



To: Chief Administrative Officer **Date:** March 17, 2025
From: Chris Gruenwald, Director of Forestry
Subject: **Forestry Operations 2024 Quarter 4 (Q4) Report**

Recommendation(s)

This report is provided for information only. Council action is not required.

This report provides a summary of the fourth quarter financial results for the forestry operation, together with additional information on forestry strategies, plans, activities, and challenges for the remaining year.

Purpose

1. To provide financial results for the forestry operations for the fourth quarter (Q4) of 2024 (October 1, 2024, to December 31, 2024).
2. To provide information on strategies and plans.
3. To provide an update on other forestry activities in Q4.
4. To provide an update on the Stave West Forest and Recreation Area for 2024
5. To provide an update on issues for the upcoming year.

Background

Staff has prepared this report regarding financial information for forestry operations in the fourth quarter (Q4) of 2024. This budget review report includes a comparison of the previous year financial results, and an update on other forestry activities during the quarter.

Discussion and Analysis

1. Financial Results for Q4 2024

The forestry financial results are reporting a Q4 2024 net profit of \$245,138 (after fee/fund transfers) compared to the forecasted Q4 2024 net loss of (\$515,458) and Q4 2023 net profit of \$946,969. The positive results for the quarter were due to the revenue received from the last timber sale released in September.

For the twelve months ending December 31, 2024, forestry financial results report a net profit of \$621,186 (after fee/fund transfers). Please note that these figures are not yet finalized and may be subject to some change as the year-end balances and the audit will not be completed for another 1-2 months. In the 2024 budget we had forecasted a year end net profit of \$327,433 and in 2023 we had a net profit of \$7,517,283.

Table 1 provides a summary of the quarterly results comparing 2024 budget, 2024 actual, and 2023 actual.

Appendix A is a summarized report on the actual results for the period ending December 31st.

Table 1: Comparison of Q4 2024 Budget versus 2024 Actual and 2023 Actual Financial Results

2024 Budget and Actual versus 2023 Actual

	2024 Q4			2023 Q4	Current Year over Prior Year Variance Favorable / (Unfavorable)
	Budget	Actual	Budget Variance Favorable / (Unfavorable)		
Timber Sales	98,000	1,281,212	1,183,212	1,645,614	(364,402)
Waste Billing	10,000	33,190	23,190	7,500	33,190
Other Revenue	182,551	50,895	(131,656)	75,051	(24,156)
Total Revenue	290,551	1,365,297	1,074,746	1,728,165	(362,868)
Direct Logging Expense	408,441	792,697	(384,255)	263,635	(529,062)
Gross Margin	(117,890)	572,600	690,491	1,464,530	(891,930)
Other Expenses	292,606	222,500	70,105	426,363	203,863
Net Profit (Loss) Before Transfers	(410,496)	350,100	760,596	1,038,167	(688,067)
Transfers	104,962	104,962	0	91,198	13,764
Net Profit (Loss) After Transfers	(515,458)	245,138	760,596	946,969	(701,831)
Timber Sales \$/m ³	98.00	98.60	0.60	147.61	(49.01)
Waste Volume	0	0	0	0	0
Timber Sale Volume	1,000	12,994	11,994	11,148	1,846

2. Summary of the Strategies and Plans in 2023

Timber markets remained soft throughout 2024; as a result, the department chose to release timber sales in a strategic fashion to take advantage of temporary upticks throughout the year. The department also harvested below the annual allowable cut (AAC) for the year, harvesting 47,395m³, or 11,000m³ below the AAC. As 2024 is the first year of the current 5-year cut control period, the department can harvest this volume at a time when markets are strong.

