
MEETING TYPE: Regular Council Meeting
MEETING DATE: Tuesday, May 7, 2024
AUTHOR: Trevor James, CFO, Director of Finance & Administration
DEPARTMENT: Finance & Administration
ITEM TITLE: 2024 Tax Rates
DESCRIPTION: Distribution of proposed tax rates for each property class.

PURPOSE

To set the tax rates for each property class that distributes taxes in a way deemed appropriate by Council.

RECOMMENDATION

THAT Tax Rates Bylaw 1231, 2024 with tax multipliers calculated so that the tax multipliers for Assessment Class 05 & 06 be set at 5.02:1 and 2.51:1 respectively (Attachment A) be read a first, second, and third time.

EXECUTIVE SUMMARY

The amount of taxation revenue to raise was determined in the adopted 2024 – 2028 Financial Plan however, the allocation between property classes and the corresponding burden to the various classes can be altered year over year at Council’s discretion. Due to assessment activity in the year, Class 01 Residential makes up a smaller proportion of the total roll (95.09% compared to 95.67%). Calculating the multipliers with no adjustments to the tax distribution would shift the burden more towards class 01 Residential (88.04% in 2023 to 88.88%) and would reduce the burden on 05 Light Industry and 06 Business. This would also result in the 06 Business rate dropping to 2.16:1 (2.53:1 last year, 2.59:1 5-year average) and 05 Light Industrial dropping to 3.93:1 (5.02:1 last year, 5.25:1 5-year average). This would also result in the residential tax increase increasing to 11.38% rather than the targeted 9.52% in the budget process and therefore is not the recommended option. Setting the 06 Business multiplier at 2.51:1 and the 05 Light Industrial multiplier at 5.02:1 results in a residential tax increase of 9.49%, in line with the 9.52% in the adopted budget however shifts more of the burden towards 06 Business. A third option with 06 Business at 2.41:1 and 05 Light Industry at 4.83:1 has been provided which keeps the current Residential 01 burden closer to the 2023 amount, and represents an option between the other two options (closer to the 2.5:1 option than the calculated option).

DISCUSSION/ANALYSIS

The *Community Charter* requires Council to determine the distribution of property taxes amongst various property tax classes. Council must pass a tax rates bylaw before May 15th of each year. The 2024 tax rates have been established based on the tax requirement in the 2024 Financial Plan.

Depending on the growth or market change in each class, the burden of taxes can shift significantly unless adjustments are made. Market change refers to assessment growth from change in existing properties assessed values and non-market change refers to changes from new construction or changing between property classes. When total assessments change relative to other classes, without adjustment, there will be a shift of tax burden.

When setting tax rates, there are two important aspects to consider:

- The tax multiplier used for each class in relation to the Residential class. The Residential rate is set as “1” and the rates of each of the other classes are set as a multiplier or ratio of that amount. For example, a 2:1 multiplier would mean the rate would be set at twice the rate of the Residential class.
- Percentage paid by the class of the overall tax collected.

Both aspects must be considered together because looking at one or the other in isolation can result in significant transfers of tax burden between classes.

Calculated Amount

The tax rates were calculated based on the most recent roll from BC Assessment. After the rates were calculated, it was noted that % of total taxes collected for Residential 01 increased from 88.04% to 88.88% while Business 06 stayed flat at 7.93% in 2024 compared to 7.89% in 2023 and Light Industry 05 reduced from 2.44% in 2023 to 1.60% in 2024. Therefore, leaving the rate structure as is would partially shift the tax burden from Light Industry 05 to Residential 01. It would result in a 2.16:1 Business 06 to Residential 01 ratio which is significantly less than the 2.53:1 in the prior year and the 2.59:1 5-year average.

Setting Business 06 Multiplier at 2.51:1 and Light Industry 05 Multiplier at 5.02

Setting the Business 06 multiplier at 2.51:1 and the Light Industry 05 multiplier at 5.02 (double Business 06 rate) results in a less drastic reduction in the Light Industry 05 burden, 2.44% collected in 2023, 2.00% in 2024 and reduces the Residential 01 burden from 88.04% to 87.37% while increasing the Business 06 burden from 7.89% in 2023 to 9.04%.

