

# North Cowichan 2026 Budget Update

*Financial planning and outlook for the upcoming  
year*

# Purpose of the Report

## **Comprehensive Budget Summary**

The report summarizes the current status of the 2026 budget including discussions and new factors impacting it.

## **Financial Challenges and Actions**

It highlights financial challenges identified and steps taken to address these issues effectively.

## **Informed Decision-Making**

The report helps Council make informed decisions balancing fiscal responsibility with service maintenance and growth.

# Background and Initial Budget Drivers

## **Tax Revenue Increase**

Maintaining the 2026 status quo budget required a 9.26% increase in tax revenue due to rising costs back in August 2025.

## **RCMP Related Costs**

Increases included \$615,000 in long-term debt and \$943,000 for the RCMP contract expenses.

## **Additional Budget Drivers**

2026 election costs, inflationary expenses, new positions, and a 5% wage increase added pressure on the budget.

# Council's Goal to Reduce Tax Increase

## **Tax Increase Reduction Goal**

Council aimed to reduce the projected tax increase from 9.26% to 5% in August 2025.

## **Expense Reduction Review**

Staff conducted a mini core review presenting 39 expense reduction and revenue generation options in September and October 2025.

## **Council Deliberations**

Options were discussed in closed meetings and finalized at prior open council meeting (November and December).

# Key Approvals for 2026 Budget

## **Budgetary Reductions and Fee Increases**

Council plans to reduce travel expenses by 50% and increase business license and paper fees to boost revenue.

## **Operational Allocations**

Allocations include funding for procurement review, fire equipment reserves, and community safety initiatives to support essential services.

## **Capital Investments**

Major capital projects approved include wharf replacement, rowing club roof repair, fire training building, and salt shed improvements to address infrastructure needs.

# Allocations for Wildfire and Climate Initiatives

## **Wildfire Specialist Role**

Council approved hiring a Wildfire Specialist as Assistant Fire Chief to improve wildfire preparedness with a \$95,000 budget.

## **Strategic Wildfire Plan Funding**

A \$115,000 allocation was approved for developing a Strategic North Cowichan Wildfire Plan to enhance community safety.

## **Climate Tax Contribution**

The 2026 Climate Action and Energy Plan tax contribution of 0.5% will support wildfire preparedness initiatives.

## **Reserve Terms Amendment**

Terms of Reference were amended to allow climate-adaptation funds usage for wildfire preparedness, showing proactive risk mitigation.

# Identified Savings and Budget Impact

## **E-Comm 911 Cost Savings**

E-Comm 911 costs rose by only 2.5%, significantly less than the expected 6–8% increase, saving \$134,036.

## **RCMP Contract Savings**

Updated RCMP contract projections reduced planned fourth-quarter 2026 payment by approximately \$228,000.

## **Budget Management Efforts**

Staff efforts to manage costs effectively helped offset budget pressures while maintaining service levels.

## **Lean Preliminary Budget**

Preliminary 2026 budget remains lean, demanding careful consideration of future financial strategies.

# Required Tax Revenue Increase

## Projected Tax Increase

The 2026 preliminary budget now projects a 10.62% increase in tax revenue to maintain essential municipal services, inclusive of all Council approvals.

## Drivers of Increase

Inflation, growing service demands, and Council's strategic priorities drive the required tax revenue increase.

## Financial Sustainability

The increase ensures financial sustainability while maintaining high-quality services for residents.

## Future Risk Management

Additional measures like a Tax Stabilization Reserve are recommended to mitigate future financial risks.

# Council-Identified Priorities

## Progress on Priorities

Reports on procurement, asset management, and forest harvesting have been reviewed and directed by Council.

## Upcoming Initiatives

Servicing and industrial servicing will be addressed in early 2026 with possible outstanding funding of up to \$500,000.

## Community Impact

Priorities aim to strengthen infrastructure, improve efficiency, and support economic development sustainably.

# Domtar Crofton Mill Closure

## **Taxable Value Reduction**

Closure allowance reduced taxable Class 4 improvement value by \$25.4 million, causing an estimated \$775,000 revenue loss in 2026.

