



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 8, 2024
REPORT DATE: March 28, 2024
FILE: 1970-13-05

SUBJECT: 2024 TAX RATE OPTIONS

PURPOSE:

To provide Council with the information required to consider various options for setting the 2024 general municipal tax rates. The two options presented are summarized in Attachment 1 – 2024 Tax Rate Calculation & Options Summary, page 2.

RECOMMENDATION:

THAT Council select Option 1, Using Prior Year Tax Base Proportions but Maximizing Utility Class Revenue, as identified on Page 2 of Attachment 1 in the report titled “2024 Tax Rate Options”, dated March 28, 2024, respectfully submitted by the Manager, Financial Operations;

AND FURTHER, that Council direct Administration to prepare the Tax Rates Bylaw #5990 for initial readings at the April 22, 2024, Regular meeting of Council.

ALTERNATIVES & IMPLICATIONS:

THAT Council select Option 2 from the tax rate options, identified in Attachment 1 in the report titled “2024 Tax Rate Options”, dated March 28, 2024, respectfully submitted by the Manager, Financial Operations;

AND FURTHER, that Council direct Administration to prepare the Tax Rates Bylaw #5990 for initial readings at the April 22, 2024, 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 2024 budgeted operating goals.

ANALYSIS:

A. Committee Recommendations:

N/A

B. Rationale:

1. For the 2024 property tax year, the BC Assessment reports shown in Attachment 2 – 2024 Property Assessment Analysis, have indicated an overall increase in assessment values

totalling a little over \$550 million. Of this amount, \$206 million reflects non-market change. Non-market changes are largely due to new construction plus changes in property tax classifications. Residential assessments increased by \$364 million. This is comprised of \$184 million in non-market increases and \$180 million in market increases (1.38%). The average residential property assessment for 2023 is \$696,738 up from \$690,412 in 2023 (0.92% increase). Business assessments saw an increase of \$171 million and is comprised of non-market increases of \$14 million and a market increase of \$157 million. (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 2024 – 2028 Financial Plan approved by Council included a 6.71% total tax increase, assuming 1.22% would come from the non-market change, resulting in a provision for a 5.49% net tax increase for existing property tax payers (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 \$630,000 in increased tax revenue due to non-market change. The actual amount is approximately \$743,000. The resulting additional revenue has been built into the tax rate calculations provided in Attachment 1, page 1. The effect of this has reduced the total tax increase from 5.49% to 5.28%. The total 2024 tax revenue requirement approved by Council is \$55,099,311.

3. Historically, the business to residential tax rate ratios from 2020 to 2023 have been as follows:

2023 – 3.2369 2022 – 3.3379 2021 – 2.9415 2020 – 2.8157

The Financial Plan policy statements indicate that the desired ratio should be no greater than 3.2. The recommended Option 1 results in a business to residential ratio of 3.0108 for 2024 (Attachment 1).

4. In order to provide comparative examples of residential and business tax rates in other jurisdictions, the following represent the 2023 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>
• Kelowna	\$2.44760	\$6.01950	2.45935
• West Kelowna	\$2.46861	\$5.55054	2.24845
• Lake Country	\$2.68020	\$6.77870	2.52918
• Vernon	\$2.79737	\$9.05489	3.23693
• Salmon Arm	\$2.84890	\$10.07210	3.53543
• Penticton	\$2.99730	\$6.65410	2.22003
• Kamloops	\$3.74000	\$11.58000	3.09626

Note: the Vernon rates above excluding the Library rates were \$2.69506 for residential and \$8.72372 for business.

5. Option 1: This option provides for no changes to the allocation of the general municipal tax levy from 2023 to 2024 except for a minor shift between Residential and Utilities classes. This option maximizes the Utility property class tax rate to the provincially-legislated ceiling of \$40 (including the Regional Library tax rate). The additional \$15,000 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 2024, will see an increase in general municipal taxes of approximately 6.48% or \$119. The residential tax rate would increase from \$2.696373 in 2023 to \$2.799875. A business scenario has also been included which represents a property assessed at \$1 million in 2023 but experiences an assessment increase of 9.08% for 2024 (which mirrors the overall market increase for business properties). General municipal taxes would increase by 5.36% or \$467 in this scenario. The business tax rate would decrease from \$8.727969 in 2023 to \$8.430002. Under Option 1, the business to residential tax rate ratio would decrease to 3.0108. This option is being recommended for several reasons:

- The residential tax increase of 6.48% for the average house and the business tax increase for the illustrated scenario of 5.36% are both within the approved increase supported by Council.
 - The business tax rate of 8.430002 would remain below \$10 per \$1,000 of assessment.
 - The business to residential tax rate ratio of 3.0108 would be below the policy objective of 3.2.
6. Option 2: This option maximizes utility tax revenue just like in Option 1, but also shifts 0.22% of total tax revenue from residential to business to achieve more even tax percentage increases between residential and business. \$121,000 in tax revenue would need to shift from residential to business (reduced tax burden on residential and increased burden on business). As a result, the average house would see a 6.14% tax increase which amounts to \$112. The residential tax rate would increase from \$2.696373 in 2023 to \$2.790828 in 2024. For the business scenario used in the previous option, taxes would increase by 6.15% or \$537. The business tax rate would decrease from \$8.727969 to \$8.493693.
7. The 2024 tax rates bylaw must be adopted prior to May 15, 2024.
8. As of March 28, no announcements have been made by the Province regarding school tax rates for 2024.

C. Attachments:

1. Attachment 1 - 2024 Tax Rate Calculation & Options Summary
2. Attachment 2 - 2024 Property Assessment Analysis

D. Council's Strategic Plan 2023 – 2026 Goals/Action Items:

The subject of 2024 tax rates involves the following goals/action items in Council's Strategic Plan 2023 – 2026:

1. Focus on leading by example in how Council operates to provide excellent cost-effective services.

E. Relevant Policy/Bylaws/Resolutions:

1. The 2024 - 2028 Financial Plan Bylaw #5980, adopted January 22, 2024 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 2024 Tax Rates Bylaw #5990 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 2, 2024.

Prepared by:

Approved for submission to Council:



Rena Crosson
Manager, Financial Operations



Patricia Bridal, CAO

Date: April 02/2024

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:		