FINANCE AND SUPPLY CHAIN MANAGEMENT
Office of the General Manager

MEMORANDUM

August 13, 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
Pragya Grewal, Director, Financial Planning and Analysis

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

SUBJECT: 2026 Second 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 second 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 second quarter (year-to-date) of 2026, the City recorded favourable variance of $28 million, primarily driven by higher investment income, permits and licenses revenue, and timing difference of expenditures; partially offset by higher overtime expenses in public safety, and lower revenue from parking. 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 second quarter of 2026 were $354 million, which is 40% of the total 2026 Capital Expenditure Budget of $894 million and is consistent with the second quarter spend rate in 2025. Total expenditures for the year are forecasted to be $749 million, which is 84% of the 2026 Capital Expenditure Budget.

Operating Budget

As of the second quarter, the City realized a favourable variance of $28 million, which was primarily driven by higher investment income, permits and licenses revenue, 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, lower parking meter revenue due to lower occupancy, and absence of ride hailing revenue. The favourable variance reported in the second 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 Q2 year-to-date results and the full year forecast are outlined below:

A. Revenue highlights:

- **Tax Revenue** was $15 million above budget for year-to-date (YTD) and is forecasted to be $42 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 $18 million above budget for YTD and is projected to be $8 million above the 2026 Budget primarily due to higher sponsorship program revenue, partially offset by pending negotiation of other Sponsorship and Advertising initiatives. With rollout planned for 2027, revenue is expected to be on track for the 2027 Budget.
- **License and Development Fees** were $11 million above budget for YTD driven by higher volume of permits and licenses issued in the second quarter. By year-end, revenues are forecasted to be $4 million above the 2026 budget, reflecting a slowdown in construction activity.
- **Parking Revenue** was $7 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 $14 million below the 2026 budget, pending legal outcomes in Q3 of 2026.
- **Investment Income** was $20 million above budget for YTD and is projected to be $23 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 above budget for YTD due to higher volume of parking tickets. By year-end, revenues are projected to be $1 million below budget, primarily due to higher bad debt write-offs 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:

- **Engineering** Q2 YTD expenditures were $4 million above budget and forecasted to be $7 million above budget at year-end, mainly due to slower-than-anticipated attrition in 2026.

At the same time, leaner teams have increased the operational need to fill vacancies in a timely manner, contributing to a reduction in the overall vacancy rate. These impacts are being managed within the City's overall 2026 Budget.

- **Arts, Culture & Community Services** Q2 YTD expenditures were $5 million above budget and forecasted to be $11 million above budget at year-end, mainly due to externally funded programs by BC Housing and the Building Safer Communities that have a corresponding cost recovery.
- **Vancouver Police Board (VPD)** Q2 YTD expenditures were $5 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 $8 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** Q2 YTD expenditures were $10 million above budget and year-end expenditures are forecasted to be $14 million above budget, primarily due to lower than planned deployable staff due to absences and operational adjustments, partially offset by higher cost recoveries.
- **Technology and Services** Q2 YTD expenditures were $5 million above budget and year-end expenditures are forecasted to be on $3 million above the budget, primarily due to increased demand for new end-user equipment.
- **General Government** Q2 YTD expenditures were $32 million above budget and are projected to be $50 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 other revenues.

<u>Capital Budget</u>

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 second quarter were $354 million, or 40% of the budget. The expenditure forecast for 2026 is $749 million or 84% 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:

- **Arts, culture & heritage** expenditures are forecasted to be $34 million below budget, primarily due to the accelerated delivery of the PNE Amphitheatre Renewal Project, where more work was completed and associated costs were incurred in late 2025, earlier than originally anticipated.
- **Community Facilities** expenditures are forecasted to be $29 million below budget, mainly due to alignment with revised project schedule for major projects such as the Vancouver Aquatic Centre Renewal and Expansion Project (construction delayed from 2026 to 2027) and rehabilitation work for Britannia Community Centre (start in late 2026 following the pool shutdown in November), and due to cost savings for the Coal Harbour School and Sunset Seniors Center projects.
- **Streets** expenditures are forecasted to be $26 million below budget, to align with revised project scope for the Granville Bridge Structural Recoating Phase 2 and revised project schedules for various street programs.

- **Childcare** expenditures are forecasted to be $12 million below budget, primarily due to delays in the childcare projects at 960 East 7th Avenue, Downtown South FH#8, and Cedar Cottage, as well as anticipated project savings from the Eric Hamber Childcare project.