## **Long-Term Revenue Loss**

Full mill closure leads to an additional \$3.42 million annual tax revenue loss due to removal of \$106.4 million in assessed improvements.

## **Utility Revenue Decline**

Decreased energy and gas consumption reduces utility revenue from BC Hydro and Fortis, adding financial complexity.

## **Municipal Planning Needs**

Proactive planning is essential to manage tax rate increases and financial challenges resulting from the mill closure.

# Recommended Reserve Strategy

## **Tax Stabilization Reserve Initiation**

Starting in 2026, allocate a minimum of 2% to a tax reserve to offset revenue losses and stabilize tax rates.

## **Flexible Contribution Strategy**

Possible adjustment to reserve contributions between 4% in 2027 based on financial needs to strengthen fiscal resilience.

## **Phased Tax Base Adjustment**

Implement a gradual tax base adjustment over future years to absorb revenue shortfalls sustainably.

## **Fiscal Responsibility and Protection**

Early reserve establishment protects residents from sharp tax increases and safeguards essential municipal services.

# Estimated Homeowner Impact

SCENARIO	ESTIMATED INCREASE
<b>Without Reserve Contribution</b>	\$288.41
<b>With 2% Reserve Contribution</b>	\$331.20

# Comparative Tax Position

## Tax Rate Comparison

North Cowichan's tax rates remain below the average (\$658) and the median (\$319) despite the planned 12.62% increase in 2026.

## Need for Tax Increase

The increase addresses underfunding caused by historically low taxes affecting infrastructure and services.

## Long-term Financial Stability

Incremental tax increases are crucial for sustainable growth and preventing future financial shocks.

# Key Takeaways and Next Steps

## **Proactive Budgeting Approach**

The 2026 budget addresses financial challenges with a strategic tax increase to ensure long-term stability.

## **Strategic Investment Priorities**

Council's priorities focus on infrastructure, procurement and economic development for sustainable growth.

## **Tax Stabilization Reserve**

A 2% tax contribution to a reserve helps mitigate future tax impacts and financial shocks.

## **Community Resilience**

Council's approval shows leadership, positioning North Cowichan for sustained resilience during economic changes.

# Public Engagement

## **Legal Mandate for Consultation**

Section 166 requires local governments to consult the public before adopting financial plans, ensuring resident participation.

## **Building Transparency and Trust**

Public engagement promotes transparency and trust by sharing budget information and inviting community feedback.

## **Enhancing Accountability and Collaboration**

Engaging residents fosters accountability and collaboration, leading to better policy outcomes and public confidence.

# Current Public Engagement

The ConnectNorthCowichan.ca digital engagement page is live and includes:

- *information on meeting dates and topics;*
- *background on budgets and revenue sources*
- *2026 cost drivers; and*
- *a timeline.*

The public has an opportunity to ask questions, which are answered on the page for all to read.

# Proposed Public Input Session and Alternatives

## **Scheduled Public Input Session**

Staff recommend Council hold a public input session on February 18, 2026, to gather resident feedback before finalizing the budget.

## **Open House Alternative**

Open houses, if Council wishes to proceed, proposed for the last week of February with a drop-in, informal format to encourage direct interaction. Information boards, handouts, and iPads would support both digital and in-person engagement for wider accessibility.

## **Community Trust and Compliance**

These engagement efforts ensure compliance with legislative requirements and build community trust through dialogue.

# Recommendation

THAT Council:

1. Direct staff to proceed with the 2026 budget presentation at the February Committee of the Whole with the tax revenue increase needed of 10.62%.
2. Approve an additional transfer of 2% of taxation in 2026 to a Tax Stabilization Reserve.
3. Rescind Part 2 of the resolution passed on August 12, 2025, regarding the 2026 Budget Update and Timeline, which states:  
“THAT upon completion of the report and pending further direction from Council, that Council direct staff to organize town hall meetings in Chemainus, Crofton, and the South End to gather public input and ensure community perspectives are meaningfully considered in the development of the 2026 budget.”
4. Direct staff to continue with the public engagement activities in support of the 2026 budget and include a public input opportunity to receive feedback on the budget in Council Chambers on February 18, 2026, at 7pm.