Setting Business 06 Multiplier at 2.41:1 & Light Industry 05 Multiplier at 4.83:1

Setting the Business 06 multiplier at 2.41:1 & Light Industry 05 multiplier at 4.83:1 (double Business 06 rate) results in a less drastic increase to the Business 06 burden, increasing the 7.89% 2024 collected to 8.74%, moves Light Industry from 2.44% in 2023 to 1.94% in 2024 and keeps Residential 01 closer to the 2023 88.04% collected at 87.73% in 2024.

PROPERTY CLASS		2024 Assessments	% of Total Roll	2023 Assessments	% of Total Roll
Residential	01	6,962,974,767	95.09%	6,904,370,472	95.67%
Utilities	02	5,539,501	0.08%	5,122,701	0.07%
Light Industry	05	31,859,600	0.44%	38,209,000	0.53%
Business	06	287,212,924	3.92%	244,406,124	3.39%
Recreational	08	26,415,800	0.36%	16,337,700	0.23%
Farm	09	8,266,683	0.11%	8,476,217	0.12%
TOTAL		7,322,269,275	100.0%	7,216,922,214	100.0%

2024 saw a slight decrease in Light Industry 05, and Residential 01 relative to the total assessed roll, with the shift going to the increase in Business 06.

Rates were first calculated using the following method:

- Determine how much existing properties in each class need to pay, using the 9.52% increase approved in the 2024-2028 Financial Plan
- Calculate the mill rates needed to achieve the amount in a) above
- Adjust mill rates controlled by regulation (utilities class and farm class)
- Apply the mill rates to the new growth to determine taxes from new growth
- Adjust mill rates to ensure the amount of property tax collected matches the 2024 Financial Plan.

The Class 2 Utilities rate needs to be adjusted annually to ensure the municipality is in compliance with the legislated maximum rates for Class 2 properties. An extract from BC Regulation 329/96 reads:

Municipal Taxation Rate Cap for Class 2 Property for 2000 and Subsequent Years

2. In setting the tax or levy rate for class 2 property for general municipal purposes, a municipality must not exceed the greater of:

1. \$40 for each \$1,000 of assessed value, and 2.5 times the rate applicable to class 6 property for general municipal purposes in the municipality for the same taxation year.

The farm class rate reflects the 2023 rural farm tax rates established by the Province, per letters patent.

As a note, the bylaw contains rates for all BC Assessment classes despite the District not having any properties in all of the classes. Currently the District has no properties in classes 03, 04, and 07. However, if during the year properties change classes or are added to any of these vacant classes, tax rates must be available for them. This prevents Council from having to consider tax rates again during the year.

Once complete, the following multipliers and burdens were calculated:

PROPERTY CLASS		2024 Calculated Multipliers			2023 Calculated Multipliers		
		2024 Tax Collected by Class	2024 Multiplier	2024 % Collected	2023 % Collected	2023 Multiplier	2023 Tax Collected by Class
Residential	01	20,018,970	1.0000	88.88%	88.04%	1.0000	17,825,757
Utilities	02	248,764	15.7530	1.10%	1.13%	17.4695	229,054
Light Industry	05	359,325	3.9273	1.60%	2.44%	5.0201	494,643
Business	06	1,786,637	2.1627	7.93%	7.89%	2.5292	1,598,396
Recreational	08	105,286	1.3857	0.47%	0.47%	2.2530	95,051
Farm	09	5,507	0.2342	0.02%	0.03%	0.2509	5,414
TOTAL		\$ 22,524,489		100%	100%		\$ 20,248,315

It was noted that multipliers for all non-residential classes had decreased, some of them significantly. The burden in each of those classes has also decreased other than Business 06 and Recreational 08 which remained relatively flat. As can be seen in the below chart, the Business 06 and Light Industry 05 multipliers were much lower than the prior year and the 5-year average:

Assessment Classification		2023 Tax Ratio	2022 Tax Ratio	2021 Tax Ratio	2020 Tax Ratio	2019 Tax Ratio	5 Year Average
01	Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
02	Utilities	17.4695	18.5873	15.4589	15.2566	16.0894	16.5723
05	Light Industry	5.0201	5.4170	5.4060	5.2276	5.1570	5.2455
06	Business	2.5292	2.7183	2.7148	2.5133	2.4919	2.5935
08	Recreational	2.2530	2.3815	2.3377	2.2036	2.3680	2.3088
09	Farm	0.2509	0.2635	0.2236	0.2212	0.2289	0.2376

