

City of Delta

2025 Second Quarter Financial Report



Delta

Economic Overview and Outlook

Canadian Economy

At the rate announcement on July 30, 2025, the Bank of Canada (BoC) kept the policy rate unchanged at 2.75%, marking the third straight pause after seven consecutive rate cuts totaling 225 basis points. The BoC noted that the economy has shown some resilience to the uncertainty regarding U.S. trade policy and tariffs. The BoC policy rate remains 175 basis points below the U.S. Federal Reserve's upper policy target range, the widest gap since 1997. The next rate announcement is scheduled for September 17, 2025.

Canadian Consumer Price Index (CPI) increased 1.7% year over year in July 2025, down from 1.9% in June. Gasoline prices had a significant decline, while groceries contributed to price increases.

Canada's real Gross Domestic Product (GDP) grew 2.2% in Q1 2025 but is estimated to decline by 1.5% in Q2. The expected decrease in Q2 is attributed to reduced exports to the U.S. because of potential tariffs, as well as a reversal of the temporary export surge in Q1 ahead of tariff implementation. Growth is expected to gradually improve in the second half of 2025 as exports stabilize, and household spending picks up modestly. However, overall momentum remains subdued.

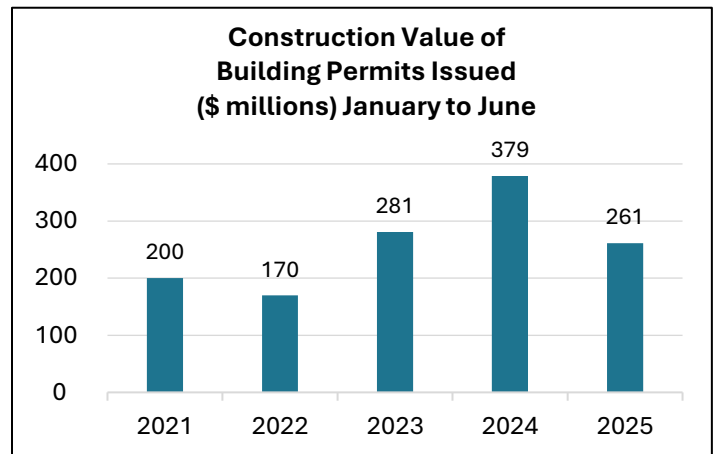
British Columbia Economy

B.C. Consumer Price Index (CPI) increased 1.7% year over year in July 2025, which was the third highest provincial increase. The rise was mostly driven by higher costs for food, health and personal care, and shelter. Vancouver inflation was above the provincial average at 1.9%.

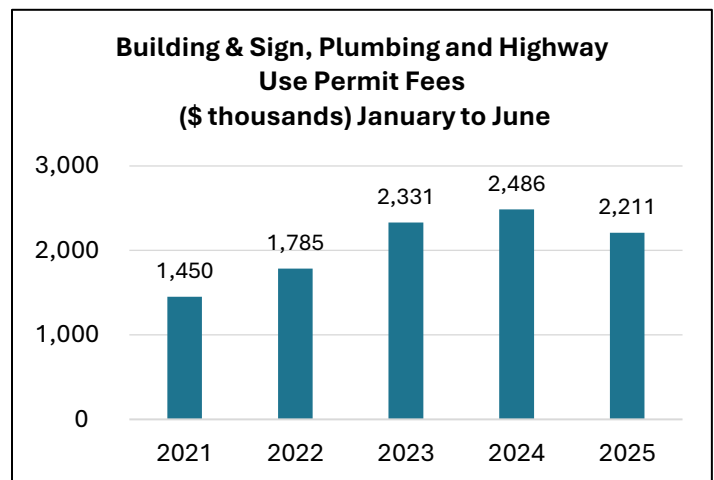
Building and Development Highlights

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

Construction value of building permits issued was \$261 million for the first six months of 2025, which exceeded the five-year average of \$258 million. Activity to June 30, 2025 was driven by building permits issued for various multi-unit residential apartment buildings.

