



Q2 2026 FINANCIAL UPDATE



Q2 2026 Summary

The purpose of this *Q2 2026 Financial Update* is to provide Council and the public with financial information as at June 30, 2026 as well as projections to December 31, 2026.

The *Five-Year Financial Plan (2026 – 2030) Bylaw No. 2112, 2026* (the FP bylaw) provides spending authority to staff (as delegated by the *Purchasing Power Delegation Amendment Bylaw No. 1748-01, 2019*). The City's Financial Plan is a supplementary document, presented by service area, and the financial information contained within the Financial Plan reconciles to the FP bylaw. The FP bylaw is prepared at a high-level, consistent with Provincial financial statement presentation requirements, to maximize operational flexibility while retaining expenditure authorization.

As part of the City's commitment to transparency and fiscal accountability, quarterly variance reporting provides an update on financial performance relative to the approved budget. The report presents year-to-date actual results together with updated forecasts of expected year-end financial results.

Budget utilization at the end of a quarter will vary across departments and services and should not necessarily be expected to align evenly with the portion of the year that has elapsed. Variances may reflect the timing of planned expenditures, seasonal activities, staffing levels, and the timing of transaction processing. For example, Snow/Storm Clean-up may show lower expenditures at the end of the second quarter because a significant portion of these costs typically occurs during the winter months.

Similarly, it is normal for individual service areas to forecast year-end results either above or below their approved budgets as operating circumstances evolve throughout the year. **Administration monitors these variances on an ongoing basis, considering the City's financial position as a whole and identifying opportunities to offset emerging cost pressures with savings or favourable variances elsewhere where appropriate. This active monitoring supports the City's objective of maintaining overall expenditures within available funding and avoiding an operating deficit.**

Staff forecasts incorporate information available at the end of the reporting period and provide the most current estimate of anticipated year-end results. Forecasts consider prior-year experience, actual and planned changes in activity, service delivery expectations, staffing levels, and related funding impacts. This approach provides a more complete picture of expected financial performance and supports the early identification and management of potential budget pressures, savings, and other emerging financial considerations.

Administration continues to monitor staffing and expenditure impacts across the organization and incorporates anticipated vacancy savings, backfill costs, and other emerging pressures into the year-end forecast. This provides a more balanced assessment of the City's overall financial position, recognizing that favourable variances in some service areas may help offset pressures in others.

General Operating Revenue is projected at 98% of budget. Refer to the service profile operating budget updates for detail. In accordance with the City’s *Sustainable Infrastructure Replacement Plan* (2019), unrestricted investment earnings are transferred to reserves to fund infrastructure replacement.

Core operating expenses are projected to fall within 95% of budget; refer to respective service area profiles for detail. While operating expenses for certain activities within service areas are over budget, total projected operating expenses are within our Financial Plan bylaw. No financial plan amendment is required to support operations as projected, however an amendment will be prepared to address motions approved by Council since the initial approval of the Financial Plan.

Sewer Utility Revenue is projected at 107% of budget; the 2026 sewer operating revenues are anticipated to be sufficient to cover projected utility operating expenses and transfers to reserves which were not completed in 2023 and 2024 due to operating deficits. The sewer utility is projected to realize a surplus of \$117k after expenses and covering transfers in arrears of \$165k.

Transfers to reserves are projected at \$10M or 103% of budget; primarily due to PILT revenues and projected RCMP surplus.

The **Q2 2026 financial update is projecting an unallocated operating surplus of \$1.232M;** a projected general operating surplus of \$1.115M and a projected sewer utility operating surplus of \$.117M.

The projected general operating surplus is primarily driven by lower-than-budgeted labour costs resulting from temporary vacancies, employee leaves and the timing of recruitment and staffing transitions.

In addition, the policing operating surplus is projected at \$301K and this amount has been allocated as a transfer to the RCMP surplus reserve.

In accordance with the City’s Public Art Funding Policy (PAF001), if there is an annual operating surplus greater than \$50,000, \$50,000 shall be transferred to the Public Art Reserve Fund. It is anticipated that this transfer for arts will be made at year-end.

