MEMORANDUM

June 18, 2026

TO: Mayor and Council

CC: City Leadership Team
Donny van Dyk, City Manager
Jason Twa, City Clerk
Mellisa Morphy, Acting Chief of Staff, Mayor's Office
Chris Freek, Director of Civic Engagement & Communications
Pragya Grewal, Director, Financial Planning and Analysis

FROM: Colin Knight
General Manager, Finance and Supply Chain Management

SUBJECT: 2026 First Quarter Review – Operating and Capital Budgets

RTS # N/A

Executive Summary

The purpose of this report is to provide Council with an overview of the City's financial performance for the first quarter of 2026. The report includes details on the annual forecast of the City's Operating Revenue and Expenditure, Capital Expenditures, and the corresponding variances with the annual Operating and Capital Budget.

For the first quarter (year-to-date) of 2026, the City recorded favourable variance of $20 million, primarily driven by higher investment income, salary savings from vacant positions, and timing difference of expenditures; partially offset by higher overtime expenses in public safety, and lower revenue from parking and bylaw fines. For 2026, the City is forecasting a balanced budget at year-end after all reserve transfers and adjustments.

Total capital expenditures to the end of the first quarter of 2026 were $160 million, which is 18% of the total 2026 Capital Expenditure Budget of $894 million and is consistent with the first quarter spend rate in 2025. Total expenditures for the year are forecasted to be $879 million, which is 98% of the 2026 Capital Expenditure Budget.

Operating Budget

As of the first quarter, the City realized a favourable variance of $20 million, which was primarily driven by higher investment income, salary savings from vacancies, and timing difference of expenditures. This is partially offset by higher overtime in Fire & Rescue Services as a result of lower than planned deployable staff due to absences and operational adjustment, and lower revenue from parking in the winter months as well as lower bylaw fines and ride hailing revenue. The favourable variance reported in the first quarter is expected to be offset over the remainder of the year, mainly due to higher expenditures anticipated in later months.

For the year-end forecast, the City is projecting a balanced financial position. As part of the implementation of the 2026 Budget, anticipated one-time impacts are being carefully managed throughout the year. Any resulting pressures are expected to be managed through the General Stabilization Reserve at year-end. In accordance with Council policy and the Vancouver Charter, the City is required to maintain a balanced operating budget.

Appendix A shows the 2026 Operating Budget revenue and expenditures, year-to-date variances, and year-end forecast. The key revenue and expenditure drivers for Q1 year-to-date results and the full year forecast are outlined below:

A. Revenue highlights:

- **Tax Revenue** was $1 million above budget for year-to-date (YTD) and is forecasted to be $37 million above the 2026 Budget by year-end. This variance is primarily due to the recognition of new tax revenue from the additional Major Event Municipal and Regional District Tax (MRDT) Reserve. These funds are being used to support expenditures related to hosting the FIFA World Cup 2026™ in Vancouver.
- **Program Revenue** was $4 million above budget for YTD and is projected to be $3 million below the 2026 Budget primarily due to delayed implementation of Sponsorship and Advertising initiatives. However, with the proposed agreements in place, revenue is expected to be on track for the 2027 Budget.
- **License and Development Fees** were $7 million above budget for YTD driven by higher volume of permits and licenses issued in the first quarter. By year-end, revenues are forecasted to be $2 million above the 2026 budget, reflecting a slowdown in construction activity.
- **Parking Revenue** was $3 million below budget for YTD due to lower parking meter revenue and the absence of ride hailing revenue as a result of ongoing legal uncertainties. By year-end, the revenue is projected to be $8 million below the 2026 budget, pending legal outcomes in Q2 of 2026.
- **Investment Income** was $9 million above budget for YTD and is projected to be $13 million above budget at the end of 2026 due to larger portfolio size, higher than anticipated interest rates, and enhanced investment portfolio optimization strategies.
- **Bylaw Fines** were $1 million below budget for YTD and are projected to be $2 million below budget, primarily due to higher bad debt write-offs based from the annual review of accounts status, partially offset by increased uptake of the early payment discount, as more individuals opted to pay fines earlier to take advantage of the incentive.

Favorable and unfavorable variances in Cost recoveries, Utility fees, and other revenues will be offset by related expenditures and transfers.

