



COUNCIL REPORT  
Financial Services  
For the April 28, 2020 Special Council Meeting

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DATE: April 27, 2020  
TO: Paul Gipps, CAO  
FROM: Warren Everton, Director of Finance/CFO  
RE: 2020 Tax Rates Bylaw No. 0279, 2020

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**RECOMMENDED MOTION:**

**THAT** Council adopt the tax ratio schedule as presented; and,

**THAT** Council give 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> reading to “City of West Kelowna Tax Rates Bylaw No. 0279, 2020”; and, as permitted under the Province of BC Order of the Minister of Public Safety and Solicitor General (Ministerial Order No. M083);

**THAT** Council adopt the “City of West Kelowna Tax Rates Bylaw No. 0279, 2020”.

**LEGISLATIVE REQUIREMENTS:**

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 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 0279, the due date for 2020 will be 4:30 pm July 2nd and the penalties for payments made after that date will be 1% for outstanding amounts on July 3<sup>rd</sup>, 2020 and 9% for remaining outstanding amounts on October 1<sup>st</sup>, 2020.

**BACKGROUND:**

*Tax due Date and Penalty Date:*

After adoption of the 2020-2024 Financial Plan Bylaw it was apparent that Council and Management had a strong desire to mitigate the economic impacts of COVID-19 on the City of West Kelowna Taxpayer as much as possible. Since then Staff have researched best practices with respect to the Alternative Tax Collection Scheme allowed under section 235 of the *Community Charter*. Under this regime, changes can be made to the tax due date and penalty dates from what is mandated under the General Tax Collection Scheme. Taking into account the City’s recent relaxation of the utility billing interest charges and how that might slow the payment stream, we are proposing that the tax rate bylaw maintain a July 2<sup>nd</sup> due date on all classes with a very small 1% initial penalty applied on residential classes as of July 3<sup>rd</sup> with the 9% penalty

balance (provincially mandated penalty is 10%) applied as of October 1<sup>st</sup>. This way the City would promote on-time payment and boost cash flow during the regular tax intake period, while still giving the taxpayer a break if extra time is needed.

On April 16<sup>th</sup> the Province announced further relief for business and commercial assessment classes 4, 5, 6, 7 and 8. The changes to these classes focused on the tax due date remaining as July 2<sup>nd</sup>, 2020 but with the 10% penalty on outstanding balances delayed until October 1<sup>st</sup>, 2020. The Province may not have been aware of municipal software constraints, which for most municipalities make separating the due dates, and penalty dates difficult. West Kelowna's financial system has similar constraints but the department believes it can work through the issues and successfully roll out the due date and penalty schedules as follows:

- Residential Class 1 plus Classes 2, 3 and 9 - Tax due date July 2, 2020, Penalty of 1% applied on unpaid balances on July 3, 2020. A further 9% penalty applied to unpaid balances applied on October 1, 2020.
- Business Class 6 plus Classes 4, 5, 7 and 8 – Tax due date July 2, 2020, Penalty of 10% applied on unpaid balanced on October 1, 2020

This penalty regime should provide a small incentive for the largest Class (Residential at 85% of the tax base) to pay on July 2<sup>nd</sup> due date and generate much needed cash for the City.

Cash flow estimation is a multi-faceted exercise requiring many assumptions. The best way to undertake it is to develop the framework and then establish scenarios based on varying the assumptions. The City is not completely reliant on tax collection as it has a number of non-tax cash streams that continue through the budget season. There is some risk in this area as well with the removal of interest charges on utility billing for 2020. At the time of writing the first quarter utility invoices have been mailed out to households but the due date remains a few weeks away. We will get an early sense of how the cash receipts compare to the previous year at that time. In the meantime staff continue to work through cash modelling including rationalization of capital projects and plan to bring an in depth analysis at a later time.

