

City of Delta

2025 First Quarter Financial Report



Economic Overview and Outlook

Canadian Economy

At the rate announcement on April 16, 2025, the Bank of Canada (BoC) kept the policy rate unchanged at 2.75%. The decision to maintain the policy rate came after seven consecutive rate cuts totaling 225 basis points. The BoC referenced “pervasive uncertainty” from US trade policy and “unpredictability” of tariffs which make it “unusually challenging” to project growth and inflation. The policy rate remains 175 basis points below the U.S. Federal Reserve’s upper policy target range. The BoC has indicated that it will proceed carefully, stating that “monetary policy cannot resolve trade uncertainty or offset the impacts of a trade war. What it can and must do is maintain price stability for Canadians”. The next rate announcement is scheduled for June 4, 2025.

Canadian Consumer Price Index (CPI) increased 2.3% year over year in March 2025, after an increase of 2.6% in February and 1.8% in January. Statistics Canada has attributed the decrease in March to lower prices for travel and gasoline. The end of the temporary break on GST/HST on February 15 brought price increases which offset the CPI decrease in March. The BoC expects that CPI will come down in April because of the removal of consumer carbon tax and lower global oil prices. Looking ahead, tariffs and supply chain disruptions are expected to cause price increases as businesses pass on higher costs to consumers.

Canada’s Real Gross Domestic Product (GDP) in the fourth quarter of 2024 was stronger than expected with an increase of 0.6%. The BoC noted that the economy entered 2025 in a solid position with robust GDP growth. However, growth in Q1 has likely slowed due to trade uncertainty. The 2025 Q1 GDP numbers will be released on May 30, 2025.

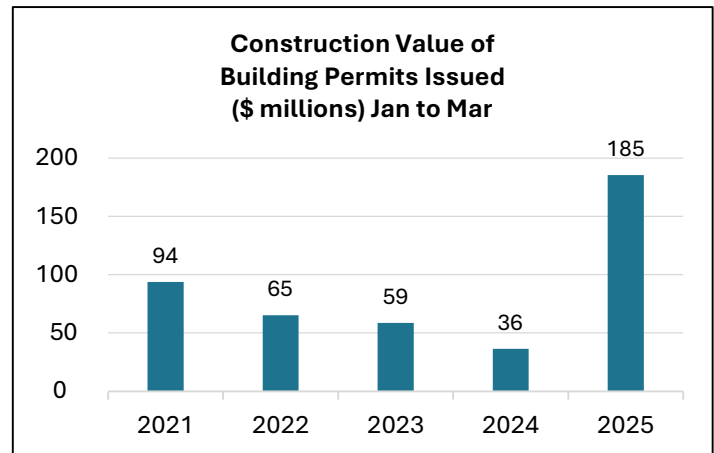
British Columbia Economy

BC CPI increased 2.6% year over year in March 2025. The highest increases were in the costs of shelter (home ownership, rental accommodation, property taxes, home and mortgage insurance), food, recreation, education and reading. BC CPI in March was above the national average, with only Manitoba and Alberta reporting a higher inflation. Vancouver CPI increased in line with the provincial average.

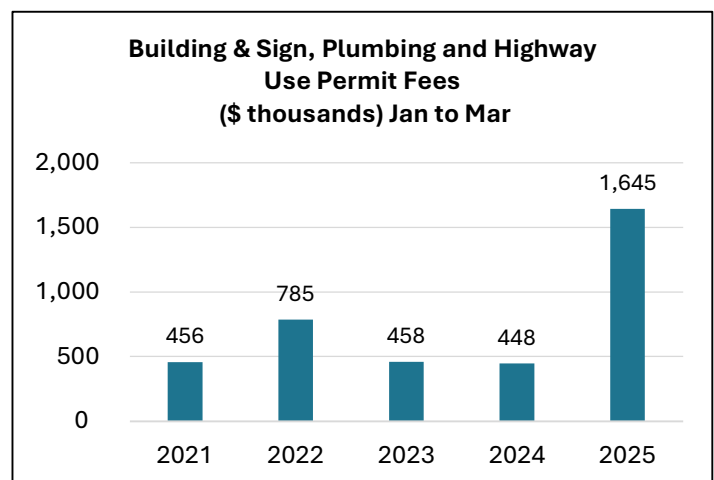
Building and Development Highlights

The City's building and development performance for the first quarter of 2025 compared to previous years is summarized in the following charts.

Construction value of building permits issued was \$185 million for the first three months of 2025, which exceeded the five-year average of \$88 million. Activity in Q1 2025 was driven by building permits issued for various multi-unit residential apartment buildings.

