



# THE CORPORATION OF THE CITY OF VERNON REPORT TO COUNCIL

**SUBMITTED BY:** Rena Crosson, Manager,  
Financial Operations

**COUNCIL MEETING:** REG  COW  I/C   
**COUNCIL MEETING DATE:** April 11, 2023  
**REPORT DATE:** March 31, 2023  
**FILE:** 1970-13-05

**SUBJECT:** 2023 TAX RATE OPTIONS

---

## **PURPOSE:**

To provide Council with the information required to consider various options for setting the 2023 general municipal tax rates. The four options presented are summarized in Attachment 1 – 2023 Tax Rate Calculations & Options Summary.

## **RECOMMENDATION:**

THAT Council select Option 4, Maximizing Utility Class Revenue and Placing Residential Increase at Revised Budget Requirement of 4.48%, as identified on Page 2 of Attachment 1 in the report titled “2023 Tax Rate Options”, dated March 31, 2023, respectfully submitted by the Manager, Financial Operations;

AND FURTHER, that Council waive the 2023-2027 Financial Plan Revenue Policy objective of maintaining a business to residential tax rate ratio of no greater than 3.2 to 1;

AND FURTHER, that Council direct Administration to prepare the Tax Rates Bylaw #5956 for initial readings at the April 24, 2023, Regular meeting of Council.

## **ALTERNATIVES & IMPLICATIONS:**

THAT Council selects option (*to be cited by Council*), of the four tax rate options, identified in Attachment 1 in the report titled “2023 Tax Rate Options”, dated March 31, 2023, respectfully submitted by the Manager, Financial Operations;

AND FURTHER, that Council direct Administration to prepare the Tax Rates Bylaw #5956 for initial readings at the April 24, 2023, Regular meeting of Council.

*Note: Each alternative collects the same amount of taxation for the City. The difference in tax rates provided result in different assessment classes in the community paying a different percentage of the total tax burden. Whatever changes are directed by Council, the resulting rates must result in the same amount of total property tax revenue for the City in order to meet its 2023 budgeted operating goals.*

## **ANALYSIS:**

### **A. Committee Recommendations:**

N/A

**B. Rationale:**

1. For the 2023 property tax year, the BC Assessment reports have indicated an overall increase in assessment values totalling a little over \$1.6 billion. Of this amount, \$224 million reflects non-market change. Non-market changes are largely due to new construction plus changes in property tax classifications. Residential assessments increased by \$1.4 billion. This is comprised of \$207 million in non-market increases and \$1.2 billion in market increases (10.43%). The average residential property assessment for 2023 is \$679,452 up from \$620,994 in 2022 (9.41% increase). Business assessments saw an increase of \$184 million and is comprised of non-market increases of \$15.9 million and a market increase of \$168 million. Attachment 2 shows a full breakdown of the changes for all property classes. (It should be noted that Assessment Class 3 – Supportive Housing, has been excluded in the tax rate analysis due to the fact that total revenue recorded from this class amounts to a few pennies. A tax rate for this class will be included in the tax rate bylaw and will be equivalent to the residential rate.)
2. The 2023 – 2027 Financial Plan included a provision for a 4.57% tax increase (net of new revenue from non-market assessment changes). Subsequent to its adoption, the finalized assessment values were made available and indicate that the non-market increase in assessments is slightly higher than what was originally estimated. The Financial Plan assumption called for \$750,000 in increased tax revenue due to non-market change. The actual amount is approximately \$793,000. The resulting additional revenue has been built into the tax rate calculations provided in Attachment 1. The effect of this has slightly reduced the total tax increase from 4.57% to 4.48%. The total 2023 tax revenue requirement approved by Council is \$51,632,242.
3. Historically, the business to residential tax rate ratio from 2019 to 2022 have been as follows:

2022 – 3.3379            2021 – 2.9415            2020 – 2.8157            2019 – 2.8483

The Financial Plan policy statements indicate that the desired ratio should be no greater than 3.2. This policy statement may no longer be realistic. The recommended Option 4 results in a business to residential ratio of 3.2274 for 2023 (Attachment 1).