Conclusion

As of Q2 2026, the City realized a favourable variance of $28 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 parking and ride hailing revenue, as well as higher overtime expenses in public safety. The City also incurred $354 million in capital expenditures up until the end of the second quarter of 2026, or 40% of the 2026 budget of $894 million. The City is forecasting to spend $749 million by the end of 2026 representing a forecasted variance of $145 million. The variance reflects project timing differences, with certain expenditures incurred earlier than planned and others delayed to future periods.

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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	643	657	15	2%	1333	1375	42	3%
Utility revenue	271	269	(2)	(1%)	502	499	(3)	(1%)
Program revenue	42	60	18	42%	101	109	8	8%
Licence & Development fees	90	100	11	12%	143	147	4	3%
Parking revenue	47	41	(7)	(14%)	96	82	(14)	(15%)
Cost recoveries, grants & donations	29	40	10	34%	58	70	12	20%
Government Transfer	14	26	12	80%	42	57	15	37%
Investment income	20	41	20	101%	40	63	23	56%
Other revenue	22	26	4	19%	45	49	5	10%
Bylaw fines	16	17	1	8%	33	32	(1)	(3%)
TOTAL REVENUES	**$1,195**	**$1,277**	**$82**	**7%**	**$2,394**	**$2,485**	**$91**	**4%**
EXPENDITURES & TRANSFERS								
Utilities	126	122	4	3%	575	570	5	1%
Engineering	69	73	(4)	(5%)	142	149	(7)	(5%)
Police Services	250	255	(5)	(2%)	530	538	(8)	(2%)
Fire & Rescue Services	110	119	(10)	(9%)	216	231	(14)	(7%)
Parks & Recreation	90	86	4	5%	192	192	0	0%
Library	33	33	0	1%	70	69	1	1%
Britannia Community Services Centre	3	3	0	1%	7	6	0	0%
Civic Theatres	8	10	(2)	(19%)	16	20	(4)	(25%)
Arts, Culture & Community Services	22	28	(5)	(24%)	45	55	(11)	(24%)
Grants	15	17	(2)	(14%)	33	33	0	0%
Planning, Urban Design & Sustainability	19	19	0	0%	35	36	(1)	(4%)
Development, Buildings & Licensing	26	25	1	3%	52	52	1	2%
Mayor & Council	2	2	0	0%	4	4	0	0%
Office of the Auditor General	1	1	0	12%	3	2	0	6%
Corporate Support	**76**	**81**	**(4)**	**(6%)**	**152**	**153**	**(1)**	**(1%)**
Real Estate, Environment & Facilities Management	18	17	1	4%	35	34	0	1%
Finance and Supply Chain Management	8	8	0	6%	17	15	1	8%
Technology Services	26	30	(5)	(19%)	52	55	(3)	(6%)
Office of Chief Safety Officer	5	5	(0)	(2%)	10	10	0	0%
Human Resources	4	4	(1)	(15%)	8	8	0	0%
City Clerk	4	4	(0)	(1%)	7	7	(0)	(1%)
Legal Services	3	3	(0)	(18%)	5	5	0	0%
City Manager's Office	9	9	1	7%	18	18	0	0%
General Government	**16**	**48**	**(32)**	**(201%)**	**121**	**171**	**(50)**	**(41%)**
General debt & Transfers to Capital Fund	**11**	**11**	**0**	**0%**	**202**	**202**	**0**	**0%**
TOTAL EXPENDITURES & TRANSFERS	**$880**	**$934**	**($54)**	**(6%)**	**$2,394**	**$2,485**	**($91)**	**(4%)**
SURPLUS (DEFICIT)	**$315**	**$343**	**$28**	**9%**	**$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**	**2026 Expenditure Forecast**	**Variance**	**Variance %**
HOUSING	63	19	53	**10**	**15%**
CHILDCARE	32	7	20	**12**	**37%**
PARKS & PUBLIC OPEN SPACES	58	20	53	**5**	**9%**
ARTS, CULTURE & HERITAGE	86	41	52	**34**	**39%**
COMMUNITY FACILITIES	109	30	80	**29**	**27%**
PUBLIC SAFETY	27	8	17	**10**	**36%**
CIVIC FACILITIES & EQUIPMENT	24	6	19	**5**	**20%**
STREETS	189	76	164	**26**	**14%**
WATER, SEWERS & DRAINAGE	203	108	204	**(1)**	**(1%)**
WASTE COLLECTION, DIVERSION & DISPOSAL	40	12	31	**9**	**23%**
RENEWABLE ENERGY	11	3	8	**3**	**26%**
TECHNOLOGY	29	17	33	**(4)**	**(14%)**
EMERGING PRIORITIES, CONTINGENCY & PROJECT DELIVERY	23	8	15	**8**	**34%**
TOTAL	**$894**	**$354**	**$749**	**$145**	**16%**
NOTE: Totals may not add due to rounding.					