



## COUNCIL REPORT

To: Mayor and Council

Date: April 23, 2024

From: Ron Mattiussi, Interim CAO

Subject: **2024 Tax Rate Bylaw No. 0317, 2024**

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

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**RECOMMENDATION** to Consider and Resolve:

**THAT** the Tax Multiplier Schedule as outlined in “Table 1” in the report from the Director of Finance / CFO dated April 23, 2024 be adopted;

**AND THAT** City of West Kelowna Tax Rates Bylaw No. 0317, 2024 be given first, second and third reading.

### **STRATEGIC AREA(S) OF FOCUS**

**Invest in Infrastructure** – We will invest in building, improving and maintaining infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

**Pursue Economic Growth and Prosperity** – We will work with stakeholders throughout the region to advocate for and support efforts aimed at helping West Kelowna businesses prosper. With a focus on the future, we will advance opportunities to expand our economy, increase employment, and develop the community in ways that contribute towards prosperity for all.

**Strengthen Our Community** – We will provide opportunities for the residents of West Kelowna to build connections, celebrate successes, embrace the community's strengths and diversity, address shared needs, and contribute to shaping the community's future.

**Foster Safety and Well-Being** – We will pursue through direct action, advocacy, and collaboration with local and regional service providers, investments in community health, needs-based housing, emergency preparedness, policing, and other services that foster safety and well-being in West Kelowna.

## **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 0317, the due date for 2024 will be 4:30 pm July 2<sup>nd</sup> and the penalties for payments made after that date will be 10% for outstanding amounts on July 3<sup>rd</sup>, 2024.

## **DISCUSSION**

### **Tax Due Date:**

For the 2024 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 3<sup>rd</sup>, 2024 for unpaid amounts as of 4:30 pm on July 2<sup>nd</sup>, 2024.

### **Cash Flow**

The City is highly (but not fully) 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 2024 the City has been managing cash without drawing on these funds and if at any point the situation were to change and require revenue borrowing 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."

Up until 2023 tax multipliers between classes had remained unchanged since 2017. They were conservative and reflected West Kelowna's assessment mix, which is weighted heavily to Class 1 Residential. In fact, until 2023 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 significant shift of tax burden from the multi-family sub-class to the single-family. Similar to 2023 the proportionate mix between the subclasses remains consistent for 2024.

## FINANCIAL IMPLICATIONS

When it comes to the main assessment classes, we see that for 2024 there is a further shift between the classes in the same direction as 2023 with Class 1 Residential dropping and Classes 4, 5, and 6 increasing. Finance is again proposing that the multipliers be adjusted to soften the curve between the classes to avoid further rate swings. Table 1 proposes that classes 4, 5 and 6 multipliers (bracketed) be reduced to 58.5%, 70.8% and 84.9% of their historical rates respectfully in an effort to normalize the increase. These percentage adjustments are used in a mathematical sense to flatten the rates swings and do not serve any other strategic purpose. 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			
	2021	2022	2023	2024
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	2.91	1.76
Class 5 - Light Industry	2.13	2.13	2.06	1.51
Class 6 - Business & Other	2.33	2.33	2.25	1.98
Class 7 - Managed Forest	3.00	3.00	2.91	1.76
Class 8 - Recreation/Non Profit	1.00	1.00	1.00	1.00
Class 9 - Farm	1.00	1.00	1.00	1.00

In Table 2 below (multiplier scenarios) we further analyze the assessment classes. Under Scenario 1 (previous year multipliers), residential class would be contributing almost 2.9 percentage points less than the pre growth 8.35% budgeted rate, whereas Class 4 Major Industry, Class 5 Light Industry and Class 6 Business would all be well above the budgeted increase at 74.43%, 44.77% and 20.62% respectively. Scenario 2 follows and provides data for the proposed reduction in multipliers for class 4, 5 and 6. Here we see that residential, industry and business classes move closer to parity with the 6.85% budget increase (8.35% less 1.5% Growth).

