

MEMORANDUM

September 5, 2025

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Sandra Singh, Deputy City Manager
Katrina Leckovic, City Clerk
Maria Pontikis, Chief of External Relations
Teresa Jong, Administration Services Manager, City Manager's Office
Mellisa Morphy, Director of Policy, Mayor's Office
Trevor Ford, Chief of Staff, Mayor's Office

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

SUBJECT: 2025 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 City's financial performance for the first quarter of 2025. The report includes details on the annual forecast of the City's Operating Revenue and Expenditure, and Capital Expenditures and the corresponding variances with the annual Operating and Capital Budget.

For the first quarter (year-to-date) of 2025, the City recorded an Operating Budget surplus of \$3.4 million, primarily driven by a surplus in investment income, as well as savings in salary budgets; partially offset by higher expenditures in Vancouver Police Department, other non-salary expenses and differences in expenditure timing. For 2025, 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 2025 were \$150 million, which is 17% of the total 2025 Capital Expenditure Budget of \$880 million and is consistent with the first quarter spend rate in 2024. Total expenditures for the year are forecasted to be \$844 million, which is 96% of the 2025 Capital Expenditure Budget.

Operating Budget

As of the first quarter, the City realized a \$3.4 million surplus, which is primarily driven by investment income and savings in the salary budgets. This is partially offset by higher overtime expenses due to public safety vacancies, higher number of protests and demonstrations, Body worn Camera (BWC) equipment purchases in Vancouver Police Department and other non-salary expenditures.

The surplus reported in the first quarter is expected to be partially offset over the remainder of the year due to higher-than-planned expenditures occurring in the latter months, as well as increased year-end transfers.

The Vancouver Police Department has included \$5 million related to Project Barrage in the department's year end forecast, however, this expenditure has not yet been approved by Council and will be brought forward for Council consideration in an upcoming report in Q3. Should Council approve the \$5 million for Project Barrage, staff will look to mitigate the budget impact and may require a draw from the general revenue stabilization reserve.

Appendix A shows the 2025 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:

- **Investment income** was approximately \$6.5 million above budget for year-to-date (YTD) and is projected to remain above budget at the end of 2025, due to enhanced investment portfolio optimization strategies.
- **Property tax revenue** was approximately \$0.8 million below budget for YTD. However, it is forecasted to be \$1.7 million above the 2025 budget by year-end, primarily driven by higher BC hydro revenue from increased consumption during cold weather, as well as higher mill rates for the land and buildings, partially offset by a decrease in the total assessed values on which levies are based.
- **Street Parking revenue** was \$0.5 million below budget for YTD due to lower parking meter revenue. However, it is forecasted to be \$1.5 million above the 2025 budget by year-end, primarily driven by higher anticipated parking revenue from Parks in the summer months.
- **Program revenue** was \$0.5 million below budget for YTD and forecasted to be \$3.6 million below 2025 budget by year-end primarily driven by lower recreational revenue due to ongoing lifeguard staffing shortages, and temporary closure of the Stanley Park Train.
- **Bylaw fines** was \$0.4 million above budget for YTD and forecasted to be \$0.5 million above the 2025 budget primarily due to a higher volume of parking tickets issued.

Surplus and deficit in Cost recoveries, Utility fees, Licence & Development fees, and other revenues will be offset by related expenditures and transfers.

B. Expenditures and Transfers highlights:

- **Vancouver Police Board** Q1 YTD expenditures were \$7 million above budget, and the year-end costs are forecasted to be \$15.4 million above budget, primarily driven by overtime costs due to staffing vacancies, higher number of protests and demonstrations

and ongoing work for Task Force Barrage. Some of these costs are partially offset by third party recoveries. The \$5 million related to Project Barrage in the year end forecast has not yet been approved by Council and will be brought forward for Council consideration in an upcoming report in Q3.

- **Engineering** Q1 YTD expenditures in Public Works were \$0.4 million above budget and year-end expenditures are forecasted to be \$2.3 million above budget, primarily due to higher street maintenance costs, partially offset by increased revenue from occupancy fees.
- **Community Services** Q1 YTD expenditures were \$2.4M above budget and year-end expenditures are forecasted to be \$5.9 million above budget due to external funded programs such as public safety and shelter programs, which are fully offset by corresponding external funding.
- **Civic Theaters** Q1 YTD expenditures were \$0.2M above budget and year-end expenditures are forecasted to be \$3.2 million above budget due to higher costs associated with extra events and increased concession sales at events, which are fully offset by higher event revenues.
- **General Government** draw from General Revenue Stabilization Reserve to offset the costs associated with Task Force Barrage.