#### *Tax Ratio Schedule (Unchanged from 2019):*

Property Class	Multiplier
Class 1 - Residential	1.00
Class 2 - Utilities	11.24
Class 3 - Supportive Housing	1.00
Class 4 - Major Industry	3.00
Class 5 - Light Industry	2.13
Class 6 - Business & Other	2.33
Class 7 - Managed Forest	3.00
Class 8 - Recreation/Non Profit	1.00
Class 9 - Farm	1.00

The City's financial plan sets out the objectives and policies for collection of revenues and includes both the proportion to be generated via property taxation and the distribution of those taxes among the various property classes via multipliers. Further to this, tax distribution is addressed in the Financial Plan Bylaw No. 0271, 2019 and 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 ratios between classes have remained consistent since 2017. They are conservative and reflect West Kelowna's assessment mix, which is weighted heavily to Class 1 Residential. In fact, until 2020 the residential portion had been increasing every year since 2015 to just under 86%. The following table compares the current year's completed assessment roll and tax requisition to the previous year and indicates how the class weighting has shifted somewhat away from residential to the commercial classes. The residential percentage has now fallen by just over 1% to 84.85% with Light Industry up 0.16% and Business & Other class up 0.86%.

City of West Kelowna Property Tax Comparison by Class							
2020 vs 2019							
Property Class	2019 Assessment Value	2019 % Share	2019 Tax Requisition	2020 Assessment Value	2020 % Share	2020 Tax Requisition	Change in %
Class 1 - Residential	9,009,126,394	85.93	26,749,087	9,058,582,920	84.85	27,540,996	-1.08
Class 2 - Utilities	3,052,801	0.33	101,881	3,323,601	0.35	113,434	0.02
Class 3 - Supportive Housing	0	0.00	0	0	0	0	0.00
Class 4 - Major Industry	17,044,000	0.49	151,817	18,519,000	0.52	168,697	0.03
Class 5 - Light Industry	103,244,300	2.10	652,938	112,174,600	2.26	732,545	0.16
Class 6 - Business & Other	495,567,301	11.01	3,428,348	548,341,901	11.88	3,854,887	0.86
Class 7 - Managed Forest	0	0.00	0	0	0	0	0.00
Class 8 - Recreation/Non Profit	11,825,700	0.11	35,112	12,594,700	0.12	38,243	0.01
Class 9 - Farm	3,461,415	0.03	10,277	3,610,053	0.03	10,700	0.00
	9,643,321,911		31,129,459	9,757,146,775		32,459,503	0.00

The next table represents the tax implications of a 2.8% tax increase on Class 1 Residential properties. It uses identical average property values in order compare the tax increase in dollars and then represent that as a percentage. The actual average property value in 2019 was \$642,500 and in 2020 it is \$637,800. The effective tax increase on the average house is just under 2.3% after the indicated assessment shift.

Impact on Average Residential General Municipal Taxes				
	2019		2020	Increase/ (Decrease)
Average house	\$ 640,000		\$ 640,000	\$ -
General tax rate (includes library and sanitary sewer)	3.1484		3.2205	0.0721
Taxes	\$ 2,014.98		\$ 2,061.12	\$ 46.14
Increase in Taxes			2.29%	\$ 46.14
Less:				
General tax increase		2.80%	2.80%	\$ 56.42
Difference - Growth in Class and Assessment Shift			-0.51%	\$ (10.28)

ALTERNATE MOTIONS(S):

**THAT** Council adopt the tax ratio schedule as presented; and,

**THAT** Council amend the tax penalty due date to 10% on outstanding amounts on all tax classes as of October 1, 2020 and give 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> reading to “City of West Kelowna Tax Rates Bylaw No. 0279, 2020”; and, as permitted under the Province of BC Order of the Minister of Public Safety and Solicitor General (Ministerial Order No. M083);

**THAT** Council adopt the “City of West Kelowna Tax Rates Bylaw No. 0279, 2020”.

REVIEWED AND APPROVED BY:

Tracey Batten, Deputy CAO/Corporate Officer  
Paul Gipps, CAO

Powerpoint: Yes ☒ No ☐

Attachments:  
Bylaw No. 0279 2020 Tax Rate Bylaw