

Report

Date October 16, 2024
Subject Third Quarter of 2024 Financial Update

File:

PURPOSE

To provide a financial update on the General, Water and Sewer Funds Statement of Operations and Capital expenditures for the period ending September 30, 2024.

BACKGROUND

The third quarter financial update provides Council with a snapshot of North Cowichan's financial performance and position for the period ending September 30, 2024. The third quarter typically gives Council and staff insights into our operational performance relative to the budget. All other government levies have been remitted, and most property taxes have been collected. The construction season was well underway in the third quarter.

Historically, reporting to Council on the water and sewer systems has only been included in the year-end audited financial statements. This report, however, provides a high-level account of the revenue and expenses for the water and sewer systems in North Cowichan, covering Chemainus, Crofton, South End, and Maple Bay. It is important to report on these essential services, not just the general fund, as they are vital to the community.

DISCUSSION

Statement of Operations – General (Attachment 1)

The Statement of Operations – General shows that revenues are at 99% and expenses are at 64% of the overall annual budget. Additionally, amortization shows zero, and this is due to the amount not being recorded till year-end. Principal debt payments are currently 60% but will be 100% of the budget in October when the last billing occurs. The appropriated surplus will be recognized as revenue in the 4th quarter, contingent upon expenses aligning with the budgeted surplus utilization. Of the \$6.8 million budgeted from the surplus, \$5.7 million is allocated to capital carry forwards. If there are no corresponding expenses to match the revenue from the appropriated surplus, it will not be recognized as revenue in 2024. Transfer to reserves will be entered in the 4th quarter and be 100% of the annual budget. Lastly, transfer to capital is brought in as revenue when expenses are incurred.

Operating Revenue (Attachment 2)

- Taxation revenue remains consistent with the 2024 budget. Although Attachment 2 indicates 100% of taxes billed to date, as of September 30, 2024, we have collected 97.17% of these taxes, which is approximately the same percentage as last year for the same period.

- Currently, Sale of Service revenues account for 82% of the total annual budget. This percentage is higher than the 66% recorded at the same time last year. The increase is primarily attributed to garbage revenues being higher currently than in 2023 and the additional revenue generated from the City of Duncan in regard to the RCMP. Please note that the money received from the City of Duncan merely offsets North Cowichan's costs on a pro-rata basis.
- Regional Recreation funding was received in August 2024 for the Cowichan Aquatic Centre and Fuller Lake Arena. General admissions are up \$143K from 2023 and are at 98% of budget.
- Return on Investments stands at 235% of the budget and is \$1.8M higher than this time last year.
- Other Revenue from Own Sources is currently 45% of the annual budget. Building Permit fees (64%) have decreased from the prior year, but this is mainly attributed to the hospital. Engineering fees (94%) have increased compared to the same period last year. Business licenses are at 119% of the budget, and dog licenses are currently at 89% of the budget.
- Rentals are currently at 11% of the budget, primarily due to the ongoing RCMP lease agreement with the province, which is still under negotiation. This delay is because North Cowichan has not yet borrowed all the necessary funds. If the agreement is not finalized by year-end, staff will accrue the revenue for the RCMP lease.

Operating Expenses (Attachment 3)

- General Government Services, which encompass Mayor and Council, Legislative, Finance, Information Technology, CAO and GM Offices, and Other Common Services is 80% of the budget as of September 30, 2024. Other General Government, which consists of North Cowichan taxes, memberships and insurance premiums, is 54% of the annual budget.
- Protective Services expenses are 64% of the annual budget. Police are at 59%, which is attributed to North Cowichan not yet having been invoiced for the 3rd quarter. Fire Services are 76% of the budget, and Other, which include building inspection, animal control and weed control, is at 74% of the budget.
- Transportation Services, which includes Public Works and Roads and Street, are at 78% and in line to be on budget for the year.
- Environmental Services is at 75% overall. Environment is at 78%, Cemetery is at 84%, and Forestry is 51% of the annual budget. Waste management accounts for 79% of the annual budget because the purchase of garbage carts for automation has commenced.
- Development Services, which encompass Planning and Economic Development, is in line with the budget at 68%.
- Recreation and Culture, which encompasses administration, wharves, library, grants-in-aid, swimming pools, parks, and playgrounds, is at 80% and expected to be within budget for 2024. Grant-in-aid includes the Union of BC Municipalities Village grant of \$154K that gets paid to the Cowichan Housing Association as well as the grants North Cowichan granted to organizations for 2024 (\$216,570).

In summary, nine months into the year, operating expenses account for 64% of the annual budget, indicating that North Cowichan is progressing as planned.

As mentioned above, this report will now include revenue and expenses for the water and sewer utilities as detailed below.

Statement of Operations – Water Utilities (Attachment 4)

The water utilities are performing well, with both revenues and expenses closely tracking the budget in the third quarter. All parcel taxes and Local Area Service taxes have been 100% billed, and 97% have been collected at the time of this report. Sales of Service range between 62% and 75%, primarily because the final bills for 2024 are distributed in October. Amortization is currently at zero, as it is recorded at year-end. The significant interest revenue is a notable highlight, far exceeding the budgeted amount. This increase is due to the reallocation of interest earnings to the appropriate utilities in 2024.