Capital Budget

The Annual Capital Expenditure Budget reflects one year's expenditures for projects that may span multiple years. On December 10, 2024, the Council approved the 2025 Capital Budget, which included a Capital Expenditure Budget of \$880 million. Expenditures up until the first quarter were \$150 million, or 17% of the budget. The expenditure forecast for 2025 is \$844 million or 96% 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 \$9.0 million below budget, due to delays in major infrastructure projects such as the Residential Metering Program and Green Infrastructure initiatives, because of contractor and crew capacity constraints and schedule delays in related transportation work.
- **Streets** expenditures are forecasted to be \$8.8 million below budget due to delays in major transportation projects such as the rehabilitation of Cambie and Granville Bridge, because of external factors including procurement challenges and contractor availability.
- **Renewable energy** expenditures are forecasted to be \$4.6 million below budget due to delays in infrastructure projects such as the NEU System Extension, Scotia Satellite Plant, and distribution network expansion, because of external factors including the timing of adjacent development activity.
- **Childcare** expenditures are forecasted to be \$2.8 million below budget due to delays in grant-funded projects, because of external factors including construction milestone setbacks and delays in project completion by grantees.

Conclusion

As of Q1, 2025 the City realized an Operating Budget surplus of \$3.4 million and is forecasting a balanced budget by year-end. Variances in the revenue and expenditure categories include

higher than budgeted investment income, higher salary-related savings partially offset by higher overtime in Vancouver Police Department, and higher other non-salary expenditures. The City also incurred \$150 million in capital expenditures up until the end of the first quarter of 2025, or 17% of the 2025 budget of \$880 million. The City is forecasting to spend \$844 million by the end of 2025 representing a forecasted variance of \$36 million.

APPENDIX A
2025 Operating Budget – Year-to-Date and Full Year Forecast

| \$ millions | Year-to-date | | | | 2025 Full Year Forecast | | | |
|---|----------------|----------------|--------------|---------------|-------------------------|-------------------|----------------------|---------------|
| | Budget | Actuals | Variance | Variance % | Annual Budget | Year end forecast | Year-end Variance \$ | Variance % |
| <u>REVENUES</u> | | | | | | | | |
| Property tax revenue | \$302.8 | \$302.1 | (\$0.8) | (0.3%) | \$1323.9 | \$1325.7 | \$1.7 | 0.1% |
| Utility revenue | \$101.2 | \$98.6 | (\$2.6) | (2.6%) | \$492.0 | \$491.1 | (\$0.9) | (0.2%) |
| Program revenue | \$15.2 | \$14.7 | (\$0.5) | (3.4%) | \$84.7 | \$81.1 | (\$3.6) | (4.2%) |
| Licence & Development fees | \$57.5 | \$52.1 | (\$5.5) | (9.5%) | \$139.1 | \$135.2 | (\$3.9) | (2.8%) |
| Parking revenue | \$18.2 | \$17.7 | (\$0.5) | (2.9%) | \$83.6 | \$85.1 | \$1.5 | 1.8% |
| Cost recoveries, grants & donations | \$15.5 | \$19.6 | \$4.1 | 26.5% | \$71.1 | \$76.5 | \$5.4 | 7.6% |
| Government Transfer | \$5.9 | \$7.1 | \$1.2 | 19.9% | \$33.2 | \$37.8 | \$4.6 | 13.8% |
| Investment income | \$15.9 | \$22.3 | \$6.5 | 40.7% | \$53.0 | \$59.5 | \$6.5 | 12.2% |
| Other revenue | \$10.0 | \$11.5 | \$1.5 | 15.3% | \$42.7 | \$46.3 | \$3.6 | 8.4% |
| Bylaw fines | \$7.4 | \$7.8 | \$0.4 | 5.2% | \$23.8 | \$24.3 | \$0.5 | 2.1% |
| TOTAL REVENUES | \$549.6 | \$553.3 | \$3.8 | 0.7% | \$2,347.2 | \$2,362.5 | \$15.3 | 0.7% |
| <u>EXPENDITURES & TRANSFERS</u> | | | | | | | | |
| Utilities | 54.2 | 50.4 | 3.8 | 7.0% | 558.8 | 557.9 | 0.9 | 0.2% |
| Engineering | 36.4 | 36.9 | (0.4) | (1.2%) | 140.2 | 142.5 | (2.3) | (1.6%) |
| Police Services | 112.3 | 119.2 | (7.0) | (6.2%) | 457.9 | 473.3 | (15.4) | (3.4%) |
| Fire & Rescue Services | 48.8 | 51.8 | (3.1) | (6.3%) | 195.4 | 195.4 | 0.0 | 0.0% |
| Parks & Recreation | 41.4 | 37.0 | 4.4 | 10.6% | 188.2 | 186.7 | 1.5 | 0.8% |
| Library | 17.0 | 17.0 | 0.0 | 0.0% | 64.9 | 64.9 | 0.0 | 0.0% |
| Britannia Community Services Centre | 1.6 | 1.6 | 0.0 | 1.8% | 6.4 | 6.4 | (0.0) | (0.0%) |
| Civic Theatres | 4.0 | 4.2 | (0.2) | (5.1%) | 16.4 | 19.6 | (3.2) | (19.4%) |
| Community Services | 11.0 | 13.3 | (2.4) | (21.5%) | 50.0 | 55.9 | (5.9) | (11.8%) |
| Grants | 10.2 | 9.3 | 0.9 | 8.4% | 33.0 | 33.0 | 0.0 | 0.0% |
| Planning, Urban Design & Sustainability | 11.2 | 10.2 | 0.9 | 8.4% | 43.8 | 42.0 | 1.8 | 4.1% |
| Development, Buildings & Licensing | 12.8 | 11.5 | 1.4 | 10.6% | 51.3 | 48.3 | 2.9 | 5.7% |
| Mayor & Council | 1.1 | 0.9 | 0.0 | 0.0% | 4.3 | 4.3 | 0.0 | 0.0% |
| Office of the Auditor General | 0.6 | 0.5 | 0.1 | 15.5% | 2.5 | 2.5 | 0.0 | 0.7% |
| Corporate Services | 41.1 | 37.4 | 3.7 | 8.9% | 165.6 | 164.7 | 0.9 | 0.6% |
| REFM | 9.3 | 7.5 | 1.8 | 19.6% | 38.4 | 37.4 | 1.0 | 2.5% |
| Finance and Supply Chain Management | 4.6 | 4.6 | (0.1) | (1.7%) | 18.2 | 18.3 | (0.0) | (0.2%) |
| IT, Digital Strategy & 311 | 13.4 | 12.8 | 0.6 | 4.3% | 53.7 | 53.7 | 0.0 | 0.0% |
| Human Resources | 2.3 | 2.0 | 0.3 | 11.2% | 9.2 | 9.2 | 0.0 | 0.0% |
| Legal | 1.7 | 1.7 | (0.0) | (3.0%) | 6.7 | 6.7 | 0.0 | 0.0% |
| City Clerk | 1.8 | 1.6 | 0.2 | 12.5% | 7.3 | 7.3 | 0.0 | 0.0% |
| City Manager's Office | 5.1 | 4.5 | 0.6 | 12.2% | 20.5 | 20.5 | 0.0 | 0.0% |
| Office of the CSO | 2.9 | 2.6 | 0.3 | 9.7% | 11.5 | 11.5 | (0.0) | (0.1%) |
| General Government | (0.6) | 2.1 | (2.7) | 460.2% | 180.9 | 177.5 | 3.3 | 1.9% |
| General debt & Transfers to Capital Fund | 0.7 | 0.7 | (0.0) | (0.0%) | 187.6 | 187.6 | (0.0) | (0.0%) |
| TOTAL EXPENDITURES & TRANSFERS | \$403.7 | \$404.1 | (0.4) | (0.1%) | \$2,347.2 | \$2,362.5 | (15.3) | (0.7%) |
| SURPLUS (DEFICIT) | \$145.9 | \$149.3 | \$3.4 | 2.3% | (\$0.0) | \$0.0 | \$0.0 | - |