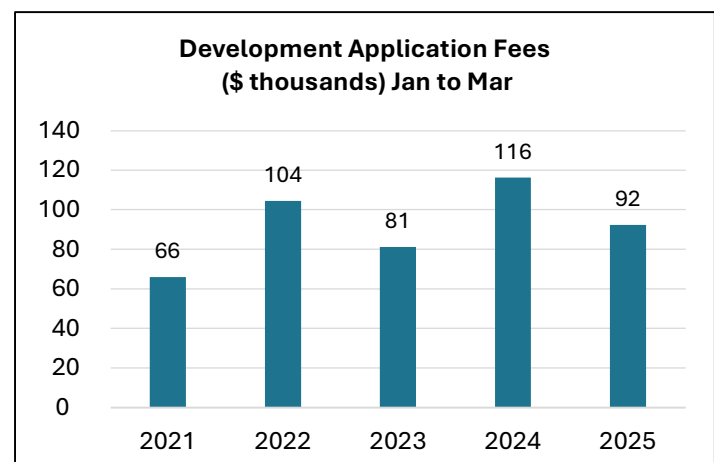


Building and sign, plumbing and highway use permit fees were \$1.65 million for the first three months of 2025, exceeding the five-year average of \$758,000.



The increases in building construction value and permit fees were driven by permits issued prior to the development cost charge rate increase effective March 22, 2025, which also aligned with the timing of Metro Vancouver's increase.

For the first three months of 2025, development application fees totaled \$92,000 which is in line with the five-year average.



General Operating Financial Results

At the Regular Meeting on December 16, 2024, Council adopted the City's Financial Plan which had an annual budget for general operating expenditures of \$257.4 million and general departmental operating revenues of \$73.7 million. This section discusses general operating spending for the first quarter of 2025, excluding depreciation, utilities, and capital items.

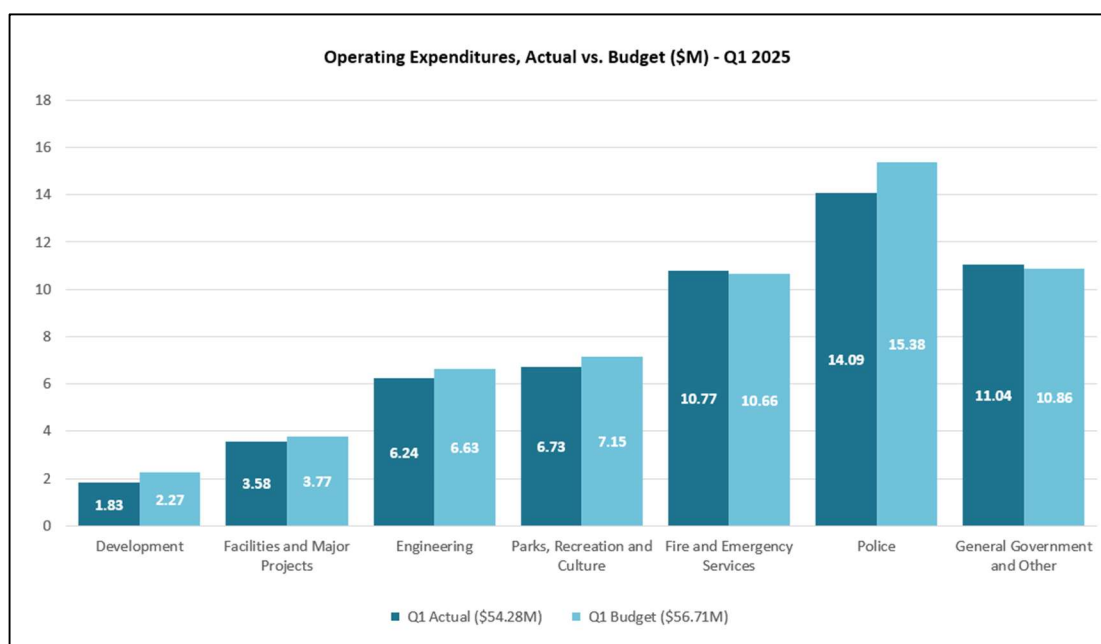
General Operating Expenditures

For the first quarter of 2025, the City recorded \$54.3 million in general operating expenditures which was \$2.4 million less than the budget of \$56.7 million. The following provides an analysis of departmental operating expenditures for 2025 Q1.