B. ***Expenditures and Transfers highlights:***

- **Arts, Culture & Community Services** Q1 YTD expenditures were $2 million above budget and forecasted to be $7 million above budget at year-end, mainly due to external funding by BC Housing and the Building Safer Communities programs that have a corresponding cost recovery.
- **Vancouver Police Board (VPD)** Q1 YTD expenditures were $3 million above budget, primarily driven by overtime costs due to staffing vacancies and higher number of protests and demonstrations requiring supplemental deployment. Year-end expenditures are forecasted to be $6 million above budget that are fully offset by corresponding cost recovery revenue. VPD is projecting to be on budget at year-end.
- **Fire & Rescue Services** Q1 YTD expenditures were $2 million above budget and year-end expenditures are forecasted to be $6 million above budget, primarily due to lower than planned deployable staff due to absences and operational adjustment.
- **Technology and Services** Q1 YTD expenditures were on budget and year-end expenditures are forecasted to be on $2 million above the budget, primarily due to increased demand for new end-user equipment.
- **General Government** Q1 YTD expenditures were $5 million above budget and are projected to be $34 million above budget by year-end. The majority of this variance is associated with FIFA World Cup 2026™ Vancouver planning expenditures, which are offset by additional Major Event Municipal and Regional District Tax (MRDT) Reserve and Sponsorship Program revenue.

Capital Budget

The Annual Capital Expenditure Budget reflects one year's expenditures for projects that may span multiple years. On November 25, 2025, the Council approved the 2026 Capital Budget, which included a Capital Expenditure Budget of $894 million. Expenditures up until the first quarter were $160 million, or 18% of the budget. The expenditure forecast for 2026 is $879 million or 98% of the budget. Although Appendix B includes details on budget variances by service category, the following lists the major Service Categories with their corresponding variance explanations:

- **Water, sewers & drainage** expenditures are forecasted to be $6 million below budget, primarily due to delays in Green Infrastructure work related to coordination with external stakeholder, as well as internal capacity constraints impacting delivery of other programs.
- **Arts, culture & heritage** expenditures are forecasted to be $4 million below budget, mainly driven by coordination with external stakeholders for the Chinatown Memorial Square implementation, along with internal capacity constraints impacting the Hastings Park site-wide infrastructure work.
- **Parks & public open spaces** expenditures are forecasted to be $3 million below budget because of lower-than-expected construction tender costs for the EFL Foreshore Park and Killarney Track & Field projects.
- **Streets** expenditures are forecasted to be $3 million below budget, reflecting a reduced scope of work required for Street Lighting & Pole Rehabilitation, as well as dependencies on external stakeholders for other programs.
- **Technology** expenditures are forecasted to be $2 million over budget, driven by accelerated delivery within the Digital Transformation Program.

Conclusion

As of Q1 2026, the City realized a favourable variance of $20 million for year-to-date and is forecasting a balanced budget by year-end. Variances in the revenue and expenditure categories include higher than budgeted investment income, lower revenue from parking, bylaw fines and ride hailing revenue, as well as higher overtime expenses in public safety. The City also incurred $160 million in capital expenditures up until the end of the first quarter of 2026, or 18% of the 2026 budget of $894 million. The City is forecasting to spend $879 million by the end of 2026 representing a forecasted variance of $15 million.

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APPENDIX A
2026 Operating Budget – Year-to-Date and Full Year Forecast

