

To: Chief Administrative Officer **Date:** June 2, 2025
From: Chris Gruenwald, Director of Forestry
Subject: **Forestry Operations 2025 Quarter 1 (Q1) Report**

Recommendation(s)

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

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

Purpose

1. To provide financial results for the forestry operations for the first quarter (Q1) of 2025 (January 1, 2025 to March 31, 2025).
2. To provide information on strategies and plans.
3. To provide an update on other forestry activities in Q1.
4. To provide an update on issues for the upcoming year.

Background

Staff has prepared this report regarding financial information for forestry operations in the first quarter (Q1) of 2025. This budget review report includes a comparison of the previous year's financial results, and an update on other forestry activities during the quarter.

Discussion and Analysis

1. Financial Results for Q1 2025

The forestry financial results report a Q1 2025 net profit of \$181,474 (after fee/fund transfers) compared to the forecasted Q1 2025 net profit of \$1,082,492 and Q1 2024 net profit of \$57,382. The results for the quarter were due to the lower volumes harvested compared to budget, as the department did not release the first timber sale of the year until late-January, as there was market uncertainty at the end of 2024/start of 2025. Operations associated with the timber sale started in late February.

Table 1 provides a summary of the quarterly results comparing 2025 budget, 2025 actual, and 2024 actual.

Appendix A is a detailed report on the actual year to date (YTD) results.

Table 1: Comparison of Q1 2025 Budget versus 2025 Actual and 2024 Actual Financial Results

2025 Budget and Actual versus 2024 Actual

	2025 Q1			2024 Q1	
	Budget	Actual	Budget Variance Favorable / (Unfavorable)	Actual	Current Year over Prior Year Variance Favorable / (Unfavorable)
Timber Sales	2,400,000	826,118	(1,573,882)	453,714	372,404
Waste Billing	0	267	267	0	267
Other Revenue	5,800	30,350	24,550	116,384	(86,034)
Total Revenue	2,405,800	856,736	(1,549,064)	570,098	286,638
Direct Logging Expense	966,237	290,048	676,189	84,805	(205,243)
Gross Margin	1,439,563	566,688	(872,875)	485,293	81,395
Other Expenses	299,095	327,237	(28,142)	381,584	54,347
Net Profit (Loss) Before Transfers	1,140,468	239,451	(901,018)	103,709	135,742
Transfers	57,977	57,977	0	46,327	11,650
Net Profit (Loss) After Transfers	1,082,492	181,474	(901,018)	57,382	124,092
Timber Sales \$/m ³	100.00	72.41	(27.59)	128.00	(55.59)
Waste Volume	0	0	0	0	0
Timber Sale Volume	24,000	11,409	(12,591)	3,548	7,861

2. Summary of the Strategies and Plans in 2025

Lots of uncertainty exists in the timber market these days, due to threats of new tariffs from the United States. The department released a 24,000m³ Hemlock/Cedar timber sale at the end of January, which will generate \$1.9 million dollars in revenue. The department has also been receiving inquiries about putting out another sale, as there is not a lot of timber available on the market and buyers are actively seeking supply. As such, a second timber sale may be released late in the second quarter.

- Log revenue, marketing and sales** – The 2025 Q1 timber sales revenue was \$826,118 (\$72.41/m³) against a budget of \$2,400,000 or \$100.00/m³. The decrease in revenue from budget is due to the lower volumes harvested, as the timber sale operations did not start until late February. Total revenue for the quarter was \$856,736 which included other miscellaneous revenues of \$30,350.
- Operational costs** – For the quarter, direct logging expenses were lower than forecast, by \$676,189. The lower volumes harvested over the quarter are directly related to lower stumpage costs (\$399,917) and there were also less contractor activities than budgeted for over the quarter, resulting in lower contracts costs (\$150,811).
- Other Expenses** – Other expenses for the quarter were higher by \$28,142 primarily due to higher silviculture costs \$63,866, which was offset by lower engineering costs (\$39,397). The spring planting program was completed in the first quarter, as a result of lower snow levels over the winter.

Highlights of Other Forestry Activities in Q1

In addition to the legal forestry obligations and objectives to optimize the financial return on the Tree Farm Licence investment, the department also manages the forestry operation to meet various recreation, educational, and community forestry responsibilities. Some of the other forestry activities accomplished in the first quarter are:

- Attended the annual truck loggers association conference in Vancouver (January 15th)

- 17th), which represented a good opportunity to gather information about market forecasts and to hear from both the Premier and Minister of Forests regarding the Province's plans and initiatives for forestry.
- b) Completed a guest lecture for a fourth-year forestry class at the University of British Columbia (January 21st). The director was able to provide information on the municipal forest and share firsthand experiences managing a community forest operation in the Lower Mainland.
- c) Met with BA Blackwell and Associates, the City's wildfire consultant, to plan FireSmart activities and other fire mitigation projects taking place in 2025 (January 30th).
- d) Hosted a fourth-year geography class from the University of the Fraser Valley, which featured a tour around the Devils Lake trail (February 11th).
- e) Hired a new Technologist position for the Department (February 14th), Bari Hanus, who recently graduated from the University of British Columbia. Bari brings a solid foundation of practical forestry experience and community service and is currently articling to become a Registered Professional Forester (RPF).
- f) Met with BC Hydro staff, along with the CAO, engineering, and bylaws, to plan enforcement activities associated with the Hayward Rec Site. Multiple meetings took place over the quarter.
- g) Completed the spring tree planting program (March 31st). The department planted 63,000 seedlings, including 38,000 western red cedar and 25,000 Douglas-fir.

4. Challenges and Opportunities for 2025

There are a number of challenges in 2025:

- a) Uncertainty around timber markets remain, though the lack of supply in the local market presents an opportunity to maximize revenues. The department is working on releasing another timber sale to take advantage of this opportunity.
- b) Tariff threats on softwood lumber, on top of the previously expected increase in July of this year, further increases the risk of market downturns. The department will get the second sale out early to minimize this risk.
- c) The summer weather forecast is for hot, dry conditions, and wildfire risks are a serious concern. The department is actively working with Mission Fire Rescue Service and completed a comprehensive wildfire drill at the end of May.

Financial Implications

The forestry financial results report a Q1 2025 net profit of \$181,474.



I have reviewed the financial implications.
Scott Ross, Manager of Financial Planning & Analysis

Summary and Conclusion

The forestry financial results report a Q1 2025 net profit of \$181,474.

The results are due to timber sale operations starting in late-February. Uncertainty regarding additional tariffs from the United States threaten the viability of timber markets, though the current lack of local supply in the market presents an opportunity for the department to maximize revenues for the year.

The department remains proactive in terms of measures to deal with threats posed by wildfire and continues to work with Mission Fire Rescue on preparations for the 2025 fire 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 March 31, 2025

REVENUES

Timber Sales	\$826,118
Waste Billing	\$267
Other Revenue	\$30,350
Total Revenue	\$856,736

Direct Logging Expenses	\$290,048
Other Expenses	\$327,237
Total Expenses	\$617,285

Net Profit Before transfers	\$239,451
Transfers	\$57,977
Net Profit after transfers	\$181,474