Adjusting the Business 06 multiplier to 2.51:1 and the Light Industry 05 multiplier to 5.02:1 results in the following:

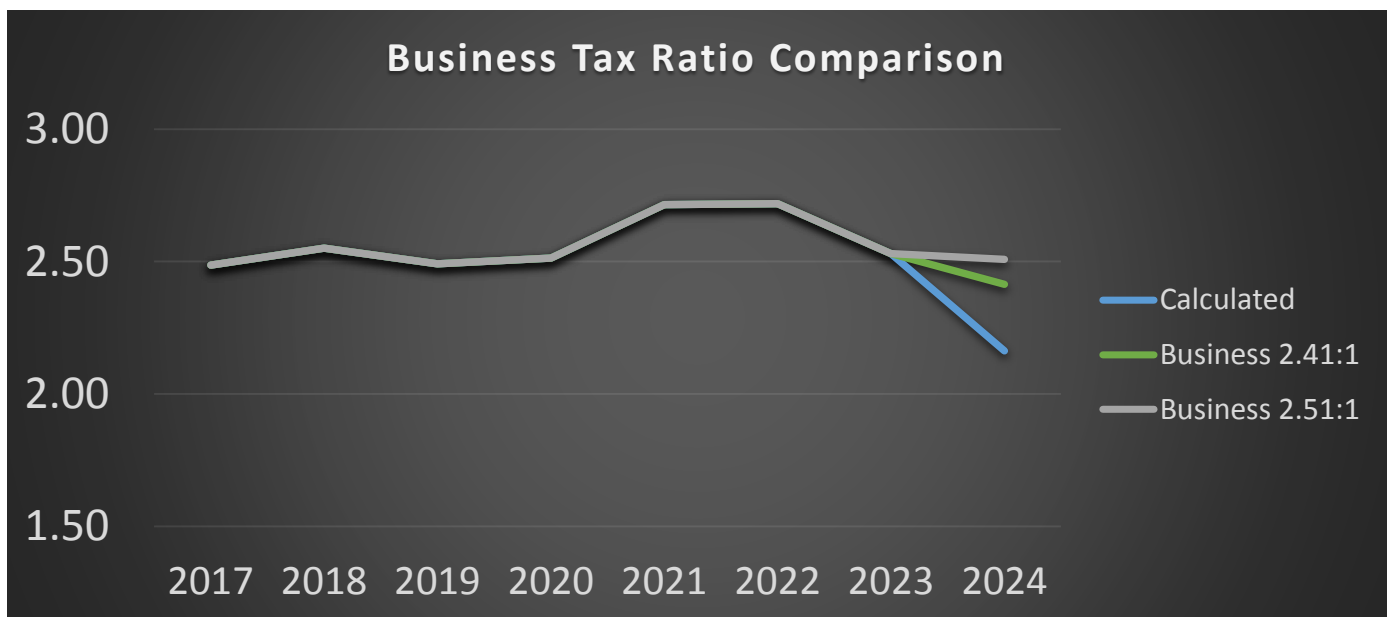
PROPERTY CLASS		2024 Calculated Multipliers			2023 Calculated Multipliers		
		2024 Tax Collected by Class	2024 Multiplier	2024 % Collected	2023 % Collected	2023 Multiplier	2023 Tax Collected by Class
Residential	01	19,678,629	1.0000	87.37%	88.04%	1.0000	17,825,757
Utilities	02	248,757	16.0250	1.10%	1.13%	17.4695	229,054
Light Industry	05	451,125	5.0159	2.00%	2.44%	5.0201	494,643
Business	06	2,036,599	2.5079	9.04%	7.89%	2.5292	1,598,396
Recreational	08	103,494	1.3857	0.46%	0.47%	2.2530	95,051
Farm	09	5,507	0.2383	0.02%	0.03%	0.2509	5,414
TOTAL		\$ 22,524,111		100%	100%		\$ 20,248,315

While this would keep Business 06 and Light Industry 05 in line with historical multipliers, it would more drastically shift the tax burden to Business 06. As such adjusting the Business 06 multiplier to 2.41:1 and the Light Industry 05 multiplier to 4.83:1 was also considered, this would result in the following:

