MEMORANDUM

June 25, 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
Karen Fry, Fire Chief and General Manager, Vancouver Fire Rescue Services
Steve Rai, Chief Constable, Vancouver Police Department
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: 2027-2031 Budget Outlook

RTS # N/A

Dear Mayor and Council,

The purpose of this report is to provide Council with an overview of the City's 2027–2031 Budget Outlook, including projected costs, revenues, and key financial pressures.

The 2027–2031 Budget Outlook continues to focus on delivering services people count on most, addressing the City's growing infrastructure renewal requirements, and aligning fees and program revenues with cost recovery. It outlines key cost pressures and actions staff are taking to maintain service levels while improving capital delivery within the context of a balanced budget.

The City's financial outlook is shaped by global economic uncertainty, including geopolitical tensions, rising costs, and tariffs. While inflation is expected to remain moderate, City-specific cost pressures are projected to significantly exceed general inflation. Trade-related risks and ongoing economic volatility may further increase costs and place additional pressure on the City's budget.

At the same time, the City faces significant infrastructure renewal pressures as many assets and community-serving facilities continue to age and approach the end of their useful lives. The City's estimated annual infrastructure deficit of approximately $500 million reflects past underinvestment and will require sustained investment over time to address.

Council has approved an increase to the Infrastructure Levy, bringing the total dedicated levy to 2% to help address the City's infrastructure renewal deficit. While this represents an important step toward reducing the renewal gap, tradeoffs are required. Staff are preparing a draft Capital Plan within available funding capacity that incorporates Council direction and delivers the priorities from approved City plans and strategies.

Operating Multi-Year Financial Plan

The foundation of the 2027–2031 Budget Outlook is the projected increase in expenditures required to maintain existing service levels, renew critical infrastructure, and address emerging priorities. The following cost pressures continue to drive expenditure growth and place increasing demands on the City's financial resources:

Expenditure Pressures

- The City and related boards have negotiated collective agreements for most City unions, with agreements for CUPE 391 and Teamsters currently pending ratification. All of City's union agreements are set to expire at the end of 2026, creating uncertainty within the five-year financial plan. Given the significant share of the operating budget allocated to public safety staffing, future wage settlements will continue to place pressure on the City's operating budget. The outcomes of upcoming negotiations may also be influenced by broader collective bargaining trends and settlement patterns across the region and Canada. Benefit costs are projected to increase at rates well above forecasted inflation, driven by rising utilization of extended health and dental services, higher provider costs, and the growing prevalence of high-cost specialty medications. These factors are creating sustained cost pressures on the City's employee benefits plans and are expected to result in annual increases that exceed general inflation.

- Increases in fixed operating costs—including facilities, utilities, leases, insurance, equipment and fleet expenses, as well as fuel price volatility and rising demand for technology and software licensing, are key non-salary drivers of expenditure pressures in the 2027–2031 Budget Outlook.

- External agency costs continue to be a significant expenditure pressure, driven by increases in Metro Vancouver water and sewer levies and E-Comm 9-1-1 charges, which are largely outside the City's control.

Material risks that could drive costs higher than projected include upcoming collective bargaining agreements, increased overtime for public safety services, global economic headwinds from geopolitical tensions, and tariffs on supply and material prices.

Revenue Streams

- Utility fees are expected to increase by about 6–7% per year over the next five years. This is mainly due to higher charges from Metro Vancouver and the increased need to repair, renew and upgrade aging infrastructure, along with rising construction costs.

- Fees for services delivered on a cost-recovery basis are projected to increase by 4-5% to reflect rising labour, operating, and service delivery costs.

- Ongoing review of existing and potential new revenue sources, including user fee adjustments, volume-driven revenues, investment income and other opportunities to support long-term financial sustainability.

To address financial pressures as part of the 2027-2031 Budget Outlook, the City will focus on improving operational efficiency, optimizing service delivery, strategically allocating existing resources, and identifying opportunities to diversify revenues where appropriate, while maintaining service levels and advancing Council priorities. Future budget development will be guided by Council direction on taxation, fees, and service priorities, with a focus on maintaining affordability for residents and businesses, ensuring long-term financial sustainability, and continuing to deliver priority public services.

As budget development continues, staff will further assess emerging financial pressures, risks, and opportunities to refine the outlook and identify strategies to support a balanced budget. Any direction provided by Council regarding increases to taxes and fees and/or new investments will be incorporated into the development of a draft 2027 Budget, including identification of any service implications or trade-offs to mitigate increased reliance on property taxes and fees.

Capital Planning & Delivery

The 2023-2026 Capital Plan, approved by Council in June 2022, focuses on maintaining the City's infrastructure and amenities in a state of good repair, optimizing the City's network of assets to support growth and economic development, and expanding infrastructure and amenities to address emerging needs and priorities. To date, Council has approved adjustments to the 2023-2026 Capital Plan to support the delivery of existing projects underway and manage emerging capital needs, including cost escalations and external funding opportunities. The 2023-2026 Capital Plan stands at $3.3 billion, with an additional $706 million in secured or anticipated developer-led projects.

The 2027–2030 Capital Plan is currently being developed and will present a balanced and responsible approach to addressing Vancouver's infrastructure needs while maintaining long-term financial resilience. Through sustained investment in essential infrastructure and community amenities, it will help ensure the City continues to provide reliable services, protect critical public assets, and support the needs of current and future residents. Council will be considering the approval of the 2027-2030 Capital Plan in July of 2026.

As part of the City's annual budget process, public engagement on the 2027 Budget will take place in the fall of 2026 through the budget surveys, providing residents and businesses with opportunities to share spending and service priorities, with results informing Council's budget deliberations.

Should you have any questions regarding the above, please feel free to contact me at colin.knight@vancouver.ca or (604) 873-7610.

Colin Knight
General Manager, Finance & Supply Chain Management

604.873.7610 | colin.knight@vancouver.ca