Table 2:

Scenario 1 (Prev year multpliers)	2023			2024			% Increase
	Tax Collected	Multiplier	% Collected	Tax Collected	Multiplier	% Collected	Over 2023
Class 1 - Residential	34,044,738	1.00	86.636	35,911,986	1.00	84.194	5.48%
Class 2 - Utilities	123,078	11.24	0.333	132,761	11.24	0.311	7.87%
Class 4 - Major Industry	160,004	2.91	0.414	279,095	2.91	0.654	74.43%
Class 5 - Light Industry	842,658	2.06	2.042	1,219,949	2.06	2.860	44.77%
Class 6 - Business & Other	4,192,990	2.25	10.453	5,057,547	2.25	11.857	20.62%
Class 8 - Recreation/Non Profit	36,914	1.00	0.096	42,043	1.00	0.099	13.89%
Class 9 - Farm	9,546	1.00	0.026	10,244	1.00	0.024	7.31%
	39,409,928		100	42,653,625		100	
Scenario 1 (Adjusted multpliers)	2023			2024			% Increase
	Tax Collected	Multiplier	% Collected	Tax Collected	Adj Multiplier	% Collected	Over 2023
Class 1 - Residential	34,044,738	1.00	86.636	36,836,317	1.00	86.362	8.20%
Class 2 - Utilities	123,078	11.24	0.333	136,178	11.24	0.319	10.64%
Class 4 - Major Industry	160,004	2.91	0.414	173,547	1.76	0.407	8.46%
Class 5 - Light Industry	842,658	2.06	2.042	913,356	1.51	2.141	8.39%
Class 6 - Business & Other	4,192,990	2.25	10.453	4,540,594	1.98	10.645	8.29%
Class 8 - Recreation/Non Profit	36,914	1.00	0.096	43,125	1.00	0.101	16.83%
Class 9 - Farm	9,546	1.00	0.026	10,508	1.00	0.025	10.07%
	39,409,928		100	42,653,626		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 continued to shift further towards commercial classes from residential. The shift in 2024 is not as dramatic as in 2022 which had a significant swing the other way taking residential from 84.9% to 86.6%, but this year’s shift did provide some relief from the upward pressures in residential class. Otherwise in 2024 we see the overall tax share for residential drop slightly by 0.025% from 86.386% to 86.362%, with the effect on business and industry potentially much more pronounced since the assessment share for these classes is so much less than residential.

Table 3:

City of West Kelowna Property Tax Comparison by Class								
General Tax Levy 2024 vs 2023								
Property Class	2023 Assessment		2023 Tax		2024 Assessment		2024 Tax	
	Value	% Share	Requisition	Value	% Share	Requisition	Change in %	
Class 1 - Residential	14,544,769,421	86.386	34,044,738	14,297,613,715	86.362	36,836,317	-0.025	
Class 2 - Utilities	4,678,101	0.312	123,078	4,702,501	0.319	136,178	0.007	
Class 3 - Supportive Housing	0	0.000	0	0	0.000	0	0.000	
Class 4 - Major Industry	23,531,000	0.406	160,004	38,382,000	0.407	173,547	0.001	
Class 5 - Light Industry	175,144,100	2.138	842,658	235,079,400	2.141	913,356	0.003	
Class 6 - Business & Other	796,694,151	10.639	4,192,990	890,915,352	10.645	4,540,594	0.006	
Class 7 - Managed Forest	0	0.000	0	0	0.000	0	0.000	
Class 8 - Recreation/Non Profit	15,770,500	0.094	36,914	16,738,600	0.101	43,125	0.007	
Class 9 - Farm	4,078,262	0.024	9,546	4,078,454	0.025	10,508	0.000	
	15,564,665,535		39,409,928	15,487,510,022		42,653,626		
<b>Other Separate Tax Notice Items</b>								
Library			1,636,220			1,858,743		
Storm Sewer			517,569			521,873		
<b>Total Tax Levy</b>			<b>41,563,717</b>			<b>45,034,242</b>		

**Alternate Recommendation** to Consider and Resolve:

**THAT** Council adopt the unadjusted tax multiplier Schedule A as attached to the report from the Director of Finance / CFO dated April 23, 2024;

**AND THAT** the amended “City of West Kelowna Tax Rates Bylaw No. 0317, 2024” be given first, second and third reading.

**REVIEWED BY**

Corinne Boback, Legislative Services Manager / Corporate Officer

**APPROVED FOR THE AGENDA BY**

Trevor Seibel, Deputy CAO

PowerPoint: Yes  No

Attachments:

1. Bylaw No. 0317, 2024 Tax Rate Bylaw including Schedule A, 2024 Tax Rates
2. Schedule A (Unadjusted Multipliers), 2024 Tax Rates