Development, Facilities and Major Projects, Engineering, and Parks, Recreation & Culture departmental expenditures were \$18.4 million compared to the budget of \$19.8 million, which represented savings to date of \$1.4 million. This variance was mainly due to vacant staff positions, which are expected to be filled during the year.

Protective services (Fire and Police) expenditures for January through March totalled \$24.9 million, which was \$1.2 million below budget. This variance was mainly due to staffing vacancies in the Delta Police Department (DPD). Active recruitment is ongoing and some of these positions have since been filled. Like other policing agencies, DPD faces challenges in recruiting and retaining police members, in light of the City of Surrey revised policing model from RCMP to its own municipal police force.

General Government includes expenditures for Corporate Services, Finance, Legal Services, City Administrative Services, Fiscal and Property Use & Compliance. General Government recorded expenditures of \$11 million in Q1, which was in line with budget.



General Operating Financial Results (cont.)

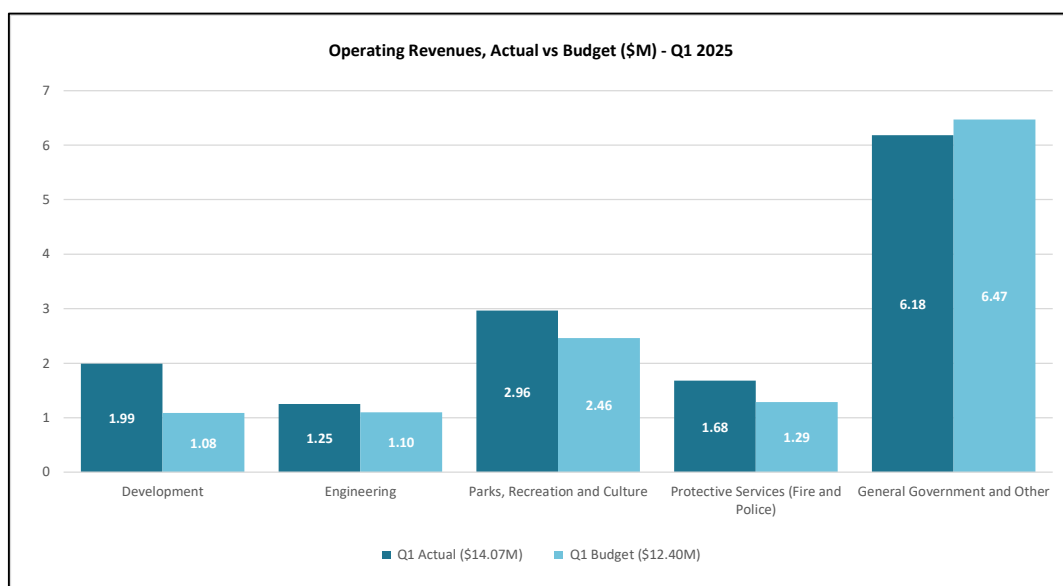
General Operating Revenues

The 2025 annual revenue budget of \$73.7 million represents general departmental operating revenue, which excludes property taxation. January to March operating revenue recorded by the City was \$14.1 million, which exceeded the budget of \$12.4 million by \$1.7 million. The following provides the 2025 Q1 results for departmental general operating revenue.

Revenues of \$6.2 million for the Development, Engineering, and Parks, Recreation & Culture departments exceeded budget by \$1.6 million. This variance was primarily driven by higher than anticipated revenues from development building permits and recreation revenue. While building permit activity was strong in the first quarter, the current economic conditions create uncertainty around whether permit revenues will maintain their positive momentum. There was increased revenue activity in recreational memberships and programs.

Year to date protective services (Fire and Police) revenue of \$1.7 million was higher than budget due to grants and recovered services. Fire and Emergency Services received funding from UBCM's FireSmart Community and Supports Program for building wildfire resiliency in the community. DPD received grant funding to assist with combatting organized crime activity in Delta. Revenue from recovered services was due to additional DPD members being deployed to several programs such as the BC Municipal Undercover Program and the Federal Serious and Organized Crime Unit.

General Government recorded \$6.2 million in revenue which included investment income, Vancouver Landfill revenues, and casino revenue. Higher than budgeted investment income was offset against lower-than-expected casino revenue and prior year property tax adjustments. Interest rates are expected to decline, which will have an impact on investment income for the rest of the year.