Note: The forecasted year-end overspending in Civic Theatres and Community Services is fully offset by respective revenues.

APPENDIX B
2025 Capital Expenditure Budget variances by Service Category

| 2025 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in \$ millions) | | | | | |
|---|-------------------------------|---|---------------------------------|---------------|-------------|
| Service Category | 2025 Expenditure Budget | 2025 YTD Actual Expenditure (as of Q1 2025) | 2025 Expenditure Forecast | Variance | Variance % |
| HOUSING | \$67.4 | \$9.9 | \$65.6 | \$1.9 | 2.8% |
| CHILDCARE | \$32.3 | \$4.8 | \$29.5 | \$2.8 | 8.5% |
| PARKS & PUBLIC OPEN SPACES | \$55.0 | \$9.4 | \$50.7 | \$4.2 | 7.7% |
| ARTS, CULTURE & HERITAGE | \$71.0 | \$23.5 | \$70.7 | \$.3 | 0.5% |
| COMMUNITY FACILITIES | \$81.2 | \$13.1 | \$79.9 | \$1.3 | 1.6% |
| PUBLIC SAFETY | \$46.6 | \$6.5 | \$46.6 | \$0 | 0.0% |
| CIVIC FACILITIES & EQUIPMENT | \$29.8 | \$6.5 | \$29.7 | \$.1 | 0.4% |
| STREETS | \$184.3 | \$25.4 | \$175.4 | \$8.8 | 4.8% |
| WATER, SEWERS & DRAINAGE | \$195.2 | \$35.9 | \$186.3 | \$9.0 | 4.6% |
| WASTE COLLECTION, DIVERSION & DISPOSAL | \$39.9 | \$4.4 | \$37.1 | \$2.8 | 7.0% |
| RENEWABLE ENERGY | \$17.5 | \$1.3 | \$12.9 | \$4.6 | 26.5% |
| TECHNOLOGY | \$40.0 | \$6.6 | \$39.9 | \$.1 | 0.3% |
| EMERGING PRIORITIES, CONTINGENCY & PROJECT DELIVERY | \$20.0 | \$2.5 | \$19.5 | \$.5 | 2.4% |
| TOTAL | \$880.2 | \$149.7 | \$843.8 | \$36.4 | 4.1% |

Colin Knight
General Manager, Finance and Supply Chain Management
604.873.7569 | colin.knight@vancouver.ca