Agenda – Executive Policy Committee – December 8, 2021

REPORTS

Item No. 14 2022 Local Improvement Interest Rates

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the interest rates for local improvements for which taxes are first imposed in 2022 be established as follows:

Term	2022 Interest Rate	Difference	2021 Interest Rate
2 – 5 years	2.50%	0.50% higher than	2.00%
6 – 15 years	3.00%	0.50% higher than	2.50%
16 – 20 years	3.75%	0.50% higher than	3.25%
21 – 25 years	4.00%	0.50% higher than	3.50%
26 – 30 years	4.25%	0.50% higher than	3.75%

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: 2022 Local Improvement Interest Rates

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Adams, Manager of Treasury/ R. Provencher Manager of Financial Services	C. Kloepfer	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

Interest rates are established to compensate the City for the recovery of the cost of capital in financing local improvement projects as well as assessment and collection charges. Council approval of the interest rates charged to property owners provides transparency and aids in the administration of this program.

RECOMMENDATIONS

1. That the interest rates for local improvements for which taxes are first imposed in 2022 be established as follows:

Term	2022 Interest Rate	Difference	2021 Interest Rate
2 – 5 years	2.50%	0.50% higher than	2.00%
6 – 15 years	3.00%	0.50% higher than	2.50%
16 – 20 years	3.75%	0.50% higher than	3.25%
21 – 25 years	4.00%	0.50% higher than	3.50%
26 – 30 years	4.25%	0.50% higher than	3.75%

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 2022.

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/DISCUSSION

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. These interest rates differ from the Capital Charges and Reserve Interest Rates as six months have passed and this update is based on current market conditions. The Capital Charges and Reserve Interest Rates will be updated in January 2022. The different interest rate terms are designed to reflect the variety of work being undertaken and take into account the expected life expectancy of the work.

FINANCIAL IMPACT

Financial Impact Statement **Date:** **November 2, 2021**

Project Name: 2022 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.

(Approved, digitally, by J. Peters)
Jocelyn Peters, CPA, CGA
Manager of Finance and Administration (Campus)

CONSULTATION

This Report has been prepared in consultation with: N/A

OURWINNIPEG POLICY ALIGNMENT

Section 02 of OurWinnipeg (A Sustainable City) provides policy guidance and states social, environmental and economic sustainability are essential to Winnipeg's long-term well-being.

Establishing Local Improvement interest rates for Council consideration aligns with economic sustainability goals to ensure the long-term economic well-being of the City.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance Department
Division: Treasury
Prepared by: Rob Provencher, Manager of Financial Services
Date: November 2, 2021