4. In order to provide comparative examples of residential and business tax rates in other jurisdictions, the following represent the 2022 tax rates for residential and business (including the Regional Library rate) and tax rate ratios. This information is from the Ministry of Municipal Affairs published statistical data:

	<u>Residential</u>	<u>Business</u>	<u>Bus./Res Ratio</u>
• Lake Country	\$2.51040	\$6.82390	2.71825
• West Kelowna	\$2.65459	\$6.18519	2.33000
• Kelowna	\$2.68190	\$6.82560	2.54506
• Vernon	\$2.93183	\$9.78601	3.33785
• Penticton	\$3.11540	\$6.65790	2.25004
• Salmon Arm	\$3.14840	\$10.45680	3.32131
• Kamloops	\$3.93000	\$12.54000	3.19084

*Note: the Vernon rates above excluding the Library rates were \$2.82228 for residential and \$9.42035 for business.*

5. Option 1: This option provides for no changes to the allocation of the general municipal tax levy from 2022 to 2023 except for a minor shift between residential and utilities. This option maximizes the utility property class tax rate to the provincially-legislated ceiling of \$40 (including the Regional Library tax rate). The additional \$29,000 in revenue from the Utility class would be offset against the Residential class and would meet the City's policy statement objective of levying the maximum rate allowed for Utility properties. The average residential property, existing in 2022, will see an increase in general municipal taxes of approximately 3.63% or \$64. The residential tax rate would decrease from \$2.823696 in 2022 to \$2.674466. A business scenario has also been included which represents a property assessed at \$1 million in 2022 but experiences an assessment increase of 10.86% for 2023 (which mirrors the overall market increase for business properties). General municipal taxes would increase by 4.60% or \$433 in this scenario. The business tax rate would decrease from \$9.425083 in 2022 to \$8.89280. Under Option 1, the business to residential tax rate ratio would increase to 3.3251.
6. Option 2: This option maximizes utility tax revenue just like in Option 1, but also shifts revenue from business to residential to a level that would achieve a business to residential rate ratio of 3.2 which meets the City's policy objective. \$406,000 in tax revenue would need to shift from business to residential (reduced tax burden on business and increased burden on residential). As a result, the average house would see a 4.84% tax increase which amounts to \$85. The residential tax rate would decrease from \$2.823696 in 2022 to \$2.705674 in 2023. For the business scenario used in the previous options, taxes would increase by 1.84% or \$173. The business tax rate would decrease from \$9.425083 to \$8.657989.
7. Option 3: This option maximizes utility tax revenue just like in Option 1, but also places the residential increase at the 2023 budgeted amount of 4.57% (reduced tax burden on business and increased burden on residential). The shift amounts to \$316,000. This is a more moderate version of Option 2. The average house would see a municipal tax increase of 4.57% or \$80. The residential tax rate would decrease from \$2.823696 in 2022 to \$2.698756. For the same business scenario illustrated previously, the tax increase would be 2.45% or \$231. The business tax rate would decrease from \$9.425083 in 2022 to \$8.710040. The business to residential tax rate ratio would decrease from 3.3379 in 2022 to 3.2274.
8. Option 4: This option maximizes utility tax revenue just like in Option 1, but also places the residential increase at revised budget requirement of 4.48% (reduced tax burden on business and increased burden on residential). The shift amounts to \$285,000. The average house would see a municipal tax increase of 4.48% or \$79. The residential tax rate would decrease from \$2.823696 in 2022 to \$2.696373. For the same business scenario illustrated previously, the tax increase would be 2.66% or \$251. The business tax rate would decrease from \$9.425083 in 2022 to \$8.727969. The business to residential tax rate ratio would decrease from 3.3379 in 2022 to 3.2369. This option is being recommended for several reasons:
  - The residential tax increase of 4.48% for the average house and the business tax increase for the illustrated scenario of 2.66% are both within the approved increase supported by Council.
  - The business tax rate of 8.727969 would remain below \$10 per \$1,000 of assessment.
  - The business to residential tax rate ratio of 3.2369 would increase above the policy objective of 3.2 but only by less than 4%.
9. The 2023 tax rates bylaw must be adopted prior to May 15, 2023.

