
City of Kelowna

MEMORANDUM

DATE: February 28, 2002
FILE: 1970-01

TO: City Manager

FROM: Deputy Director of Finance

RE: FEES FOR TAX RELATED SERVICES

Prepared by: Revenue Supervisor

RECOMMENDATION:

THAT Council approve a \$5.00 per tax roll administration fee to mortgage companies effective May 1st, 2002 in order to cover the administrative cost of processing tax refunds, tax payments and maintenance of mortgage listings;

AND THAT Council approve an increase to the fee charged for manual tax certificates, effective May 1st, 2002 from \$10.00 to \$20.00 per certificate;

AND FURTHER THAT THE 2002 Financial Plan be amended to include estimated revenue from these fees of \$50,000.

BACKGROUND:

Mortgage Company \$5.00 Administration Fee

Over the past few years the centralization of many mortgage company offices out of province has meant that many do not understand the complexity of BC's Provincial Home Owner Grant. As a result, many mortgage companies over pay their clients' taxes to avoid penalties and then request a refund.

Our initial approach was to implement a per tax roll fee for each refund made to mortgage companies to cover the administrative burden created by these refunds. However, after a survey of municipalities it became apparent that the accepted practice was to charge mortgage companies an administrative fee per tax roll for tax refunds, processing tax payments and maintenance of mortgage listings.

Notices were sent to thirty-nine different mortgage companies informing them of our intention to charge this fee. Only three responded. Of the three mortgage companies who responded, the main concern was how the City of Kelowna was going to invoice them and at the same time expressed their preferred method of payment.

The anticipated revenue from this fee would be approximately \$36,000 (7,200 rolls x \$5).

The purpose of this fee would be to cover the following administrative costs:

- Tax staff wages for temporary additional staff and overtime for current staff spent on:
 - investigation, processing and approval of overpayments for refund;
 - updating, verifying and correcting mortgage listings;
 - verifying, correcting, approving and processing tax payments;
- Accounts payable costs related to processing tax refunds;
- Supply costs such as courier, long distance telephone calls, faxes, paper, etc.

Eighty percent (80%) of 2001 tax refund cheques, or 425 out of 536 tax refunds processed, were issued to mortgage companies.

Tax Certificate Fee

The City of Kelowna's Online Tax Certificate System provides a secure and convenient means for customers to print property tax certificates on demand at their own place of work, between the hours of 6:00 a.m. and midnight, seven days a week. This new service is only available to financial institutions, legal and notary firms who provide the City with the authority to automatically withdraw monthly usage charges from their designated bank account.

In contrast, manually produced tax certificates are labour intensive, far more costly to produce and are limited to access on business days 8:00 a.m. to 4:00 p.m. Over the past few years the volume of tax certificate requests has increased significantly. It now takes one Accounting Tax Clerk fifty percent of their time to process manual tax certificates in addition to tracking outstanding balances and following up collections. The City's Online Tax Certificate System will reduce the amount of resources required to produce tax certificates once solicitors, notaries and financial institutions sign up. Increasing the fee to \$20.00 for manual tax certificates will encourage customers to sign onto this new service and reduce the City's administrative burden.

The average charge per tax certificate across British Columbia is \$20. Some examples are:

	Tax Certificates	
	Online	Manual
Abbotsford	\$20.00	\$20.00
Chilliwack	15.00	15.00
Coquitlam	25.00	25.00
Kamloops	not available	20.00
Nanaimo	8.00	15.00
New Westminster	not available	20.00
Port Moody	15.00	15.00
Surrey	25.00	25.00
Vernon	not available	20.00
West Vancouver	25.00	25.00

Revenue will be higher in the first few years after increasing the fee but over time, as more customers sign up for online service, revenue is anticipated to decrease. This additional revenue will assist in offsetting the online system development costs.

Paul Macklem

mlc

cc: Director of Finance and Corporate Services