Consolidated Budget	2026 Projected Actual
Allocation of Projected Surplus	
General Operating Surplus	\$1,115,048
Sewer Operating Surplus	116,909
Sewer LAS Surplus (Deficit)	310
Projected Surplus Allocation	\$1,232,267

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Consolidated Budget	2026 Budget Bylaw 2112	2026 Actual	2026 Projected Actual	Projected Variance \$	Projection %	On Track Monitoring At Risk
Revenue	\$48,872,300	\$34,581,593	\$47,082,859	(\$1,789,441)	96.34%	On Track
Core Operating Expenses	(34,960,400)	(12,879,432)	(33,227,011)	\$1,733,389	95.04%	On Track
Special Initiatives Expenses	(2,487,200)	(466,185)	(1,455,260)	\$1,031,940	58.51%	Monitoring
Transfers from Reserves	13,591,400	0	9,733,780	(\$3,857,620)	71.62%	Monitoring
Debt Proceeds	28,300	0	28,300	\$0	100.00%	On Track
Capital Expenditures	(15,047,500)	(3,098,847)	(10,655,086)	\$4,392,414	70.81%	Monitoring
Transfers to Reserves	(9,725,700)	0	(10,004,115)	(\$278,415)	102.86%	On Track
Debt Principal	(271,200)	(87,190)	(271,200)	\$0	100.00%	On Track
Surplus/(Deficit)	\$0		\$1,232,267	\$1,232,267	100.00%	On Track

Revenue	2026 Budget Bylaw 2112	2026 Actual	2026 Projected Actual	Projected Variance \$	Projection %	On Track Monitoring At Risk
Property Taxes	\$26,205,400	\$27,349,442	\$26,134,442	(\$70,958)	99.73%	On Track
New Construction Taxation	1,175,000	-	1,133,000	(42,000)	96.43%	On Track
Payments In Lieu of Taxes	3,831,100	-	4,277,146	446,046	111.64%	On Track
Utility Revenue	338,200	223,291	338,291	91	100.03%	On Track
Property Tax Penalties & Interest	252,700	15,379	284,138	31,438	112.44%	On Track
Grants (Operating)	1,421,400	66,843	814,695	(606,705)	57.32%	Monitoring
Event Revenue	44,300	3,300	27,600	(16,700)	62.30%	Monitoring
Advertising Commissions	15,000	2,476	7,428	(7,572)	49.52%	At Risk
Investment Income	1,641,600	519,953	1,563,812	(77,788)	95.26%	On Track
Finance Revenue	91,700	66,841	99,119	7,419	108.09%	On Track
Corporate Services Revenue	13,700	1,600	12,600	(1,100)	91.97%	On Track
Building & Bylaw Revenue	1,716,100	579,015	1,636,692	(79,408)	95.37%	On Track
Police Revenue	51,700	37,812	65,129	13,429	125.97%	On Track
Engineering Revenue	736,100	357,430	652,034	(84,066)	88.58%	On Track
Parks & Blvds Revenue	1,000	-	1,000	0	100.00%	On Track
Public Works Facilities & Other Revenue	24,900	8,629	16,895	(8,005)	67.85%	Monitoring
Planning Revenue	170,900	119,529	226,557	55,657	132.57%	On Track
Health Revenue	1,516,600	366,790	1,253,559	(263,041)	82.66%	On Track
Total General Operating Revenue	39,247,400	29,718,330	38,544,138	(703,262)	98.21%	On Track
Local Service Area Parcel Taxes	382,200	382,490	382,490	290	100.08%	On Track
Sewer User Fees	2,849,300	3,068,097	3,068,097	218,797	107.68%	On Track
Sewer Connection Fees	155,100	55,042	160,356	5,256	103.39%	On Track
Sewer Enhancement Fees	25,200	21,539	46,155	20,955	183.15%	On Track
Total Sewer Utility Revenue	3,411,800	3,527,169	3,657,098	245,298	107.19%	On Track
Developer Contributions, Reserves	1,638,500	1,336,095	1,446,200	(192,300)	88.26%	On Track
Grants (Capital)	2,638,400	-	2,395,348	(243,052)	90.79%	On Track
Developer Contributions, Other	30,000	-	-	(30,000)	0.00%	At Risk
Developer Contributions, Road	1,906,200	-	1,040,075	(866,125)	54.56%	Monitoring
Developer Contributions, Sewer	0	0	0	0	0.00%	On Track
Total Capital Revenue	6,213,100	1,336,095	4,881,623	(1,331,477)	78.57%	On Track
Total Revenue	48,872,300	34,581,593	47,082,859	(1,789,441)	96.34%	On Track