Highlights of Other Forestry Activities in Q4

In addition to our legal forestry obligations and our objective to optimize the financial return on the Tree Farm Licence investment, we also manage the forestry operation to meet various recreation, education, and community forestry responsibilities. Some of the other forestry activities accomplished in the fourth quarter are:

- a) Completed a tour with the Masters of Sustainable Forest Management class from the UBC Faculty of Forestry, where staff shared their experiences managing a community Tree Farm licence (October 4th)
- b) Set up a booth at the annual Fire Safety Fair, organized by Mission Fire Rescue Service. The department showcased the new UAV (Drone) that was purchased earlier

in the year (October 6th)

- c) Participated in the EOC immersive exercise, organized by the Emergency Program Manager (November 13th). This was an excellent exercise and really helped to prepare City staff to deal with a significant emergency.
- d) Met with FPInnovations, to discuss establishing a waste wood pile burning emissions study in partnership with the Province of BC (December 5th). This project was completed in early 2025.
- e) Completed a tour with staff of the John Deere factory in Langley, where forestry harvesting equipment is manufactured. The Director also discussed potential partnerships with John Deere to establish a forestry machine operator training program in Mission (December 19th).

3. Stave West Updates for 2024

There were a number of developments in the Stave West Forest and Recreation Area:

- a) Completion of 2 - information kiosks, at the 79 Grind parking lot and the Kearsley campsite. The kiosks were designed by a local Kwantlen First Nation artist, fabricated using Corten steel, and provides information on the Municipal Forest and local First Nation history and use of the area.
- b) Completion of the 'Rolli-Olli-Polli' trail, which connects the Rolley Lake and Devils Lake loop trails, creating a 14km 2-lake loop trail.
- c) Started the expansion of the Kearsley Creek campsite, which is expected to be completed by the end of 2025. When complete, another 60 sites will be added to the campsite.
- d) Started a new trail to Mt. Crickmer, which is expected to be completed in 2025. When complete it will provide a proper forest trail to Crickmer, which will replace the current route up the Kearsley creek road network.

5. Challenges and Opportunities for 2025

There are some significant challenges and uncertainties for 2025:

- a) Uncertainty around tariffs on softwood lumber are a major concern that could negatively impact timber markets. The department will continue to monitor the situation on the ground and strategically release timber sales when there is a temporary spike in markets. As 2025 is the second year of the current five-year cut control period, there is flexibility in terms of reducing harvest levels in 2025 and deferring some of this cut to a more opportunistic time.
- b) The lack of snowfall and warmer winter weather is a concern as we head into the start of wildfire season (April 1st). The department will work closely with our partners, including Mission Fire Rescue Service and BC Wildfire Service, to ensure we are well prepared for the 2025 wildfire season.

Financial Implications

The forestry financial results report a Q4 2024 net profit of \$245,138 and an overall 2024 net profit of \$621,186.



I have reviewed the financial implications.
Scott Ross, Manager of Accounting Services

Summary and Conclusion

The forestry financial results report a Q4 2024 net profit of \$245,138 and an overall 2024 net profit of \$621,186. The positive results for the quarter were due to revenue received from the last timber sale of the year, released in September. Financial results for the year were higher than budget, by \$293,753, despite harvesting 11,000m³ less than the annual allowable cut. Please note that these figures are not yet finalized and may be subject to some change as the year-end balances and the audit will not be completed for another 1-2 months.

Tariffs on softwood lumber are a significant concern in 2025; the department is actively monitoring the situation on the ground and will release timber sales when markets start to improve. The department is in the second year of the current five-year cut control period, and has flexibility to reduce harvest levels in 2025, if required.

Wildfire is also a concern in 2025, due to the lack of snowfall and warm winter weather, and the department will be working closely with its partners to ensure the City is well prepared for the 2025 wildfire season.

Report Prepared by: Chris Gruenwald, Director of Forestry
Reviewed by: Jocelynn Low, Accounting Supervisor
Approved for Inclusion: Mike Younie, Chief Administrative Officer

Appendix A
Forestry Operations Financial Results
YTD ended December 31, 2024

REVENUES	
Timber Sales	\$4,234,869
Waste Billing	\$42,650
Other Revenue	\$332,497
Total Revenue	\$4,610,015
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Direct Logging Expenses	\$2,272,815
Other Expenses	\$1,372,072
Total Expenses	\$3,644,886
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Net Profit Before transfers	\$965,129
Transfers	\$243,943
Net Profit after transfers	\$721,186
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Transfer to capital Reserve	\$100,000
Net Profit After Reserve	\$621,186
Transfer	\$621,186
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