10. As of March 31, no announcements have been made by the Province regarding school tax rates for 2023.

**C. Attachments:**

1. Attachment 1 - 2023 Tax Rate Calculation & Options Summary
2. Attachment 2 - 2023 Property Assessment Analysis
3. Attachment 3 - 2023-2027 Financial Plan Revenue Policy

**D. Council's Strategic Plan 2019 – 2022 Goals/Action Items:**

The subject of 2023 tax rates involves the following goals/action items in Council's Strategic Plan 2019 – 2022:

1. Deliver efficient, effective and proactive municipal services.

**E. Relevant Policy/Bylaws/Resolutions:**

1. The 2023 - 2027 Financial Plan Bylaw #5937, adopted January 23, 2023 states:

Taxes will be allocated to the various classes as follows:

- The utility class will be taxed at the maximum combined rate per thousand dollars of value permitted by legislation.
- All remaining classes of property will receive an equal allocation of the percent change in the annual tax levy.
- The City will strive to maintain a business to residential multiplier not exceeding 3.2 to 1 under optimal conditions by adjusting the allocation of the percent change in the annual tax levy if needed.

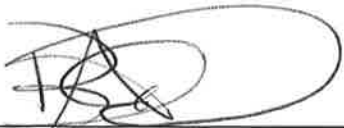
**BUDGET/RESOURCE IMPLICATIONS:**

Once the 2023 Tax Rates Bylaw #5956 has been presented to Council, and adopted in a timely manner, the property tax levies will be calculated and the notices distributed in time for property owners to pay their property taxes by the tax due date of July 4, 2023.

---

Prepared by:

Approved for submission to Council:

X 

Rena Crosson  
Manager, Financial Operations



Patricia Bridal, CAO

Date: 09.03.2023

X 

Debra Law, Director, Financial Services

REVIEWED WITH

<input type="checkbox"/> Corporate Services	<input type="checkbox"/> Operations	<input type="checkbox"/> Current Planning
<input type="checkbox"/> Bylaw Compliance	<input type="checkbox"/> Public Works/Airport	<input type="checkbox"/> Long Range Planning & Sustainability
<input type="checkbox"/> Real Estate	<input type="checkbox"/> Facilities	<input type="checkbox"/> Building & Licensing
<input type="checkbox"/> RCMP	<input type="checkbox"/> Utilities	<input type="checkbox"/> Engineering Development Services
<input type="checkbox"/> Fire & Rescue Services	<input type="checkbox"/> Recreation Services	<input type="checkbox"/> Infrastructure Management
<input type="checkbox"/> Human Resources	<input type="checkbox"/> Parks	<input type="checkbox"/> Transportation
<input checked="" type="checkbox"/> Financial Services		<input type="checkbox"/> Economic Development & Tourism
<input type="checkbox"/> COMMITTEE:		
<input type="checkbox"/> OTHER:		

G:\1600-2199 FINANCE\1970 PROPERTY TAXATION\13 Tax Rates\05 General City  
Rate\2023\230331\_Memo\_2023 Tax Rate Options.docx

# ATTACHMENT 1 (Page 1)

## 2023 TAX RATE CALCULATION & OPTIONS SUMMARY

Budgeted New Revenue:

December 2022 Budget Deliberations Amendment	2,974,463	update
Subtotal	2,974,463	update
Less: New Revenue from Growth	(793,394)	update
New Revenue from Tax Increase	2,181,069	

Property Class	2022		2022		2022		2023		2023		2023	
	Tax Rate	Rate Ratio	Tax Base	Proportions	Total Budgeted New Revenue	New Revenue from Growth*	New Revenue from Tax Increase**	Tax Base	Assessments	2023	2023	2023
1 Residential	2.823696	1.0000	32,736,081	67.28%	618,797	1,467,384	34,822,262	13,009,425,743				
2 Utility	38.276855	13.5556	403,588	0.83%	(2,628)	18,091	419,051	11,696,240				
5 Light Industrial	12.908313	4.5714	771,936	1.59%	19,375	34,602	825,913	67,802,200				
6 Business	9.425083	3.3379	14,564,115	29.93%	159,165	652,832	15,376,112	1,729,051,877				
7 Managed Forests	0.904667	0.3204	36	0.00%	-	2	38	40,200				
8 Rec/Non-Profit	6.869639	2.4329	177,871	0.37%	(1,378)	7,973	184,466	28,877,800				
9 Farm Land	1.134414	0.4017	4,151	0.01%	63	186	4,400	3,887,860				
			48,657,779	100.00%	2,974,463	2,181,069	51,632,242	14,850,781,920				

Percentage Increase: 6.11% 1.63% 4.48%

\* New Revenue from Growth is calculated from the 2023 BC Assessment Non-Market Change Report based on estimated 2023 Tax Rates  
 \*\* New Revenue from Tax Increase is Total New Revenue less New Revenue from Growth and is distributed to property classes using the 2022 tax base proportions.

