

# Report

Date March 4, 2026  
Subject 2026 – 2030 Financial Plan Bylaw

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## PURPOSE

To provide Council with feedback on the 2026 budget public input session and present the Five-Year Financial Plan Bylaw No. 4062, 2026, which sets out North Cowichan's objectives and policies for the period from 2026 – 2030, for consideration of first three readings.

## BACKGROUND

Section 165 of the *Community Charter* requires that every municipality adopt a five-year financial plan, by bylaw, before adopting its Annual Property Tax Bylaw. The legislation also confirms that a financial plan may be amended at any time to reflect Council direction or changing circumstances.

The 2026 budget process began in August 2025, when Council was advised that maintaining existing service levels (a "status quo" budget) would require a 9.26% increase in tax revenue. Council then directed staff to reduce this increase to 5%; however, Council realized that reaching this target was not feasible without reducing service levels they considered essential to the community, a conclusion reached after multiple closed and open meetings where various budget options were examined.

## DISCUSSION

On February 10, 2026, staff presented the consolidated operating and capital budgets, incorporating all changes, deletions, and revisions made by Council throughout the 2026 budget cycle. At that time, the required increase in overall tax revenue was 10.58%. Council subsequently directed staff to amend the budget as follows:

- Defer the procurement review to 2027;
- Remove the 2026 contributions to the Agricultural and Insurance reserves;
- Reduce Council travel expenses by an additional 25%, resulting in a total reduction of 75% compared to 2025;
- Use the Infrastructure Reserve to fund the washdown area, Crofton boat launch, and Chemainus salt shed;
- Use unappropriated surplus to construct the live fire training centre; and,
- Allocate \$500,000 from the Land Sale Reserve to offset borrowing costs for the Maple Bay Wharf replacement, with borrowing delayed until mid-year.

After these changes to the budget, staff informed Council at the February 24, 2026, Special Committee of the Whole meeting that the required increase to tax revenue was now 8.42%.

## Public Consultation

Section 166 of the *Community Charter* further requires Council to undertake public consultation before adopting the Financial Plan. In compliance with this requirement, a public input session was held at

Municipal Hall on February 24, 2026, where residents were invited to ask questions and provide feedback to Council and staff. In addition to the in-person session, the consultation process included sharing budget information and updates on the [ConnectNorthCowichan.ca](https://connectnorthcowichan.ca) engagement platform to support transparency and community understanding of the budget deliberations. Staff have prepared a "What We Heard Report", during the 2026 budget deliberations, and is attached for Council's information (Attachment 1).

The public raised several concerns, including the ongoing health of Quamichan Lake, rising RCMP and E-Comm costs, the inclusion of funding for Indigenous, veteran, and pride crosswalks despite outstanding regular crosswalk maintenance needs, the changes to the provincial deferral program, and the removal of the Maple Bay Wharf replacement from the 2026 budget. Members of the public also asked several questions, which staff are responding to as follows:

