Agenda – Council – December 14, 2016

Report – Executive Policy Committee – December 7, 2016

Item No. 8 2017 Local Improvement Interest Rates

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 7, 2016, 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 2017 be established as follows:

Term	2017 Interest Rate		2016 Interest Rate
2 – 5 years	2.50%	0.25% lower than	2.75%
6 – 15 years	3.50%	0.50% lower than	4.00%
16 – 20 years	4.25%	0.25% lower than	4.50%
21 – 25 years	4.50%	0.50% lower than	5.00%
26 – 30 years	4.50%	0.50% lower than	5.00%

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

Report – Executive Policy Committee – December 7, 2016

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 7, 2016, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: 2017 Local Improvement Interest Rates

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
R. Provencher Manager of Financial Services	Mike Ruta	M. Ruta	D. McNeil

RECOMMENDATIONS

1. That the interest rates for local improvements for which taxes are first imposed in 2017 be established as follows:

Term	2017 Interest Rate		2016 Interest Rate
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6 – 15 years	3.50%	0.50% lower than	4.00%
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21 – 25 years	4.50%	0.50% lower than	5.00%
26 – 30 years	4.50%	0.50% lower than	5.00%

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 2017.

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 24, 2016**

Project Name: 2017 Local Improvement Interest Rates

COMMENTS:

There is no financial impact. The interest rates set for financing local improvements provide for the recovery of the City's cost of capital, assessment and collection costs.

(Original signed by R. Hodges)
Ramona Hodges
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

Assessment and Taxation

SUBMITTED BY

Department: Corporate Finance
Prepared by: Rob Provencher, Manager of Financial Services
Date: November 14, 2016