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Operating Expenses	2026 Budget Bylaw 2112	2026 Actual	2026 Projected Actual	Projected Variance \$	Projection %	● On Track ● Monitoring ● At Risk
Administration & Corporate Services	2,742,900	1,356,985	2,777,284	34,384	101.25%	●
Communications & Engagement	584,800	258,428	497,650	(87,150)	85.10%	●
Events, Arts & Culture	336,100	105,856	299,903	(36,197)	89.23%	●
Library	1,338,100	759,446	1,338,100	0	100.00%	●
Human Resources	583,500	206,687	528,770	(54,730)	90.62%	●
Health Administration	1,823,800	529,279	1,487,164	(336,636)	81.54%	●
Finance	1,185,100	572,101	1,288,247	103,147	108.70%	●
Information Technology	835,500	516,790	823,437	(12,063)	98.56%	●
GIS	395,000	214,153	390,960	(4,040)	98.98%	●
Policing	7,563,700	1,948,822	7,275,966	(287,734)	96.20%	●
Fire	3,983,000	1,640,355	3,647,028	(335,972)	91.56%	●
Building & Bylaw	1,102,600	488,288	1,086,915	(15,685)	98.58%	●
Engineering	1,141,100	539,259	1,169,212	28,112	102.46%	●
Planning	910,500	417,787	846,907	(63,593)	93.02%	●
Public Works	1,507,400	672,153	1,411,816	(95,584)	93.66%	●
Roads	1,375,500	449,109	1,257,888	(117,612)	91.45%	●
Boulevards	909,900	317,133	817,556	(92,344)	89.85%	●
Parks, Trails & Recreation	3,095,500	1,269,871	2,796,922	(298,578)	90.35%	●
Storm Sewers	296,200	116,830	297,839	1,639	100.55%	●
Sewer	2,361,200	282,555	2,302,905	(58,295)	97.53%	●
Fiscal	21,600	6,979	17,158	(4,442)	79.44%	●
Debt Interest	867,400	210,565	867,380	(20)	100.00%	●
Total Core Operating Expenses	34,960,400	12,879,432	33,227,011	(1,733,389)	95.04%	●
Special Initiatives	2,487,200	466,185	1,455,260	(1,031,940)	58.51%	●
Total Operating Expenses	37,447,600	13,345,617	34,682,271	(2,765,329)	92.62%	●
Add: Transfer from Reserves	13,591,400	0	9,733,780	(3,857,620)	71.62%	●
Add: Debt Proceeds	28,300	0	28,300	0	100.00%	●
Deduct: Capital Expenditures	15,047,500	3,098,847	10,655,086	(4,392,414)	70.81%	●
Deduct: Transfer to Reserves	9,725,700	0	10,004,115	278,415	102.86%	●
Deduct: Debt Principal	271,200	87,190	271,200	0	100.00%	●
Balanced Budget/Surplus(Deficit)	\$0		\$1,232,267	\$1,232,267	100.00%	●

Revenue Discussion

New Construction Taxation Revenue: New construction tax revenue is property tax revenue derived from newly constructed buildings or recently subdivided lots. It is important for local governments to identify these properties separately each year.

As communities grow through new construction, the City inherits newly built infrastructure such as roads, sidewalks, boulevard, trails, street lights and signals, sewers and drainage systems. The City is expected to maintain these assets and replace them as they age.

