Agenda – Executive Policy Committee – January 14, 2015

REPORTS

Item No. 2 2015 Local Improvement Interest Rates

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the interest rates for local improvements for which taxes are first imposed in 2015 be established as follows:

Term	2015 Interest Rate		2014 Interest Rate
2 – 5 years	2.75%	0.25% lower than	3.00%
6 – 15 years	4.00%	0.25% lower than	4.25%
16 – 20 years	4.50%	0.50% lower than	5.00%
21 – 25 years	5.00%	0.50% lower than	5.50%
26 – 30 years	5.00%	0.50% lower than	5.50%

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

ADMINISTRATIVE REPORT

Title: **2015 LOCAL IMPROVEMENT INTEREST RATES**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Adams Superintendent of Treasury	R. Provencher Manager of Financial Services	Mike Ruta	M. Jack A/CAO

RECOMMENDATIONS

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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 2015.

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, 2014

Project Name: **First Year of Program** **2015**

2015 Local Improvement Interest Rates

	2015	2016	2017	2018	2019
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	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

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

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, 2014
File No.