PROPERTY CLASS		2024 Calculated Multipliers			2023 Calculated Multipliers		
		2024 Tax Collected by Class	2024 Multiplier	2024 % Collected	2023 % Collected	2023 Multiplier	2023 Tax Collected by Class
Residential	01	19,761,452	1.0000	87.73%	88.04%	1.0000	17,825,757
Utilities	02	248,767	15.9585	1.10%	1.13%	17.4695	229,054
Light Industry	05	436,101	4.8285	1.94%	2.44%	5.0201	494,643
Business	06	1,968,787	2.4143	8.74%	7.89%	2.5292	1,598,396
Recreational	08	103,930	1.3857	0.46%	0.47%	2.2530	95,051
Farm	09	5,507	0.2373	0.02%	0.03%	0.2509	5,414
TOTAL		\$ 22,524,544		100%	100%		\$ 20,248,315

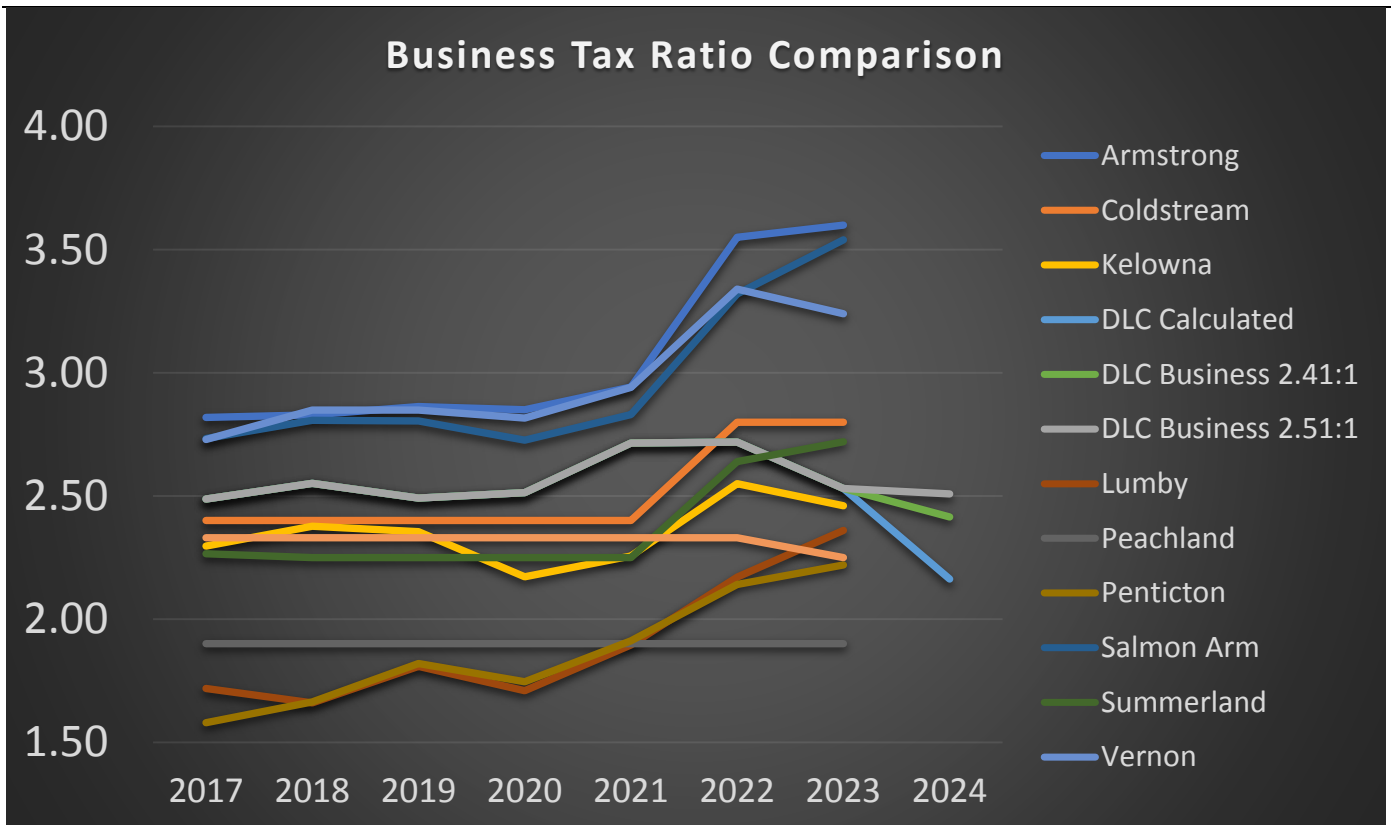
This option strikes a balance between not adjusting Business 06 and Light Industry 05 much lower than historical averages, while not shifting the burden to Residential 01.

