Agenda – Executive Policy Committee – November 18, 2015

REPORTS

Item No. 8 Discounts to be allowed for the Prepayment of 2016 Realty, Personal Property and Business Taxes

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 2016 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 2016 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	0.140%	0.34%
February	0.112%	0.34%
Business Tax – payable at par up to May 31st		
January	0.113%	0.34%
February	0.085%	0.34%

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

ADMINISTRATIVE REPORT

Title: Discount(s) to be allowed for the Prepayment of 2016 Realty, Personal Property and Business Taxes

Issue:

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
Tim Austin	Mel Chambers	Mike Ruta	Mike Jack/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 2016 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 2016 at the following discount rates:

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Business Tax – payable at par up to May 31st		
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February	0.085%	0.34%

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.

EXECUTIVE SUMMARY

This Administration Report provides information regarding the equivalent annual discount rate the City of Winnipeg is offering to property and business owners who elect to pay their taxes in advance of the annual due dates.

Based on the City's short–term investment interest rate it has been determined that a discount rate of 0.34% is considered to be fair to both the City and to the taxpayer.

IMPLICATIONS OF THE RECOMMENDATIONS

If approved, the City offer an annual equivalent discount rate of 0.34% on tax payments made in advance. This recommendation results in a project net income of $1,667.

HISTORY

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 0.85% as the City's short-term investment interest rate for 2016 (the prior year estimate for 2015 was 1.25%). A discount rate of approximately 0.34% is considered to be fair to both the City and to the taxpayer.

The accelerated cash flow generated by the prepayment of realty, personal property and business taxes 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 as well as the cost of administering the program.

The 2015 accelerated cash flow generated by the prepayments of realty, personal property and business taxes was:

2015 Prepayments	$2,159,197
Less: 2015 Actual Discount	6,247
Cost to administer	3,000
	$2,149,950

Using the 2015 actual prepayment information, with the City's 2016 expected short-term investment interest rate of 0.85%, the following represents the interest income that could be expected in 2016 from depositing the tax prepayments:

2016 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2015)	# of months invested	2016 Projected Investment Income
January			
Realty and Personal Property Tax	$1,953,456	5	$6,918
Business Tax	107,422	4	520
February			
Realty and Personal Property Tax	98,318	4	278
Business Tax			
2016 Projected Gross Income	$2,159,196		$7,716
less: Discounts and administration costs			6,049
2016 Projected Net Income			**$1,667**

Note that the 2016 projected net income is $1,667. As in 2015, 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 2016.

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 2016 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	0.140%	0.34%
February	0.113%	0.34%
Business Tax – payable at par up to May 31st		
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FINANCIAL IMPACT

Financial Impact Statement

Date: October 19, 2015

Project Name:

First Year of Program **2016**

Discount for 2016 Prepayment of Realty, Personal Property and Business Taxes

	2016	2017	2018	2019	2020
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	$ 6,049	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	7,716	-	-	-	-
Net Cost/(Benefit)	$ (1,667)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts		-	-	-	-
Net Budget Adjustment Required	$ (1,667)	$ -	$ -	$ -	$ -

Additional Comments:

Using the 2015 actual prepayment information, with the City's 2016 expected short-term investment interest rate of 0.85%, the interest income that could be expected in 2016 from depositing the tax prepayments is approximately $7,716. However, after applying the projected tax discounts and administrative costs, the projected net income is $1,667. Despite the low net income, this program will still proceed as a customer service initiative. Based on past experience, it is expected that 2,500 - 3,000 property owners will take advantage of the 2016 Prepayment Discount program.

original signed by

Ramona Hodges
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

OURWINNIPEG POLICY ALIGNMENT

The discount(s) to be allowed for the Prepayment of Realty, Personal Property and Business Taxes is generally aligned with strategies in OurWinnipeg Policy 01-3 Direction 1.

SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: Tim Austin, Manager of Taxation and Finance Services
Date: October 14, 2015
File No. N/A