- Q. Staff said that North Cowichan has over \$2 billion in assets, though the financial statements only show a net book value of \$368 million.  
A. This difference exists because the financial statements report assets at their historical cost, reduced over time through amortization based on their useful lives. In contrast, the \$2 billion figure referenced by staff represents the current estimated replacement cost of North Cowichan's aging infrastructure—what it would cost today to rebuild or replace those assets.
- Q. Concern about the deteriorating condition of local roads and requested information regarding historical funding levels for road maintenance and rehabilitation.  
A. Over time, the operational roads budget has increased only modestly to keep pace with inflation. For 2026, it is set at \$1.8 million, which includes funding for sidewalks, pothole patching, street cleaning, crack and chip sealing, grading and gravelling, curb painting, roundabout maintenance, road marking, traffic calming, and general road maintenance. In contrast, the combined roads and drainage budget is \$3.7 million, intended to cover the costs for roads, sidewalks, bridges, drainage mains, culverts, and drainage/flood pump stations. It has remained unchanged for at least a couple of decades. Consequently, the budget has not kept pace with inflation and is no longer sufficient to keep up with asset renewals. Further, because the Municipality has not been adequately taxing for these assets, we have a backlog of work with insufficient reserves to adequately deal with the backlog and future work. The Average Annual Lifecycle Investment (the budget) for roads and drainage should be in the order of \$20.3 million over the long term. There are ramifications to not keeping on top of road work, in particular: as the road surface degrades, we run the risk of the road base degrading to the point where, instead of doing a road resurfacing, we have to rebuild the entire road.
- Q. The Chief Administrative Officer (CAO) has the same purchasing authority as the City of Victoria. How does Council review purchasing authority?  
A. The CAO's purchasing authority is established through Council's Delegation of Authority Bylaw, which delegates specific financial and operational authorities. Council reviews this bylaw whenever adjustments are needed to reflect operational efficiency, updated procedures, or organizational best practices. If the CAO's spending authority were set significantly lower, many routine purchases would require Council approval, adding unnecessary delays and placing further pressure on already full Council agendas. While the bylaw can be reviewed at any time, it is typically revisited when a new Council is elected, ensuring the level of delegated authority aligns with Council's expectations and governance approach.

- Q. How many staff are involved in the \$1.6 million increase to wages?
- A. North Cowichan has 379 staff which includes full-time, part-time, and casuals. This number does not include the paid on-call firefighters as they are not included in this increase; they are included in the increase to North Cowichan Fire.
- Q. What is the interest as a revenue source referring to?
- A. This refers to the investment income the municipality earns by investing funds that are not required to meet current-year financial obligations. These surplus funds are placed in secure investments, and the interest generated becomes a source of revenue for the municipality.
- Q. What proportion of overall taxes are deferred?
- A. In 2025, 6.71% of all property taxes, equivalent to \$5.71 million out of \$85.1 million, were deferred through the provincial Property Tax Deferment Program. The \$85.1 million total includes taxes collected on behalf of other taxing authorities (Cowichan Valley Regional District, Hospital District, BC Assessment, School Tax, and Municipal Finance Authority).

### **Provincial Property Tax Deferral Program**

Staff acknowledge that the Province of B.C. introduced significant reforms to the Property Tax Deferment Program in Budget 2026, with changes affecting all taxes deferred for the 2026 tax year and onward. The old system (for taxes deferred up to 2025) was:

- Regular Program (55+, survivor, or person with disabilities) – Prime – 2%, simple interest
- Families with Children Program – Prime, simple interest

Under the new system for both programs (regular and families with children), it is now Prime + 2% compounding interest. This is a dramatic shift; not only is the interest rate higher, but it now compounds monthly rather than accruing simple interest. Residents who have historically used the program, particularly seniors who defer each year, will now see their deferred balances grow faster due to higher interest and compounding. Residents who previously used the program strategically (e.g., investing tax savings at higher return rates) are less likely to continue deferring under the new cost structure. Residents enrolled in automatic renewal will have their 2026 taxes deferred automatically at the new rate unless they proactively opt out by June 1, 2026.

Given the impact that this new change will have on North Cowichan residents, especially seniors, staff will create clear messaging on the website, social media, and bulletin boards regarding the recent changes, direct residents to the updated B.C. government information pages and encourage residents to re-evaluate whether deferring remains the best financial choice for them.

### **Provincial Sales Tax on Professional Services**

Although this will not necessarily affect the 2026 budget, Council and the community should be aware that, effective October 1, 2026, the Province of B.C. is expanding the Provincial Sales Tax (PST) to include several types of professional services that historically were not subject to PST. This expansion will impact future budgets, as these services will now be subject to PST. This new PST will be applicable to the following professional services:

- Engineering services
- Geoscience services
- Architectural services
- Accounting, bookkeeping, and assurance services

- Security services, including private investigation
- Non-residential real estate services

For engineering, architectural, and geoscience services, the province has created a partial-taxable-base rule, and PST will apply to 30% of the purchase price, not the full amount. That means that instead of paying 7% PST on the whole fee, the effective PST rate works out to be 2.1% (7% x 30%). This rule appears designed to reduce the cost impact on construction and infrastructure projects.

