing and are estimated well in advance of the anticipated debt financing date. Bond market interest rates are dynamic and may change due to economic and market conditions.

## 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.

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****Financial Impact Statement**Date: **November 12, 2013**

Project Name:

First Year of Program

**2014****2014 Local Improvement Interest Rates**

|                                                                                                                                                                                     | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Capital</b>                                                                                                                                                                      |             |             |             |             |             |
| Capital Expenditures Required                                                                                                                                                       | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Less: Existing Budgeted Costs                                                                                                                                                       | -           | -           | -           | -           | -           |
| Additional Capital Budget Required                                                                                                                                                  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Funding Sources:</b>                                                                                                                                                             |             |             |             |             |             |
| Debt - Internal                                                                                                                                                                     | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Debt - External                                                                                                                                                                     | -           | -           | -           | -           | -           |
| Grants (Enter Description Here)                                                                                                                                                     | -           | -           | -           | -           | -           |
| Reserves, Equity, Surplus                                                                                                                                                           | -           | -           | -           | -           | -           |
| Other - Enter Description Here                                                                                                                                                      | -           | -           | -           | -           | -           |
| Total Funding                                                                                                                                                                       | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Additional Capital Budget Required                                                                                                                                            | <u>\$ -</u> |             |             |             |             |
| Total Additional Debt Required                                                                                                                                                      | <u>\$ -</u> |             |             |             |             |
| <b>Current Expenditures/Revenues</b>                                                                                                                                                |             |             |             |             |             |
| Direct Costs                                                                                                                                                                        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Less: Incremental Revenue/Recovery                                                                                                                                                  | -           | -           | -           | -           | -           |
| Net Cost/(Benefit)                                                                                                                                                                  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Less: Existing Budget Amounts                                                                                                                                                       | -           | -           | -           | -           | -           |
| Net Budget Adjustment Required                                                                                                                                                      | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Additional Comments:</b>                                                                                                                                                         |             |             |             |             |             |
| 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

Radhika Abeysekera

Manager of Finance (Campus)

Corporate Finance Dept.

## **CONSULTATION**

In preparing this report there was consultation with:

## **SUBMITTED BY**

Department: Corporate Finance Department  
Division: City Treasurer's Division  
Prepared by: Rob Provencher, Manager of Financial Services  
Date: November 12, 2013  
File No.