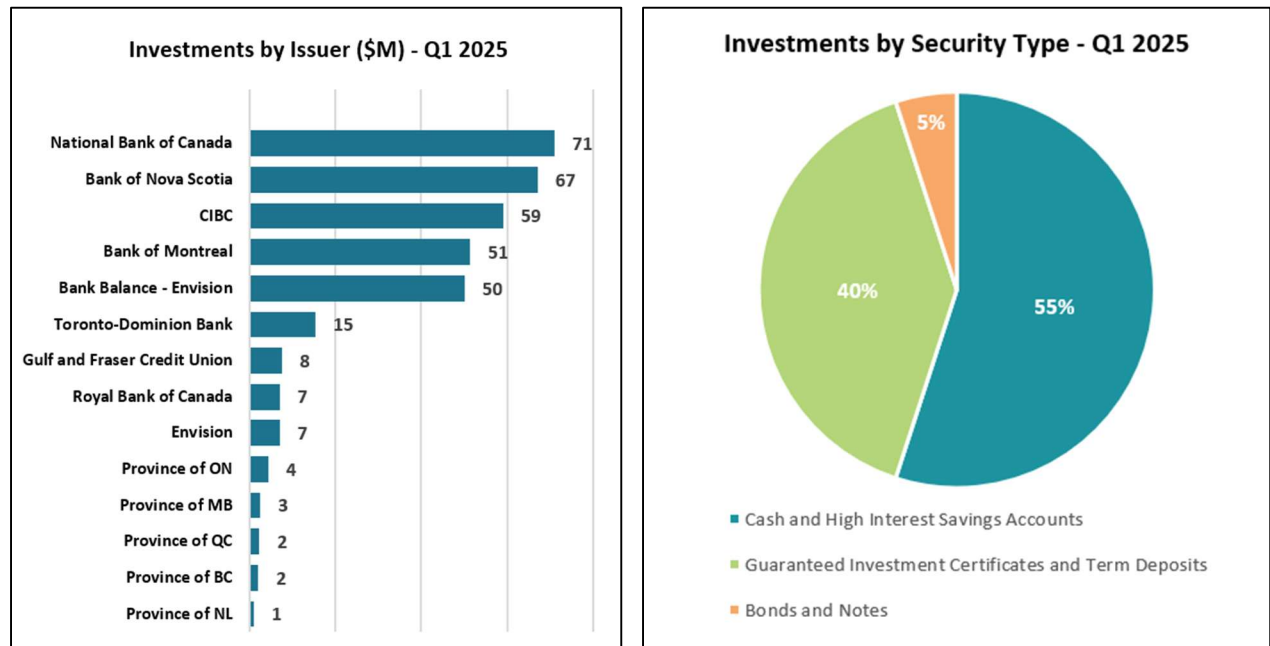
Investment Portfolio and Performance

The City of Delta's Investment Policy provides guidance on the investment of City funds to provide a blend of return and security while meeting cash flow demands and complying with the requirements of the Community Charter. The City's objectives are to invest funds in a way that ensures 1) safety of principal 2) liquidity and 3) return on investment.

Portfolio

To minimize risk, the City spreads investments among various institutions that include chartered banks, the Municipal Finance Authority (MFA), and provincial or federal governments.

As of March 31, 2025, Delta's investment portfolio totaled \$348 million. The portfolio followed the Investment policy with respect to financial institution limitations.



Investment Portfolio and Performance (cont.)

Performance

Delta's Q1 2025 total yield was 4.13%, compared to the 4.93% annual yield in 2024. The City's overall investment yield is expected to decrease as markets reflect recent Bank of Canada's policy interest rate decreases.

The Q1 2025 short term yield on the City's portfolio was 3.80%, down from 2024's short term yield of 5.15%.

Short Term Investment Yield		
	2024 (Annual)	2025 (Q1)
Delta Short Term	5.15%	3.80%
One Month T-bills	4.44%	2.91%
MFA Money Market	4.83%	3.43%

Q1 2025 yield on the long-term portion of the portfolio was 4.64%, compared to 2024's long term yield of 4.48%.

Long Term Investment Yield		
	2024 (Annual)	2025 (Q1)
Delta Long Term	4.48%	4.64%
Gov't of Canada Bonds (3-5 yr)	3.32%	2.77%
Gov't of Canada Bonds (5-10 yr)	3.31%	2.99%

As of March 31, 2025, 64% of the City's investment portfolio was held in short term money market instruments and the remaining 36% was held in long-term investments, reflecting a slight shift towards weighting the portfolio towards higher yielding investments.

Outlook

The Bank of Canada made no change to the target overnight rate on April 16, 2025, after a series of consecutive decreases starting June 5, 2024. The BoC has not committed to a rate path and has continued their narrative of "proceed cautiously" while being "prepared to act decisively" based on incoming information. The next rate announcement is June 4, 2025.