The following shows where the Business 06 Ratio under the 3 options:



The following are some 2023 Business to Residential Ratios for comparison:

Armstrong	3.60
Salmon Arm	3.54
Vernon	3.24
Coldstream	2.80
Summerland	2.72
Kelowna	2.46
Lumby	2.36
West Kelowna	2.25
Penticton	2.22
Peachland	1.90



Please note the total tax collected is slightly different in all scenarios presented. This is a result of rounding and achieving the exact same collection amount in all cases would require multipliers going to more than four decimal places. The same multipliers are used to calculate municipal, policing, OK Regional Library and Fire rates.

The following breakdowns show some hypothetical properties under the various scenarios. Please note that the average single family residential property for Lake Country for 2024 is less than \$1,000 different from 2023 (both approximately \$1,085,000) therefore for these examples the 2023 & 2024 assessed value is assumed to be the same. A real property owner would expect their amount to be higher or lower depending on how their assessed value changed year over year. Assessed values for business properties were up overall however it is primarily as a result of some significant outlier properties and as such the business comparatives are also using the same assessed value.

	Residential		
	Calculated	2.41:1	2.51:1
2024 Assessed Value	\$ 1,000,000	\$1,000,000	\$ 1,000,000
Municipal	\$ 160	\$ 138	\$ 131
Policing	\$ 82	\$ 73	\$ 70
Fire	\$ 52	\$ 46	\$ 45
Total Increase in Municipal Taxes	\$ 294	\$ 257	\$ 245
Prior Year	\$ 2,582	\$ 2,582	\$ 2,582
% Change	11.39%	9.95%	9.49%

	Residential		
	Calculated	2.41:1	2.51:1
2024 Assessed Value	\$ 1,085,000	\$1,085,000	\$ 1,085,000
Municipal	\$ 174	\$ 150	\$ 142
Policing	\$ 88	\$ 79	\$ 76
Fire	\$ 57	\$ 50	\$ 48
Total Increase in Municipal Taxes	\$ 319	\$ 279	\$ 266
Prior Year	\$ 2,802	\$ 2,802	\$ 2,802
% Change	11.39%	9.95%	9.49%

	Residential		
	Calculated	2.41:1	2.51:1
2024 Assessed Value	\$ 750,000	\$ 750,000	\$ 750,000
Municipal	\$ 120	\$ 103	\$ 98
Policing	\$ 61	\$ 55	\$ 53
Fire	\$ 39	\$ 35	\$ 33
Total Increase in Municipal Taxes	\$ 221	\$ 193	\$ 184
Prior Year	\$ 1,937	\$ 1,937	\$ 1,937
% Change	11.39%	9.95%	9.49%

		Business		
		Calculated	2.41:1	2.51:1
2024 Assessed Value		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
	Municipal	\$ (239)	\$ 149	\$ 294
	Policing	\$ (41)	\$ 108	\$ 163
	Fire	\$ (31)	\$ 67	\$ 103
Total Increase in Municipal Taxes		\$ (311)	\$ 324	\$ 560
		Business		
		Calculated	2.41:1	2.51:1
2024 Assessed Value		\$ 1,458,000	\$ 1,458,000	\$ 1,458,000
	Municipal	\$ (348)	\$ 217	\$ 428
	Policing	\$ (60)	\$ 157	\$ 238
	Fire	\$ (44)	\$ 98	\$ 150
Total Increase in Municipal Taxes		\$ (453)	\$ 472	\$ 816

To summarize the above, choosing the 2.41:1 option would result in a \$279 increase on the municipal, policing, and fire portions of a \$1,085,000 average single family home compared to a \$472 impact for a \$1,458,000 average business whereas the 2.51:1 option would result in a \$266 increase for the single family home and \$816 for the business.