Water Utility Revenues:

- Chemainus Water – 69% of budget
- Crofton Water – 68% of budget
- South End Water – 76% of budget

Water Utility Expenses:

- Chemainus Water – 65% of budget
- Crofton Water – 46% of budget
- South End Water – 55% of budget

Statement of Operations – Sewer Utilities (Attachment 5)

The sewer utilities are also performing well, with revenues closely tracking the budget in the third quarter. Expenses for sewer are slightly lower than water and may come in under budget at year-end. All parcel taxes and Local Area Service taxes have been 100% billed, and 97% have been collected. Sales of Service range between 53% and 77%, again because the final bills for 2024 are distributed in October. Amortization is currently at zero as well for the sewer utilities, as it is recorded at year-end. As with the water utilities, interest revenue far exceeds the budgeted amount.

Sewer Utility Revenues:

- Chemainus Sewer – 81% of budget
- Crofton Sewer – 71% of budget
- South End Sewer – 90% of budget
- Maple Bay Sewer – 52% of budget

Water Utility Expenses:

- Chemainus Sewer – 46% of budget
- Crofton Sewer – 59% of budget
- South End Sewer – 44% of budget
- Maple Bay Sewer – 41% of budget

Capital (Attachment 6)**Municipal-Owned Properties**

- Parkside Childcare building is in the design stage;
- Crofton Fire Hall construction has commenced and is substantially complete;
- Crofton Childcare building is in the design stage, the construction contract is expected to go out for tender by year-end;
- Duncan Curling Club siding replacement expected to start by the end of the year; and,

- Fire Hall Exhaust Systems installation has been delayed till 2025.

Community Development

- Sportsplex Field House project is complete; and,
- Maple Bay Waterfront is in the design stage. Construction is expected to commence in the summer or fall of 2025.

Information Technology

- Expensed and committed accounts for 79% of the annual budget. Server upgrades have been completed. Projects underway include various software upgrades, telephone system replacement, and Geographic Information Systems (GIS) upgrades.

Police and Fire

- The new RCMP Detachment is complete and came in under budget. Occupancy took place May 21, 2024; and,
- The new fire engine has been ordered, and delivery is expected in the spring of 2025.

Transportation

- Menzies Road culvert complete;
- Canada Avenue Complete Streets in the design stage and expected to commence in 2025;
- Genoa Bay Road rebuild design almost complete with tendering in fall of 2024;
- Herd Road bridge rehabilitation design has been initiated with tendering expected to be in late fall of 2025;
- Emily Street Storm Main replacement design is complete. Construction is expected to be completed in 2025; and,
- Various road and drainage projects under \$100K are underway.

Recreation

- Cowichan Aquatic Centre mechanical upgrades are complete;
- Cowichan Aquatic Centre Reception reconfiguration architect drawings are complete. Construction has been delayed to early 2025;
- Art Mann Park playground upgrade project construction will be completed in early October 2024;
- Art Mann Park Dock replacement is complete; and,
- Fuller Lake Arena partial re-roofs are in the design stage. Construction is expected to start in 2025.

Water Capital

- Bannon Reservoir dredging is complete and came in slightly under budget;
- South End Hyprescon trunk water main is in the preliminary design stage;
- Fairview Way Watermain replacement design is complete with tendering in late 2024;
- Beaumont Watermain Replacement has been completed;
- Kingsview Roundabout Watermain has been completed; and,
- Various water projects under \$100k are in progress or underway.

Sewer Capital

- Various Chemainus Sewage Treatment Plant (STP) projects, including screen system replacement, solids handling, and thickener, have 99% of the detailed design complete and are expected to be tendered in late fall of 2024;
- Crofton STP clarifier and digester design in the review stage, the geotechnical investigation is complete, with tendering expected for May 2025; and,
- Joint Utility Board diffusers detailed designs are in final review with tendering expected in the fall of 2024.

In summary, 34% (\$26.7M) of the capital budget has been spent or committed.

RECOMMENDATION

THAT Council receive the Third Quarter of 2024 Financial Update dated October 16, 2024, from the Director, Financial Services for information.

Report prepared by:



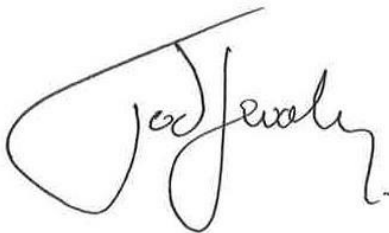
Teri Vetter
Director, Financial Services

Report reviewed by:



Bill Corsan
General Manager, Corporate Services and
Community Relations

Approved to be forwarded to Council:



Ted Swabey
Chief Administrative Officer

Attachments:

- (1) Statement of Operations – General
- (2) Revenue Details
- (3) Expense Details
- (4) Statement of Operations – Water

- (5) Statement of Operations – Sewer
- (6) Capital