

Report

Date July 16, 2025

File:

Subject Second Quarter of 2025 Financial Update

PURPOSE

To provide a financial update on the General, Water and Sewer Funds Statement of Operations and Capital expenditures for the period ending June 30, 2025.

BACKGROUND

In the second quarter, staff typically gain valuable insights into our operational performance relative to the budget. All taxation levies are fully invoiced and accounted for in our annual revenues. The tax deadline in 2025 was July 2. Revenues appear to be returning to pre-pandemic levels, and the construction season has commenced during this quarter.

This report 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 (Attachment 1)

The Statement of Operations indicates that revenues account for 54% and expenses are at 39% of the overall annual budget. Additionally, amortization shows zero, which is due to the amount not being recorded until the end of the year. Principal debt payments will be 100% of the budget in October when the last billing occurs. The appropriated surplus will be recognized as revenue in the third quarter, when expenses align with the budgeted surplus utilization. Of the \$9M budgeted from surplus, capital carry forwards account for \$7.4M. Transfers to reserves will be entered in the third quarter and will account for 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 2025 budget. Although the attached report (Attachment 1) indicates that 100% of property taxes billed to date, as of June 30, 2025, we have collected 93.6% of these taxes, which is the same percentage as last year for the same period.
- Currently, Sale of Service revenues account for 20% of the total annual budget. This percentage is slightly lower than the 23% recorded at the same time last year. The decrease is not currently a concern, as it is primarily due to a timing difference in billing for garbage and recycling services. With summer just beginning, an increase in user fees is expected. Additionally, Regional Recreation funding (\$6.6M) has not been received yet but is expected in late July. Despite the percentage being low at the end of June, Sale of Service remains on track to meet budget targets by year-end.

- Protective Services revenue currently stands at 17%, primarily due to the pending completion of the bi-annual billing for the RCMP detachment's Operations, Maintenance, and long-term debt obligations.
- Fire Protection is currently at 11%, and this is attributed to the Cowichan Valley Regional District's contribution to fire protection not having been received to date.
- The Cowichan Aquatic Centre's admission and program revenues, which contribute to the Sale of Service revenue, currently stand at approximately 61% of the budget (excluding Regional Recreation funding), representing an increase of approximately \$143K compared to the same period last year. Additionally, Fuller Lake Arena revenue (excluding Regional Recreation funding) is at 67% of the budget and remains on track to meet the annual target.
- Return on Investments stands at 112% of the budget and is \$495K higher than this time last year.
- Other Revenue from Own Sources is currently 37% of the annual budget. Notably, Permit fees and Development fees have increased compared to the same period last year. Business licenses are at 115% of the budget, and dog licenses are currently at 95% of the budget.
- Grant revenue is currently at 2%; however, this is expected, as such revenue is recognized only when corresponding expenses are incurred. Staff anticipate that the third-quarter update will provide a more accurate projection of annual grant revenue, as the construction season will largely be concluded by that time.

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 49% of the budget as of June 30, 2025.
- Protective Services expenses are 37% of the annual budget. Police is only at 31% and this is attributed to North Cowichan not yet being invoiced for the second quarter. Fire Services are 53% of the budget, and Other General Government, which consists of North Cowichan taxes, memberships and insurance premiums is 47% of the annual budget.
- Transportation Services, which includes Public Works and Roads and Streets, is at 45% and in line to be on budget for the year.
- Environmental Services is at 55% overall. Environment is at 30%, Cemetery is at 41%, and Forestry is at 54% of the annual budget. Waste management accounts for 67% of the annual budget, following the completion of the purchase of garbage and organic carts, which coincided with the launch of automation in North Cowichan on June 2, 2025.
- Development Services, which encompass Planning and Building, as well as Economic Development, is slightly below the budget at 40%.
- Recreation and Culture, which encompasses administration, wharves, libraries, grants-in-aid, swimming pools, and parks and playgrounds, is at 48% and is expected to be within budget for 2025. Grant-in-aid were paid to organizations in late May. Parks General is only at 15% and this is primarily due to the Parks and Trail maintenance just beginning.

In summary, General operating expenses are currently at 39% of the 2025 annual budget, and staff anticipate expenditures will align with the budget by year-end.

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

Statement of Operating – Water Utilities (Attachment 4)

The water utilities appear to be performing well, with both revenues and expenses closely tracking the budget in the second 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 30% and 36%, primarily because the second annual bills for 2025 (May–August) are distributed in late September or early October. Amortization is currently at zero, as it is recorded at year-end.