Similarly, local governments experience increased demand on existing operating budgets. As communities grow, there is higher demand on fire service, policing and other City service areas.

As a result, it becomes very important for the City to use this new construction taxation revenue to fund these new infrastructure and operating costs. As a budgeting principle, the City sets aside new taxation construction revenue to fund future infrastructure replacement and expanded operating expenses.

In the consolidated budget summary, new construction taxation revenue is not reported in the fiscal period preceding the current budgeting period because, after the first taxation year, tax revenues derived from these properties become part of the entire community taxation base. **Q2 2026 Update:** New construction tax revenue was budgeted at \$1.17M and is projected to finish at \$1.13M (-\$0.04M). There are currently properties under appeal with BC Assessment and those impacts will be reflected when known.

Grant in Lieu of Taxes: Properties owned and/or occupied by the Federal or Provincial Governments are normally exempt from paying taxes. Often, such properties will pay a grant in lieu of taxes. Federal properties are generally subject to the federal Payments in Lieu of Taxes Act. Provincial properties are generally subject to the provincial Municipal Aid Act.

Federal property grants make up approximately 98% of grant in lieu of tax revenue in this financial plan, with provincial properties making up the remaining 2%. Grant in lieu of taxes are paid on the basis of assessed value multiplied by the City's tax rates. Federal properties assessments are subject to significantly more risk since values are not determined by BC Assessment and not resolved in the same time frame. Often valuation changes are not determined until after the City's financial plan is adopted. **Q2 2026 Update:** The 2026 Federal PILT claim is submitted in Q3. Colwood's 2026 estimate is \$4.2M. Changes in assessed values and classifications continue to introduce risk to the City's PILT payments. The increase is primarily attributable to increased assessment values and the City has ongoing conversations with the federal government and legal counsel as they introduce strategies to reduce PILT.

On June 23, 2020 Colwood City Council resolved to provide the Royal BC Museum Archives a ten-year exemption from paying Grant in Lieu of Taxation on the property located at 3608 Ryder Hesjedal Way, effective 2021 through 2030 inclusive. Grant in Lieu of Taxes will be received in subsequent years.

Utility Revenue: Pursuant to section 644 of the *Local Government Act*, utility companies must pay each municipality 1% of the revenues earned within that municipality in the preceding year. In addition, the City of Colwood has entered into an operating agreement with Fortis. This operating agreement allows Fortis to operate gas distribution lines in exchange for 3% of the gross revenues within municipal boundaries.

Revenue Discussion

Property Tax Penalties & Interest: The City is required to levy a 10% penalty for all outstanding taxes that remain unpaid after the tax due date (pursuant to Municipal Tax Regulation 426/2003). The City works to inform and encourage taxpayers so that they can avoid this tax penalty as much as possible. **Q2 2026 Update:** The property tax penalty & interest projection is \$284k.

Grants (Operating):

Operating Grant	2026 Budget	2026 Projection	Projected Variance \$	Projection %
Unconditional Operating Grants:				
Casino Revenue	\$ 300,000	\$ 267,045	\$ (32,955)	89%
Small Community Grant	-	-	-	0%
Traffic Fine Revenue Sharing	168,900	147,000	\$ (21,900)	87%
	468,900	414,045	(54,855)	88%
Conditional Operating Grants:				
Parks Canada	131,200	72,589	(58,611)	55%
Climate Action - LGCAP	133,600	76,394	(57,206)	57%
Building Safer Communities Fund	98,700	24,185	(74,515)	25%
Federation of Canadian Municipalities	200,000	67,883	(132,117)	34%
Fortis	80,000	27,153	(52,847)	34%
BC Hydro	32,300	10,963	(21,337)	34%
Community Emergency Preparedness Fund	205,300	50,000	(155,300)	24%
UBCM	71,400	71,400	-	100%
BC Hydro Cost Share	-	82	82	0%
	952,500	400,650	(551,850)	42%
Total	\$ 1,421,400	\$ 814,695	\$ (606,705)	(34%)

Small Community Grant: 2026 is the first year that the City became ineligible for the Small Community Grant. This was predicted and is eliminated as the City reached a population of approximately 23,000.

