



COUNCIL REPORT
Finance, Administration and Protective Services
For the April 9, 2019 Council Meeting

DATE: April 1, 2019
TO: Jim Zaffino, Chief Administrative Officer
FROM: Warren Everton, CFO
RE: 2019 Property Tax Apportionment

RECOMMENDED MOTION:

THAT Council direct staff to set the 2019 tax rates as follows:

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

EXECUTIVE SUMMARY:

The *Community Charter* requires Council to determine how the annual property tax requisition is to be shared among the various property classes. To date, the City of West Kelowna has achieved this directive through an annual review of the class multipliers during the budget process. From 2008 through 2018, the yearly property assessment roll has remained relatively consistent in terms of what share of the overall assessments within our community has been attributable to the various property classes (Residential, Utilities, Business & other, etc.). As a result, the only major adjustment to the class multipliers that Council has authorized during those years has been to increase the "Utilities" multiplier while decreasing those applicable to "Major Industry" & "Light Industry" property classes to provide some tax relief to those sectors. The "Residential" and "Business/Other" classes combined have consistently paid between 95.6% and 98.3% of the general tax levy over the last ten years. Given that the combined overall share of the assessment roll for these classes has not changed from 2017 to 2019 (98.5%), staff is recommending that Council confirm the 2019 tax ratios at the same level of 2018.

BACKGROUND:

In accordance with the provisions of Section 165 of the *Community Charter*, the City of West Kelowna financial plan sets out the objectives and policies of the City including both the proportion of total revenue to be generated via property taxation and the distribution of those taxes among the various property classes (via a review of tax multipliers). Furthermore, the issue of tax distribution is addressed in the City's Revenue Policy as follows:

"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."

Historical Perspective

Prior to 1984, municipalities had no authority to vary tax rates between classes of property but rather the province mandated the rules applicable to the assessment of different property classes and, through those rules, had the capacity to manage the tax distribution between types of properties. In the early years of 'variable tax rate' functionality, movement in market values of properties was relatively limited, especially outside of the lower mainland. However, since that time, dramatic shifts in values have occurred in various jurisdictions and municipalities have reacted in a variety of ways and, to different degrees. Variable tax ratios have been used by Councils to mitigate tax share shifts or to move towards a desired distribution of the tax burdens within their jurisdiction.

In the first year of levying taxes as a municipality and without any basis for choosing an alternative model, the CWK adopted the Provincial multipliers. In subsequent years, Council chose to increase the "Utilities" multiplier and reduce the multiplier applicable to "Major" & "Light Industry". Those ratios have remained the same since 2016. The table below illustrates the City's 10-year tax ratio history:

PROPERTY CLASS		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
RESIDENTIAL	01	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
UTILITIES	02	3.50	4.00	6.00	7.00	10.00	11.00	11.00	10.45	10.65	11.24	11.24
SUPPORTIVE HOUSING	03			1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
MAJOR INDUSTRY	04	3.40	3.40	3.40	3.40	3.00	3.00	3.00	2.85	3.00	3.00	3.00
LIGHT INDUSTRY	05	3.40	3.20	3.00	2.80	2.20	2.22	2.22	2.16	2.13	2.13	2.13
BUSINESS/OTHER	06	2.45	2.45	2.45	2.45	2.20	2.24	2.24	2.39	2.33	2.33	2.33
MANAGED FOREST	07	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
REC/NON-PROFIT	08	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
FARM	09	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Between 2016 and 2019, the proportionate share of 'folio count', 'assessment' and 'general levy' (as detailed below), did not change materially.

Property Class	Folio Count			
	2016	2017	2018	2019
	% Share	% Share	% Share	% Share
Class 1 - Residential	94.19	94.27	94.33	94.09
Class 2 - Utilities	0.84	0.83	0.82	0.83
Class 4 - Major Industry	0.01	0.01	0.01	0.01
Class 5 - Light Industry	0.37	0.36	0.35	0.36
Class 6 - Business & Other	2.94	2.90	2.89	2.88
Class 8 - Recreation/Non Profit	0.45	0.46	0.46	0.67
Class 9 - Farm	1.20	1.18	1.14	1.17

Property Class	Assessment			
	2016	2017	2018	2019
	% Share	% Share	% Share	% Share
Class 1 - Residential	92.64	93.1	93.37	93.42
Class 2 - Utilities	0.04	0.04	0.03	0.03
Class 4 - Major Industry	0.23	0.21	0.18	0.18
Class 5 - Light Industry	1.34	1.15	1.09	1.07
Class 6 - Business & Other	5.48	5.32	5.16	5.14
Class 8 - Recreation/Non Profit	0.22	0.13	0.12	0.12
Class 9 - Farm	0.05	0.04	0.04	0.04

Property Class	General Levy			
	2016	2017	2018	2019
	% Share	% Share	% Share	% Share
Class 1 - Residential	84.49	85.29	85.83	85.93
Class 2 - Utilities	0.37	0.36	0.33	0.33
Class 4 - Major Industry	0.64	0.57	0.51	0.49
Class 5 - Light Industry	2.6	2.25	2.14	2.10
Class 6 - Business & Other	11.66	11.37	11.04	11.01
Class 8 - Recreation/Non Profit	0.2	0.12	0.11	0.11
Class 9 - Farm	0.05	0.04	0.03	0.03

Note: The 2019 levy share shown above is predicated on the use of the same tax ratios as 2018.

Given the assessment makeup of our community (93+% residential), Council's ability to mitigate the tax burden for residential taxpayers, by transferring some of the load to commercial and industrial properties is limited. While 85% of West Kelowna's general tax levy is paid by Class 1 – Residential taxpayers, the other major Okanagan municipalities have a larger commercial/industrial tax base. By comparison, residential taxpayers in Vernon, Kelowna and Penticton pay 64%, 70% and 74% respectively of the general tax levy

in their communities. Though CWK's high proportion of residential properties is somewhat limiting comparatively, it minimizes the risk of dramatic shifts or changes to the overall tax base that can result from the closure of a major plant or a dramatic downturn in the economy.

Shifts within Property Classes

It is important to recognize that while adjustments to tax multipliers are a valuable tool that can be used to prevent shifts between classes, they do not eliminate shifts within a property class. A property with a change in value greater or lesser than the average for its class will see a tax change greater or lesser than the average as well.

FINANCIAL IMPLICATIONS:

The tax distribution policy statement does not impact the overall tax requisition of City but rather dictates the share of the general tax levy that each property class contributes.

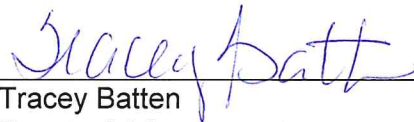
ALTERNATE MOTIONS:

1. THAT Council direct staff to set the 2019 tax ratios based on different criteria.

Respectfully submitted,



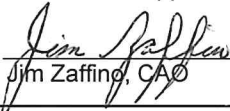
Warren Everton
Chief Financial Officer



Tracey Batten
Deputy CAO

Powerpoint: Yes___ No X

Attachments:

Approved for Agenda	
 Jim Zaffino, CAO	April 3, 2019 Date

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