
FINANCE AND CIVIC DEVELOPMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

**SUBJECT: BYLAW AMENDMENT
TAX PREPAYMENT INTEREST PAYABLE**

RECOMMENDATION:

1. THAT Council amend the Tax Prepayment Bylaw No. 9889 to provide for a minimum interest rate of 0.5% on prepaid taxes.

REPORT

The Finance and Civic Development Committee, at its meeting held on 2012 May 24, received and adopted the *attached* report seeking Council approval to amend Tax Prepayment Bylaw No. 9889.

Respectfully submitted,

Councillor D. Johnston
Chair

Councillor C. Jordan
Vice Chair

Councillor P. McDonell
Member

Copied to:	City Manager Director Finance City Solicitor
------------	--

TO: CHAIR AND MEMBERS
FINANCE AND CIVIC DEVELOPMENT
COMMITTEE

DATE: 2012 May 09

FROM: FINANCE ADMINISTRATIVE ASSISTANT

FILE: 7810-05

**SUBJECT: BYLAW AMENDMENT
TAX PREPAYMENT INTEREST PAYABLE**

PURPOSE: To obtain Council approval to amend Tax Prepayment Bylaw No. 9889.

RECOMMENDATION:

1. **THAT** Finance and Civic Development Committee request Council to amend the Tax Prepayment Bylaw No. 9889 to provide for a minimum interest rate of 0.5% on prepaid taxes.

REPORT**BACKGROUND**

The tax prepayment bylaw was created to encourage prepayment of taxes and utilities. The total of the prepayments shall not exceed the taxes levied for the previous year on the property. The taxes levied include property taxes plus utilities less Home Owner Grant claimed.

The prepayment rate in the Property Tax System is adjusted for any change in the prime rate on a monthly basis by the Manager, Treasury Operations. The Property Tax System currently applies a minimum rate of 0.5 percent, which just happens to equal Prime less 2.5 percent.

FINDINGS

The existing bylaw is without the provision of a minimum rate of interest. An adjustment is required to permit the City to apply the minimum rate should the Prime rate fall at any point going forward.

Table 1 provides an overview of prepayment interest rates paid by neighbouring municipalities.

Table 1 – Rates per Neighbouring City

City	Rate	Prepayment and PAD Information
Richmond	1%	Interest will be calculated at the end of each month on the RBC Prime Rate less 2% for customers on the tax PAD plan.
Surrey	1%	Funds held in your account will accumulate interest in accordance with quarterly rates. (The rate has been in place since Oct 2010).
Burnaby	0.50%	Interest at the Prime Rate less 2.5% (with minimum 0.5%).
North Vancouver	0.50%	Interest rate is based on the Bank of Canada Prime Rate less 2.5% set twice per year on Jan. & Aug. 1st. Interest earnings are non-taxable.
Vancouver	0.25%	Set twice per year Feb and Aug 1st (Bylaw 9906) Rate will be Prime Rate <3% or 0.25% (whichever is greater).
New Westminister	0%	Simple interest will be paid at the rate of the City's banker's Prime Rate less 3% from the date of payment.
Port Coquitlam	0%	Prepayment account earns monthly interest at a rate equal to the Prime Rate of TD Bank less 4%.
Coquitlam	0%	Simple Interest will be earned at the Prime Rate of Scotiabank, in effect the previous month, less 3%.
West Vancouver	0%	The prepayments earn interest at prime minus 3% (based on the Royal Bank's Prime Rate).
Port Moody	0%	Interest will be paid at the per annum rate of Royal Bank prime minus 3% in effect on the 1st day of each month. However, the June 1 interest rate shall be deemed to be the same as that of May 1. Interest is calculated on the daily closing credit balance and payable at the end of each month (from September to June).

The City wishes to continue to encourage timely payment of taxes and utilities by providing the facility for people to pay by Pre-Authorised Debit (PAD). Although some municipalities choose not to use a minimum prepayment interest rate, it is suggested that without a minimum interest rate, participation in the PAD program would present a negative impact. Therefore, the use of a minimum interest rate of 0.5% as an incentive is recommended.

RECOMMENDATION

It is recommended that Council amend the Tax Prepayment Bylaw No. 9889 to provide for a minimum interest rate of 0.5% on prepaid taxes.

Denise Jorgensen
 DIRECTOR FINANCE

DJ:RR /ml

Copied to: City Manager