**2023 TAX RATE CALCULATION & OPTIONS SUMMARY**

<b>OPTION 1 - USING PRIOR YEAR TAX BASE PROPORTIONS BUT MAXIMIZING UTILITY CLASS REVENUE</b>					<b>City Taxes for Average House</b>		
<b>Property Class</b>	2023 Revenue Re-allocations	2023 Tax Base	2023 Calculated Tax Rates	2023 Tax Rate Multipliers	2022	\$	
1 Residential	(29,000)	34,793,262	2.674466	1.0000	2022	\$	1,753
2 Utility	29,000	448,051	38.307226	14.3233	2023	\$	1,817
5 Light Industrial		825,913	12.181216	4.5546	Difference	\$	64
6 Business		15,376,112	8.892800	3.3251	% Increase		<b>3.63%</b>
7 Managed Forests		38	0.945280	0.3534	Business - \$1 million assess increased by 10.86% market change in 2023		
8 Rec/Non-Profit		184,466	6.387814	2.3884	2022	\$	9,425
9 Farm Land		4,400	1.131717	0.4232	2023	\$	9,859
		<u>51,632,242</u>			Difference	\$	433
					% Increase		<b>4.60%</b>

<b>OPTION 2 - MAXIMIZING UTILITY CLASS REVENUE &amp; SHIFTING REVENUE FROM BUSINESS TO RESIDENTIAL TO ACHIEVE TARGET POLICY RATIO</b>					<b>City Taxes for Average House</b>		
<b>Property Class</b>	2023 Revenue Re-allocations	2023 Tax Base	2023 Calculated Tax Rates	2023 Tax Rate Multipliers	2022	\$	
1 Residential	377,000	35,199,262	2.705674	1.0000	2022	\$	1,753
2 Utility	29,000	448,051	38.307226	14.1581	2023	\$	1,838
5 Light Industrial		825,913	12.181216	4.5021	Difference	\$	85
6 Business	(406,000)	14,970,112	8.657989	3.1999	% Increase		<b>4.84%</b>
7 Managed Forests		38	0.945280	0.3494	Business - \$1 million assess increased by 10.86% market change in 2023		
8 Rec/Non-Profit		184,466	6.387814	2.3609	2022	\$	9,425
9 Farm Land		4,400	1.131717	0.4183	2023	\$	9,598
		<u>51,632,242</u>			Difference	\$	173
					% Increase		<b>1.84%</b>

<b>OPTION 3 - MAXIMIZING UTILITY CLASS REVENUE &amp; PLACING RESIDENTIAL INCREASE AT BUDGETED 4.57%</b>					<b>City Taxes for Average House</b>		
<b>Property Class</b>	2023 Revenue Re-allocations	2023 Tax Base	2023 Calculated Tax Rates	2023 Tax Rate Multipliers	2022	\$	
1 Residential	287,000	35,109,262	2.698756	1.0000	2022	\$	1,753
2 Utility	29,000	448,051	38.307226	14.1944	2023	\$	1,834
5 Light Industrial		825,913	12.181216	4.5136	Difference	\$	80
6 Business	(316,000)	15,060,112	8.710040	3.2274	% Increase		<b>4.57%</b>
7 Managed Forests		38	0.945280	0.3503	Business - \$1 million assess increased by 10.86% market change in 2023		
8 Rec/Non-Profit		184,466	6.387814	2.3669	2021	\$	9,425
9 Farm Land		4,400	1.131717	0.4193	2022	\$	9,656
		<u>51,632,242</u>			Difference	\$	231
					% Increase		<b>2.45%</b>

