



COUNCIL REPORT

To: Mayor and Council

Date: April 18, 2023

From: Paul Gipps, CAO

Subject: **2023 Tax Rate Bylaw No. 0305, 2023**

Report Prepared By: Warren Everton, Director of Finance/CFO

RECOMMENDATION to consider and resolve:

THAT Council adopt the tax multiplier schedule as attached; and,

THAT Council give first, second and third reading to “City of West Kelowna Tax Rates Bylaw No. 0305, 2023”.

STRATEGIC AREA(S) OF FOCUS

Financial planning including taxation is an integral component in achieving the objectives of Council’s 2023 Strategic Priorities: Invest in Infrastructure, Pursue Economic Growth and Prosperity, Strengthen Our Community and Foster Safety and Well-Being. Careful management of the City’s revenues, expenses, capital and reserves is integral to a healthy and progressive young community.

BACKGROUND

The *Community Charter* section 197 requires that Council impose property taxes for the year by bylaw after the approval of the financial plan and prior to May 15th. Pursuant to Section 235 of the *Community Charter*, Council may use the General Collection Scheme or Alternative Tax Collection Scheme, including penalties to be applied in relation to payments made after a tax due date established by the bylaw.

As per Bylaw 0305, the due date for 2023 will be 4:30 pm July 4th and the penalties for payments made after that date will be 10% for outstanding amounts on July 5th, 2022.

DISCUSSION

Tax Due Date:

For the 2023 tax year, the tax rate bylaw has been written in the traditional sense under the Charter's General Tax Collection Scheme with the penalty date for all classes set as July 5th, 2022 for unpaid amounts as of 4:30 pm on July 4th, 2023.

Cash Flow

The City is highly (but not completely) reliant on tax collection as it has a number of non-tax cash streams including utility billing and permitting that continue through the fiscal year. The variable that most affects cash outflow in any given year is the amount, value and timing of capital projects. These are mitigated to a certain extent by the funding model which includes reserves, grants and borrowing all of which can be drawn upon concurrently through the progression of the projects. In the meantime, before tax collection, staff continue to work through cash projection modelling and tracking to determine when or if funds are required under the Revenue Anticipation Borrowing Bylaw. To date in 2023 the City has been managing cash without drawing on these funds and if at any point the situation were to change and require borrowing bylaw funds staff would be sure to alert Council.

Tax Multiplier Schedule and Assessments:

Tax distribution is addressed in the Financial Plan Bylaw and specifically in the City's Revenue Policy stated as: "It is Council's goal to ensure that there is a fair and equitable apportionment of taxes to each property class. The apportionment to each class is calculated using the multipliers determined by Council prior to preparing the annual tax rate bylaw. The tax multipliers will be reviewed and set by Council annually."

Tax multipliers between classes have remained unchanged since 2017. They have been conservative and have reflected West Kelowna's assessment mix, which is weighted heavily to Class 1 Residential. In fact, until this year the residential share of taxes had been increasing every year with industry and business classes dropping. To complicate matters in 2022, within the residential class there was a shift of tax burden from the multi-family sub-class to the single-family.

For 2023 there is now a shift between the classes in the opposite direction with Class 1 Residential dropping and Classes 4, 5, and 6 increasing. Finance is proposing that the multipliers be adjusted to soften the curve between the classes to avoid another year of volatile rate swings. Table 1 proposes that classes 4, 5 and 6 multipliers be reduced to 96.5% of their historical (bracketed) rates in an effort to normalize the increase. Additionally, Class 7 Managed Forest, under which West Kelowna has zero assessment, is proposed to follow the adjustment of Class 4 Major Industry.

Table 1:

History and Proposed Ratios	Tax Ratio			
	2020	2021	2022	2023
Class 1 - Residential	1.00	1.00	1.00	1.00
Class 2 - Utilities	11.24	11.24	11.24	11.24
Class 3 - Supportive Housing	1.00	1.00	1.00	1.00
Class 4 - Major Industry	3.00	3.00	3.00	2.91
Class 5 - Light Industry	2.13	2.13	2.13	2.06
Class 6 - Business & Other	2.33	2.33	2.33	2.25
Class 7 - Managed Forest	3.00	3.00	3.00	2.91
Class 8 - Recreation/Non Profit	1.00	1.00	1.00	1.00
Class 9 - Farm	1.00	1.00	1.00	1.00

Scenarios 1 (historical ratios) and Scenario 2 (adjusted ratios) in Table 2 below further analyze the assessment classes. Under the historical setting, residential class would be contributing a half a point less than the 5% budget whereas major industry, light industry and business classes 4, 5 and 6 would be well above the budgeted increase at 7.95%, 15.62% and 12.37% respectively. Scenario 2 provides data for the proposed reduction in ratio multipliers for class 4, 5 and 6. Here we see that residential and major industry classes move to parity with the 5% budget increase, light industry drops to 12.11% and business drops to 8.96%.