Water Utility Revenues:

- Chemainus Water – 54% of budget
- Crofton Water – 46% of budget
- South End Water – 51% of budget

Water Utility Expenses:

- Chemainus Water – 62% of budget
- Crofton Water – 37% of budget
- South End Water – 49% of budget

Statement of Operating – Sewer Utilities (Attachment 5)

The sewer utilities are also performing well, with revenues closely tracking the budget in the second quarter. Expenses for sewer are slightly lower than those for water and may come in under budget by year-end. All parcel taxes and Local Area Service taxes have been 100% billed, and 97% have been collected. Sales of Service range between 27% and 42%, again because the second bills for 2025 are distributed in the third quarter. 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 – 66% of budget
- Crofton Sewer – 54% of budget
- South End Sewer – 62% of budget
- Maple Bay Sewer – 43% of budget

Water Utility Expenses:

- Chemainus Sewer – 50% of budget
- Crofton Sewer – 52% of budget
- South End Sewer – 37% of budget
- Maple Bay Sewer – 29% of budget

Capital (Attachment 4)

Municipal Owned Property

- Parkside Child Care building is in the final design stage and is scheduled to be tendered for construction in the fall of 2025.
- Crofton Fire Hall construction deficiencies have been completed.

- Crofton Child Care building is in the final design stage and is scheduled to be tendered for construction in the fall of 2025.
- EV Infrastructure and chargers construction contract is to be awarded with construction expected to begin in the fall of 2025.
- Somenos Hall siding replacement is to be completed in the fall of 2025.
- Glenn Harper Curling Club siding replacement has been completed and under budget.
- Fire Hall Exhaust Systems installation tender to go out in fall of 2025 with construction anticipated to begin early 2026.

Information Technology

- Server upgrades are in progress, with the completed installation expected in late fall or early winter 2025.
- The network storage and switch replacements are underway.
- Other projects underway and expected to be complete by the end of the year include various software upgrades, telephone system replacement, printer replacements and (Geographic Information Systems) GIS upgrades.

Fire

- The new fire engine has been received and is in service.

Transportation

- Canada Avenue Completes Streets design is being finalized. Tender documents are to go out this fall with construction anticipated to begin in 2026.
- Genoa Bay Road rebuild project is proceeding with a design and build procurement method for overall efficiency. It is anticipated that the contract will be awarded in the fall of 2025 and construction is to begin in 2026.
- Boys Road sidewalk, shoulder preparation has been completed. The remaining works will continue once Cowichan Tribes has completed their watermain replacement.
- Herd Road Bridge Rehabilitation construction is in progress with a scheduled completion by the end of September 2025.
- Emily Street Storm Main Replacement construction is expected to commence in summer 2025 and is anticipated to be completed by fall 2025.
- Various road and drainage projects under \$100K are underway.

Recreation

- Cowichan Aquatic Centre Reception Reconfiguration with security gates to be installed in the fall of 2025.
- The replacement of cardio equipment at the Cowichan Aquatic Centre is scheduled to be completed during the annual shutdown this fall.
- Kin Beach playground replacement has been delayed due to an archaeological study.
- Crofton pool infrastructure will be tested for appropriate course of action after the pool closes for the season.
- Fuller Lake Arena partial re-roofs construction is to be completed in early September 2025.

Water Capital

- New Chemainus reservoir is in the preliminary design stage. The detailed design is expected to be completed in November 2025.
- Holyoak Lake dredging is in the design and planning stage, with detailed design and plan to be completed in late fall 2025. Construction is expected to begin 2026.
- Crofton dam assessment is in progress. The detailed design is scheduled to be complete in late fall or early winter 2025.
- The water trunk main along the Trans-Canada Highway, from Beverly Street to Drinkwater Road, is on hold pending the results of the latest grant application.
- The South End emergency water supply is scheduled to begin testing in late fall 2025.
- The South End Hyprescon trunk water main is in the design stage, with construction anticipated in 2026.
- Fairview Way water main replacement construction is underway and is expected to be completed by the fall of 2025.
- The Cowichan Lake Road water main replacement design is almost complete, pending approval from Island Health. Construction is scheduled to begin in the fall of 2025.
- The detailed design for the servicing of industrial lands is expected to be complete by late fall 2025.

Sewer Capital

- Various Chemainus Sewage Treatment Plant (STP) projects, including the replacement of the screen system, solids handling, and thickener, are going out to tender in July. Construction is anticipated to begin in the fall of 2025, with completion expected in late fall 2026.
- Crofton STP clarifier and digester are going out to tender in July. Construction is anticipated to begin in the fall with completed expected in the late fall of 2026.
- The Auchinachie Road sewer main replacement design is scheduled to begin in late fall 2025.
- The Berkley sewer pump station assessment is in progress and is scheduled to be completed in the fall of 2025. The detailed design will begin after.
- The Joint Utility Board diffuser installation is in progress and is expected to be completed by the end of 2025.

In summary, 9% (\$5.9M) of the capital budget (\$70.8M) has been spent at the time of writing this report.

RECOMMENDATION

THAT Council receives the Second Quarter of 2025 Financial Update dated July 16, 2025, from the Director, Financial Services for information.

Report prepared by:



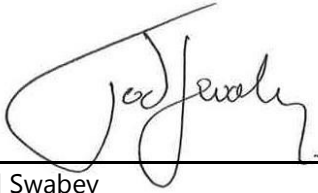
Teri Vetter
Director, Financial Services

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
- (2) Revenue
- (3) Expenditures
- (4) Water Utilities
- (5) Sewer Utilities
- (6) Capital