<b>OPTION 4 - MAXIMIZING UTILITY CLASS REVENUE &amp; PLACING RESIDENTIAL INCREASE AT REVISED BUDGET REQUIREMENT OF 4.48%</b>					<b>City Taxes for Average House</b>		
<b>Property Class</b>	2023 Revenue Re-allocations	2023 Tax Base	2023 Calculated Tax Rates	2023 Tax Rate Multipliers	2022	\$	
1 Residential	256,000	35,078,262	2.696373	1.0000	2022	\$	1,753
2 Utility	29,000	448,051	38.307226	14.2069	2023	\$	1,832
5 Light Industrial		825,913	12.181216	4.5176	Difference	\$	79
6 Business	(285,000)	15,091,112	8.727969	3.2369	% Increase		<b>4.48%</b>
7 Managed Forests		38	0.945280	0.3506	Business - \$1 million assess increased by 10.86% market change in 2023		
8 Rec/Non-Profit		184,466	6.387814	2.3690	2022	\$	9,425
9 Farm Land		4,400	1.131717	0.4197	2023	\$	9,676
		<u>51,632,242</u>			Difference	\$	251
					% Increase		<b>2.66%</b>

Average Residential Property Assessment for 2023: \$679,452

2023 PROPERTY ASSESSMENT ANALYSIS

ATTACHMENT 2

Property Class	March 2022 Assessments	March 2023 Assessments	Total Change	Change Due To Growth	Change Due To Market	Market Change %
1 Residential	11,593,343,443	13,009,425,743	1,416,082,300	206,519,800	1,209,562,500	10.43%
2 Utility	10,543,910	11,696,240	1,152,330	(64,700)	1,217,030	11.54%
5 Light Industrial	59,801,500	67,802,200	8,000,700	1,414,500	6,586,200	11.01%
6 Business	1,545,250,701	1,729,051,877	183,801,176	15,914,483	167,886,693	10.86%
7 Managed Forests	40,200	40,200	-	-	-	0.00%
8 Rec/Non-Profit	25,892,300	28,877,800	2,985,500	(189,000)	3,174,500	12.26%
9 Farm Land	3,659,398	3,887,860	228,462	52,011	176,451	4.82%
	<b>13,238,531,452</b>	<b>14,850,781,920</b>	<b>1,612,250,468</b>	<b>223,647,094</b>	<b>1,388,603,374</b>	

Percentage Change 12.18% 1.69% 10.49%

Average Residential Assessment

2022	620,994
2023	679,452 (excluding non-market change)
\$ Increase	58,458
Percentage Change	9.41%
2022	620,994
2023	690,412 (including non-market change)
\$ Increase	69,418
Percentage Change	11.18%



# 2023-2027 Financial Plan Revenue Policy

## Bylaw 5937 – Schedule B

---

### Property Value taxes

Taxation Revenue of the Corporation of the City of Vernon (the City) will be determined by Council each year according to the operating needs of the community and the 1.9% cumulative infrastructure levy, as part of the annual budget process.

Taxation will be allocated to the various property classes as follows;

- The utility class will be taxed at the maximum combined rate per thousand dollars of value permitted by legislation.
- All remaining classes of property will receive an equal allocation of the percent change in the annual tax levy.
- The City will strive to maintain a business to residential multiplier range not exceeding 3.2 to 1 under optimal conditions by adjusting the allocation of the percent change in the annual tax levy if needed.

The City recognizes the benefits provided to the community through the efforts and activities of volunteer organizations and community groups. Permissive tax exemptions will be extended to such groups and must be renewed annually. New applications will be reviewed each year to ensure the applicants meet the guidelines of the City's Tax Exemption policy.

### Taxation

- The proportion of revenues to be raised from taxation in 2023 is 52.8% of total revenue.

### Municipal Fees

- Service fee recovery should reflect the full costs of program delivery.
- The proportion of revenues to be raised from fees and charges in 2023 is 32.6% of total revenue.

### Other Revenue

- Investment income will be based on prudent investments of taxpayer funds.
- Other revenue flows should be developed and enhanced to maximize the value derived for the benefit of the City's residents.
- The proportion of revenues to be raised from other revenue in 2023 is 14.6% of total revenue.

### Parcel Taxes

- Specified areas will bear the net cost to finance the local improvements.
- The proportion of revenues to be raised from parcel taxes in 2023 is less than 1.0% of total revenue.

### Infrastructure

- Commencing for 2013, Council committed to rebuilding the capacity of the City to fund its capital infrastructure obligations. To this end, 2023 is the tenth year of the 1.9% annual taxation increase to be levied cumulatively for capital infrastructure funding.