Traffic Fine Revenue Sharing Grant: Determined by total Provincial traffic fine revenue collected in the year prior, Colwood's share of the funds are determined by the City's proportionate policing costs. The City's policing costs per capita are among the lowest in British Columbia for its population range.

Grants (Capital): The budget for capital grants is almost completely related to use of various Federal and Provincial conditional grants to fund capital expenditures. The City holds gas tax funds in a statutory reserve. The volatility of this recognition is directly linked to the volatility of capital project expenditures.

Revenue Discussion

Grant	2026 Budget	2026 Projection	Projected Variance \$	Projection %
Federal, Canada-Community Building Fund	\$ 926,800	\$ 926,800	\$ -	0%
Federal/Provincial, Canada-Community Building Fund (Waterfront)	502,600	502,600	-	0%
Federal/Provincial, Investing in Canada Infrastructure Program (Galloping Goose Overpass)	1,059,000	920,948	(138,052)	(13%)
Provincial, BC Active Transportation Infrastructure Grant (Active Transportation Counters)	5,000	5,000	-	0%
Provincial, Local Government Program Services (Next Generation 911)	145,000	40,000	(105,000)	(72%)
Total	\$2,638,400	\$2,395,348	(\$243,052)	(9%)

Building and Development Revenues: Despite a market-driven slowdown in development activity, both development-related and building permit revenues have remained relatively strong, with current projections indicating year-end results will finish close to, although modestly below, budget.

Developer Contributions: This budget is primarily comprised of expected cash contributions from developers to the affordable housing and/or amenities reserve. Contributions are immediately transferred to reserves. Therefore, if contributions exceed or fail to meet budget expectations, there is no direct tax impact.

In addition, road development cost charges are collected where applicable, and the revenue is recognized when spend on eligible projects is budgeted. It is challenging to predict developer contributions with a high degree of certainty and this year developer contributions are trending below budget. Developer contributions are subject to some variation by the zone in which development occurs.

Investment Income: Interest rates have recovered from the low rates experienced during the pandemic and are projected to remain close to budget (95%).

Expense Discussion

Operating Expenses: The **Q2 2026 financial update is projecting core operating expenses of \$33.2M (95% of budget).**

As labour represents the City's most significant operating expenditure, changes in staffing levels and the timing of filling vacant positions can have a meaningful impact on financial results. Staffing availability during the year has been affected by a combination of employee leaves of absence, temporary vacancies and recruitment timing. The resulting financial impact varies by service area depending on whether work can be deferred or absorbed within existing resources, or whether temporary backfill is required to maintain service delivery. Labour expenditure patterns during the year were also influenced by the timing of the collective bargaining cycle and subsequent implementation of the new agreement.

In some service areas, temporary vacancies or leaves may result in lower-than-budgeted expenditures where work can reasonably be deferred, reprioritized, or absorbed within existing resources. In other areas, however, vacancies do not necessarily translate into equivalent budget savings because continuity of service must be maintained. Temporary staffing, additional internal capacity, or other backfill arrangements may be required to meet statutory, regulatory, and operational obligations.

This is particularly relevant within Finance, where legislated financial reporting and taxation requirements must be completed within prescribed timelines, while core financial operations such as payroll, accounts payable, security deposit administration, and customer refunds must continue regardless of temporary staffing vacancies or leaves. As a result, the financial impact of staffing vacancies can vary considerably between service areas depending on the nature, timing, and criticality of the services being delivered.

The Police strength has so far not actualized at full complement, and coupled with the transition to centralized staffing out of Langford, is contributing to the surplus in that service area. This is not unusual, and the City's practice is to transfer these funds to reserve for future capital costs and repairs.

Service Areas: Refer to the **Q2 2026 Service Areas** Variance Report

Capital Projects: Refer to the **Q2 2026 Capital Update** and Operational Update

Special Initiatives: Refer to the **Q2 2026 Special Initiative Update** and Operational Update