2026 Operating Budget - Year-to-Date and Full year Forecast								
	Year-to-date				2026 Full Year Forecast			
$ millions	**Budget**	**Actuals**	**Variance**	**Variance %**	**Annual Budget**	**Year end forecast**	**Year-end Variance $**	**Variance %**
REVENUES								
Property tax revenue	310	311	1	0%	1333	1370	37	3%
Utility revenue	104	101	(2)	(2%)	502	500	(2)	(0%)
Program revenue	16	20	4	25%	101	98	(3)	(3%)
Licence & Development fees	58	65	7	12%	143	145	2	2%
Parking revenue	22	18	(3)	(15%)	96	88	(8)	(8%)
Cost recoveries, grants & donations	14	20	5	37%	57	67	9	16%
Government Transfer	8	11	3	41%	42	48	6	14%
Investment income	10	19	9	90%	40	53	13	32%
Other revenue	10	11	1	12%	45	45	0	1%
Bylaw fines	10	9	(1)	(8%)	33	31	(2)	(6%)
TOTAL REVENUES	**$562**	**$586**	**$25**	**4%**	**$2,394**	**$2,446**	**$52**	**2%**
EXPENDITURES & TRANSFERS								
Utilities	54	53	1	2%	572	570	3	0%
Engineering	35	35	0	1%	142	142	(0)	(0%)
Police Services	126	129	(3)	(2%)	526	532	(6)	(1%)
Fire & Rescue Services	55	56	(2)	(3%)	215	221	(6)	(3%)
Parks & Recreation	42	39	3	7%	192	190	2	1%
Library	17	16	1	6%	70	69	1	1%
Britannia Community Services Centre	2	1	0	10%	7	6	0	1%
Civic Theatres	4	5	(1)	(22%)	16	20	(4)	(25%)
Arts, Culture & Community Services	11	13	(2)	(19%)	45	51	(7)	(15%)
Grants	6	6	0	4%	33	33	0	0%
Planning, Urban Design & Sustainability	10	10	0	1%	35	35	(0)	(1%)
Development, Buildings & Licensing	13	12	1	6%	52	51	1	3%
Mayor & Council	1	1	0	1%	4	4	(0)	(1%)
Office of the Auditor General	1	1	0	12%	3	3	(0)	(0%)
Corporate Support	**38**	**36**	**1**	**3%**	**152**	**153**	**(1)**	**(1%)**
Real Estate, Environment & Facilities Management	8	8	1	7%	35	35	0	0%
Finance and Supply Chain Management	4	4	0	11%	17	17	0	0%
Technology Services	13	13	0	1%	52	53	(2)	(3%)
Office of Chief Safety Officer	3	3	0	0%	10	10	0	1%
Human Resources	2	2	(0)	(7%)	8	8	0	0%
City Clerk	2	2	0	12%	7	7	0	2%
Legal Services	1	2	(0)	(17%)	5	5	0	0%
City Manager's Office	5	4	0	3%	18	18	0	0%
General Government	**6**	**12**	**(5)**	**(86%)**	**126**	**160**	**(34)**	**(27%)**
General debt & Transfers to Capital Fund	**(0)**	**(0)**	**(0)**	**0%**	**205**	**205**	**0**	**0%**
TOTAL EXPENDITURES & TRANSFERS	**$422**	**$426**	**(5)**	**(1%)**	**$2,394**	**$2,446**	**(52)**	**(2%)**
SURPLUS (DEFICIT)	**$140**	**$160**	**$20**	**14%**	**$0**	**$0**	**$0**	**-**

NOTE: Totals may not add due to rounding.

APPENDIX B
2026 Capital Expenditure Budget variances by Service Category

2026 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in $ millions)					
Service Category	**2026 Expenditure Budget**	**2026 YTD Actual Expenditure (as of Q1 2026)**	**2026 Expenditure Forecast**	**Variance**	**Variance %**
HOUSING	63	5	62	**0**	**1%**
CHILDCARE	32	3	32	**0**	**0%**
PARKS & PUBLIC OPEN SPACES	58	7	55	**3**	**5%**
ARTS, CULTURE & HERITAGE	86	15	82	**4**	**4%**
COMMUNITY FACILITIES	109	16	108	**1**	**1%**
PUBLIC SAFETY	27	3	27	**0**	**0%**
CIVIC FACILITIES & EQUIPMENT	24	3	24	**(1)**	**-4%**
STREETS	189	29	187	**3**	**2%**
WATER, SEWERS & DRAINAGE	203	53	197	**6**	**3%**
WASTE COLLECTION, DIVERSION & DISPOSAL	40	6	40	**0**	**0%**
RENEWABLE ENERGY	11	1	10	**0**	**2%**
TECHNOLOGY	29	8	31	**(2)**	**-7%**
EMERGING PRIORITIES, CONTINGENCY & PROJECT DELIVERY	23	4	22	**1**	**3%**
TOTAL	**$894**	**$155**	**$879**	**$15**	**2%**