APPLICABLE LEGISLATION, BYLAWS AND POLICY

The ability for municipalities to collect property taxes is set out in the *Community Charter* under Part 7 Municipal Revenue, Division 1 – General.

IMPACT ON INFRASTRUCTURE, SERVICES AND STAFF CAPACITY (if applicable)

Property taxation funds many of the services provided by the District to the community. Without regular, reliable sources of income, many of these services could not be provided on a consistent basis.

FINANCIAL IMPLICATIONS

None Budget Previously Approved Other (see below)

Collection of property taxes allows the operations, projects, and strategic priorities of Council to continue.

CONSULTATION (Internal referrals, External Agencies, Committees, Stakeholders)

Extensive public engagement was undertaken prior to adoption of the 2024-2028 Financial plan. Further communication will be provided to the community advising of the tax due date, penalty date and other information required to pay their property taxes prior to the deadline.

ALIGNMENT WITH COUNCIL STRATEGIC PRIORITIES

- Create and Support Opportunities for a Healthy, Active and Inclusive Community
- Create Infrastructure That Meets Community Needs
- Encourage Growth of the Downtown Core
- Ensure Sustainable Water Service Delivery for the Community
- Explore Opportunities to Engage With Regional Local Governments for the Betterment of the Community
- Honour Reconciliation by Strengthening Relationships and Inclusiveness With Our Indigenous Partners

- Identify and support improvements to the Development Process
- Implement the Agricultural Plan
- Preserve, Protect and Enhance Our Natural Environment
- Secure long term wastewater service delivery for our community
- Support Opportunities to Diversify Lake Country's Tax Base

ALIGNMENT WITH MASTER PLANS

- | | |
|---|---|
| <input checked="" type="checkbox"/> Agricultural Plan | <input checked="" type="checkbox"/> Official Community Plan |
| <input checked="" type="checkbox"/> Climate Action Charter | <input checked="" type="checkbox"/> Parks & Recreation Master Plan 2019 |
| <input checked="" type="checkbox"/> Housing Needs Report | <input checked="" type="checkbox"/> Sanitary Sewer System Map |
| <input checked="" type="checkbox"/> Liquid Waste Management Plan Stage 1/2 Report | <input checked="" type="checkbox"/> Transit Future Plan-Central Okanagan Region-DRAFT |
| <input checked="" type="checkbox"/> McCoubrey Plateau Area Structure Plan | <input checked="" type="checkbox"/> Transportation for Tomorrow |
| <input checked="" type="checkbox"/> Mobility Master Plan | <input checked="" type="checkbox"/> Water Master Plan |

OPTIONS

Put the staff **Recommendation** first (to copy the recommendation, highlight the text LESS the first and last letter to avoid copying the inserted "field" that escribe pulls through. Then list other alternatives.

- A. THAT Tax Rates Bylaw 1231, 2024 with tax multipliers calculated so that the tax multipliers for Assessment Class 05 & 06 be set at 5.02:1 and 2.51:1 respectively (Attachment A) be read a first, second, and third time.
- B. THAT Tax Rates Bylaw 1231, 2024 with tax multipliers calculated with no adjustments to the tax distribution (Attachment B) be read a first, second, and third time.
- C. THAT Tax Rates Bylaw 1231, 2024 with tax multipliers calculated so that the tax multipliers for Assessment Class 05 & 06 be set at 4.83:1 and 2.41:1 respectively (Attachment C) be read a first, second, and third time.
- D. THAT Tax Rates Bylaw 1231, 2024 be sent back to staff with direction to change the tax distribution.

Respectfully Submitted,
Trevor James, CFO, Director of Finance & Administration

Report Approval Details

Document Title:	2024 Tax Rates.docx
Attachments:	- Attachment A - 2024 Tax Rates.docx - Attachment B - 2024 Tax Rates.docx - Attachment C - 2024 Tax Rates.docx
Final Approval Date:	May 3, 2024

This report and all of its attachments were approved and signed as outlined below:

Reyna Seabrook, Director of Corporate Services - May 3, 2024 - 8:40 AM

Paul Gipps, Chief Administrative Officer - May 3, 2024 - 8:47 AM