



COUNCIL REPORT

To: Paul Gipps, CAO

Date: April 20, 2021

From: Warren Everton, Director of Finance/CFO

Subject: **2021 Tax Rate Bylaw No. 0288, 2021**

RECOMMENDATION

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

THAT Council give first, second and third reading to “City of West Kelowna Tax Rates Bylaw No. 0288, 2021”.

STRATEGIC AREA(S) OF FOCUS

Economic and financial well-being of the City of West Kelowna

BACKGROUND

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 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 0288, the due date for 2021 will be 4:30 pm July 2nd and the penalties for payments made after that date will be 10% for outstanding amounts on July 3rd, 2021.

DISCUSSION

Tax due Date and Penalty Date:

For the 2021 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 3rd, 2021 for unpaid amounts as of 4:30 pm on July 2nd, 2021. As you may remember back in April of 2020 the Province provided relief for business and commercial Classes 4, 5, 6, 7 and 8. The changes to these classes focused on the tax due date remaining as

July 2nd, 2020 but with the 10% penalty on unpaid balances delayed to October 1st, 2020. In light of the COVID-19 outbreak and the ongoing uncertainty at the time, Council decided to provide the same relief to all classes including Class 1 Residential. Staff had researched best practices with respect to this Alternative Tax Collection Scheme covered under section 235 of the *Community Charter*, which said that changes could be made to the tax due date and penalty dates from what was mandated under the General Tax Collection Scheme. The result of the change was an extended period of tax collection from July 2nd to September 30th. Concerns over cash flow were raised but had a minimal effect on the City with over 80% collected as of July 2nd and most of the balance (upwards of 96%) collected by the October 1st penalty date. It was apparent early on that most taxpayers would pay on time with very few ending up in a default position.

Cash Flow

The City is highly reliant but not completely reliant on tax collection as it has a number of non-tax cash streams including utility billing that continue through the fiscal year. The variable that most affects cash in any given year is the number, value and timing of capital projects. These are mitigated to a certain extent by the funding model which may include 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 2021 the City has been managing cash without drawing on these funds and if at any point the situation were to change and the funds were required staff would be sure to alert Council.

Tax Multiplier Schedule and Comparison (Unchanged from 2020):

Multipliers	West Kelowna	Westbank First Nation	Kelowna	Vernon	Penticton	Mission
Class 1 - Residential	1.00	1.00	1.00	1.00	1.00	1.00
Class 2 - Utilities	11.24	8.60	5.55	10.72	7.24	11.88
Class 3 - Supportive Housing	1.00	0.00	1.00	1.00	1.00	1.00
Class 4 - Major Industry	3.00	0.00	6.62	3.92	1.65	2.65
Class 5 - Light Industry	2.13	3.47	2.38	3.92	1.65	2.65
Class 6 - Business & Other	2.33	2.56	2.38	2.82	1.75	3.61
Class 7 - Managed Forest	3.00	0.00	0.00	0.24	1.75	3.33
Class 8 - Recreation/Non-Forest	1.00	0.00	1.00	1.94	1.29	2.82
Class 9 - Farm	1.00	0.00	0.15	0.34	3.55	7.00

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. A comparison of multipliers with the City's neighbours is depicted above showing how West Kelowna fits

in the mix. The result is that City's historical multipliers are very comparable and are second lowest in Class 6 Business & Other.

Tax distribution is also addressed in the Financial Plan Bylaw No. 0284, 2020 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 multipliers 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 to just under 86% then dropped to 84.8% in 2020. For 2021, the percentage increases slightly by 1/12 of a percent to 84.91% with Class 6 Business dropping about ¼ of a percent to 11.72%. 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 back towards residential from some of the commercial classes.

City of West Kelowna Property Tax Comparison by Class							
General 2021 vs 2020							
Property Class	2020 Assessment Value	2020 % Share	2020 Tax Requisition	2021 Assessment Value	2021 % Share	2021 Tax Requisition	Change in %
Class 1 - Residential	9,058,582,920	84.78	27,520,609	9,479,728,184	84.91	29,389,527	0.12
Class 2 - Utilities	3,323,601	0.35	113,494	3,810,801	0.38	132,794	0.03
Class 3 - Supportive Housing	0	0.00	0	0	0	0	0.00
Class 4 - Major Industry	18,519,000	0.52	168,786	18,697,000	0.50	173,896	-0.02
Class 5 - Light Industry	112,174,600	2.24	725,892	122,573,500	2.34	809,481	0.10
Class 6 - Business & Other	548,341,901	11.96	3,881,550	561,630,101	11.72	4,056,981	-0.24
Class 7 - Managed Forest	0	0.00	0	0	0	0	0.00
Class 8 - Recreation/Non Profit	12,594,700	0.12	38,264	12,704,200	0.11	39,386	0.00
Class 9 - Farm	3,610,053	0.03	10,968	3,789,985	0.03	11,750	0.00
	9,757,146,775		32,459,563	10,202,933,771		34,613,815	0.00

The next table represents the tax implications of a 4.05% tax increase on Class 1 Residential properties. It uses average property values in order compare the tax increase in dollars and then represents that as a percentage. The effective change in rate on the average house is just under 0.01% after the indicated assessment shift.

Average Residential Property - General Municipal Taxes				
	2020		2021	Increase/ (Decrease)
Average house	\$640,000		\$655,000	\$15,000
General tax rate (includes library and	3.2205		3.2745	0.0540
Taxes	\$2,061		\$2,145	\$84
Total Increase			4.06%	\$84
Less:				
Budgeted Tax Increase			4.05%	\$83
Difference - Growth in class & assessment shift from/to other classes			0.01%	\$1

Alternate Motion:

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

THAT Council amend the tax penalty due date to 10% on outstanding amounts on all tax classes to a date other than July 2nd; and,

THAT Council give first, second and third reading to “City of West Kelowna Tax Rates Bylaw No. 0288, 2021”.

REVIEWED BY

Lisa Siavashi, Financial Services Manager/Deputy CFO

Warren Everton, Director of Finance/CFO

Shelley Schnitzler, Legislative Services Manager/Corporate Officer

APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

Powerpoint: Yes ☒ No ☐

Attachments:

1. Bylaw No. 0288, 2020 Tax Rate Bylaw
2. Schedule A, 2021 Tax Rates