Table 2:

Scenario 1 (historical multipliers)	2022			2023			% Increase Over 2022
	Tax Collected	Multiplier	% Collected	Tax Collected	Multiplier	% Collected	
Class 1 - Residential	31,894,650	1.00	86.64	33,883,204	1.00	85.976	4.48%
Class 2 - Utilities	122,483	11.24	0.33	122,494	11.24	0.311	0.01%
Class 4 - Major Industry	152,340	3.00	0.41	164,452	3.00	0.417	7.95%
Class 5 - Light Industry	751,648	2.13	2.04	869,066	2.13	2.205	15.62%
Class 6 - Business & Other	3,848,244	2.33	10.45	4,324,393	2.33	10.973	12.37%
Class 8 - Recreation/Non Profit	35,440	1.00	0.10	36,739	1.00	0.093	3.66%
Class 9 - Farm	9,689	1.00	0.03	9,501	1.00	0.024	-1.94%
	36,814,494			39,409,849		100	

Scenario 2 (adjusted multiplier 96.5% Class 4/5/6)	2022			2023			% Increase Over 2022
	Tax Collected	Multiplier	% Collected	Tax Collected	Adj Multiplier	% Collected	
Class 1 - Residential	31,894,650	1.00	86.64	34,044,738	1.00	86.386	4.99%
Class 2 - Utilities	122,483	11.24	0.33	123,078	11.24	0.312	0.49%
Class 4 - Major Industry	152,340	3.00	0.41	160,004	2.91	0.406	5.03%
Class 5 - Light Industry	751,648	2.13	2.04	842,658	2.06	2.138	12.11%
Class 6 - Business & Other	3,848,244	2.33	10.45	4,192,990	2.25	10.639	8.96%
Class 8 - Recreation/Non Profit	35,440	1.00	0.10	36,914	1.00	0.094	4.16%
Class 9 - Farm	9,689	1.00	0.03	9,546	1.00	0.024	-1.47%
	36,814,494		100.00	39,409,928		100	

The following table (Table 3) compares the current year’s revised assessment roll and tax requisition to the previous year and indicates how the class weighting has shifted back towards commercial classes from residential. This is not as dramatic as the 2022 shift that took residential from 84.9% to 86.6 but does provide some relief to the upward pressures on this class. In 2023 we see the overall tax share for residential drop modestly by 0.25% from 86.64% to 86.39%, but the effect on business and industry is much more pronounced since the tax share for these classes is so much smaller.

Table 3:

City of West Kelowna Property Tax Comparison by Class							
General Tax Levy 2023 vs 2022							
Property Class	2022 Assessment	2022	2022 Tax	2023 Assessment	2023	2023 Tax	Change in
	Value	% Share	Requisition	Value	% Share	Requisition	%
Class 1 - Residential	12,707,133,359	86.636	31,894,650	14,544,769,421	86.386	34,044,669	-0.250
Class 2 - Utilities	4,341,501	0.333	122,483	4,678,101	0.312	123,078	-0.020
Class 3 - Supportive Housing	0	0.000	0	0	0.000	0	0.000
Class 4 - Major Industry	20,231,200	0.414	152,340	23,531,000	0.406	160,004	-0.008
Class 5 - Light Industry	140,593,200	2.042	751,648	175,144,100	2.138	842,656	0.096
Class 6 - Business & Other	658,016,001	10.453	3,848,244	796,694,151	10.639	4,192,981	0.186
Class 7 - Managed Forest	0	0.000	0	0	0.000	0	0.000
Class 8 - Recreation/Non Profit	14,119,600	0.096	35,440	15,770,500	0.094	36,914	-0.003
Class 9 - Farm	3,859,975	0.026	9,689	4,078,262	0.024	9,546	-0.002
	13,548,294,836		36,814,494	15,564,665,535		39,409,848	
Other Separate Tax Notice Items							
Library			1,636,131			1,636,226	
Storm Sewer			484,906			517,665	
Total Tax Levy			38,935,531			41,563,739	

In the final table (Table 4) the assessment shift within Class 1 is analyzed for 2023. As you may remember in 2022 there was a substantial increase to single-family (SF) assessments (35%) vs a smaller increase to strata or multi-family (MF) assessments (24%). This caused a higher loading of the 2022 tax burden on the SF sub-class and less of a burden on MF. For 2023 the growth in the SF sub-class is now less dramatic than the growth in the MF class and has led to the reverse trend. This change is apparent in Table 4 with SF sub-class seeing a net tax increase of 4.97% whereas MF is seeing an 8.21% increase within the residential class. It’s important to note that the overall increase in the residential class 1 including all sub-classes remains slightly under 5% as indicated in Table 2.

Table 4:

Adjusted Multiplier Scenario			% Change in	Share of	Incr over
Residential Class Assessment Shift Calc	Folios	Assessment	Assessment	General Tax	prev yr
Residential Single Family 2023	11,453	12,120,536,200	82.4%	28,053,715	4.97%
Residential Strata 2023	2,434	1,527,540,900	10.4%	3,535,586	8.21%
Total Residential Class 1	13,887	13,648,077,100	92.8%	31,589,301	5.33%
Residential Single Family 2022	11,338	10,580,944,800	82.4%	26,286,451	
Residential Strata 2022	2,380	1,294,278,600	10.1%	3,215,402	
Total Residential Class 1	13,718	11,875,223,400	92.5%	29,501,853	

Alternate Motion:

THAT Council adopt the historical unadjusted tax multiplier schedule; and,

THAT Council give first, second and third reading to the amended “City of West Kelowna Tax Rates Bylaw No. 0305, 2023”.

REVIEWED BY

Corinne Boback, Legislative Service Manager / Corporate Officer

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

PowerPoint: Yes No

Attachments:

1. Bylaw No. 0305, 2023 Tax Rate Bylaw
2. Schedule A, 2023 Tax Rates
3. Schedule A (Unadjusted Multipliers), 2023 Tax Rates