The Union of BC Municipalities (UBCM) has stated that this change will increase costs for local governments because municipalities rely heavily on engineering, architectural, and geoscience consultants for capital projects, development reviews, infrastructure planning, and similar work. This means projects such as road and drainage design, bridges, water and sewer expansions, facility condition assessments, and planning and development engineering reviews will cost more for North Cowichan once PST is added in October 2026. Additionally, this will cause several direct and indirect impacts on developers operating in North Cowichan, such as higher costs to develop projects, increased housing construction costs that the developers may pass some or all of these added costs on to buyers/tenants, and higher costs for land development and subdivision work, to name a few.

As previously stated, many of the increases to the 2026 budget are beyond North Cowichan's control, including RCMP increases, E-Comm 911 costs, library increases, election costs, increases in debt servicing, and inflationary increases.

All approved items and mitigation strategies result in an 8.42% net increase in tax revenue needed over 2025, assuming a 1.25% to non-market change. The total tax revenue needed doesn't necessarily translate directly into the same percentage increase in the tax rate, because of factors such as changes in assessment, non-market factors, tax distribution, etc. It's more about how the tax burden is distributed across different classes and how changes in assessments impact the effective rates.

## OPTIONS

1. **(Recommended Option)** THAT Council gives first, second and third reading to 2026 – 2030 Financial Plan Bylaw No. 4062, 2026.
  - This allows staff sufficient time to prepare the tax rate bylaw well before the legislative deadline of May 15. Council will also consider the distribution of taxes among property classes in April, following the release of the Revised Assessment Roll.
2. This Alternative Option would enable Council to make amendments to the proposed Financial Plan Bylaw. The following motions must be considered individually, as any changes to the bylaw must occur between first and third readings.
  - (1) THAT Council gives first and second reading to 2026 - 2030 Financial Plan Bylaw No. 4062, 2026;
  - (2) THAT Council amends 2026 - 2030 Financial Plan Bylaw No. 4062, 2026 by:
    - (a) *(Council to identify what is to be changed, including the item number and the text or number that is to be stricken, removed or added)*
  - (3) THAT Council gives third reading to 2026 - 2030 Financial Plan Bylaw No. 4062, 2026 as

amended.

- This allows Council to consider changes to the Financial Plan Bylaw before it is adopted; however, staff may be unable to provide a fulsome evaluation of the impacts of changes made at this meeting. Additional meetings may be required to consider the direction, potentially delaying projects or requiring additional reports to be brought forward for Council consideration of pre-budget approval.

**IMPLICATIONS**

Once Council has given first three readings, additional notice will be provided to the public, per Section 166 of the Community Charter, so they can comment on the bylaw prior to adoption at the March 18, 2026, Council meeting.

**RECOMMENDATION**

THAT Council gives first, second and third reading to 2026 – 2030 Financial Plan Bylaw No. 4062, 2026.

Report prepared by:



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Teri Vetter, CPA, CGA, B. Comm  
Director, Financial Services

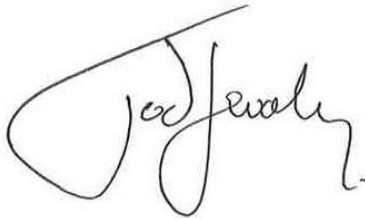
Report reviewed by:



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Bill Corsan  
General Manager, Corporate Services and  
Community Relations

**Approved to be forwarded to Council:**



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Ted Swabey  
Chief Administrative Officer

Attachments:

- (1) What We Heard Report
- (2) 2026 – 2030 Financial Plan Bylaw No. 4062, 2026