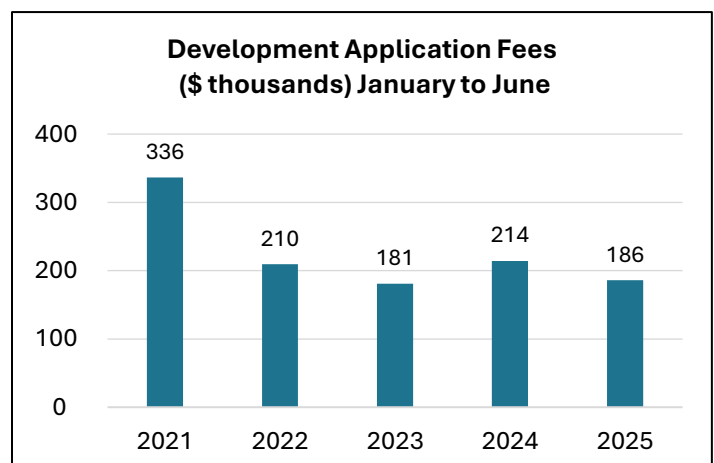


Building and sign, plumbing and highway use permit fees were \$2.2 million for the first half of 2025, exceeding the five-year average of \$2.1 million.



Year-to-date building construction values and permit fees are in line with the last two years, normalizing in Q2 after significant Q1 activity.

As of June 30, 2025, development application fees totaled \$186,000, slightly below the five-year average of \$225,000. The decrease is related to the 2024 Official Community Plan (OCP) update, which reduced previous density and height restrictions in expanded areas of the City, leading to fewer OCP amendments in 2025.



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 half of 2025, excluding depreciation, utilities, and capital items.

General Operating Expenditures

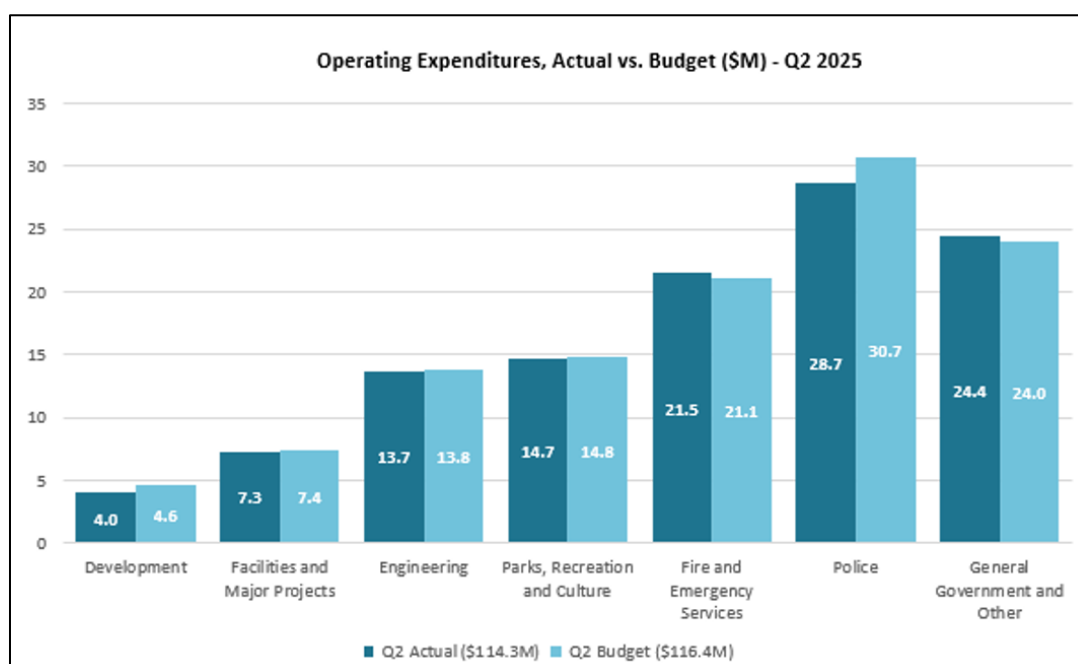
For the first six months of 2025, the City recorded \$114.3 million in general operating expenditures which was in line with the overall budget. The following provides an analysis of departmental operating expenditures for the first half of 2025.

Development, Facilities and Major Projects, Engineering, and Parks, Recreation and Culture departmental expenditures were \$39.7 million compared to the budget of \$40.6 million, which represented savings to date of \$0.9 million. This variance was mainly due to vacant staff positions which are expected to be filled by the end of the year.

Protective services (Fire and Police) expenditures for January to June totaled \$50.2 million, which was \$1.5 million below budget. The Fire Department budget was slightly over budget due to hiring in advance of expected retirements throughout the year. This was largely offset by staffing vacancies within the Delta Police Department (DPD).

Recruitment efforts remain ongoing, and several of these positions have been filled.

General Government includes Corporate Services, Finance, Legal Services, City Administrative Services, Fiscal, and Property Use & Compliance. As of June 30, expenditures totaled \$24.4 million and are projected to align with budget by year end.



General Operating Financial Results (cont.)

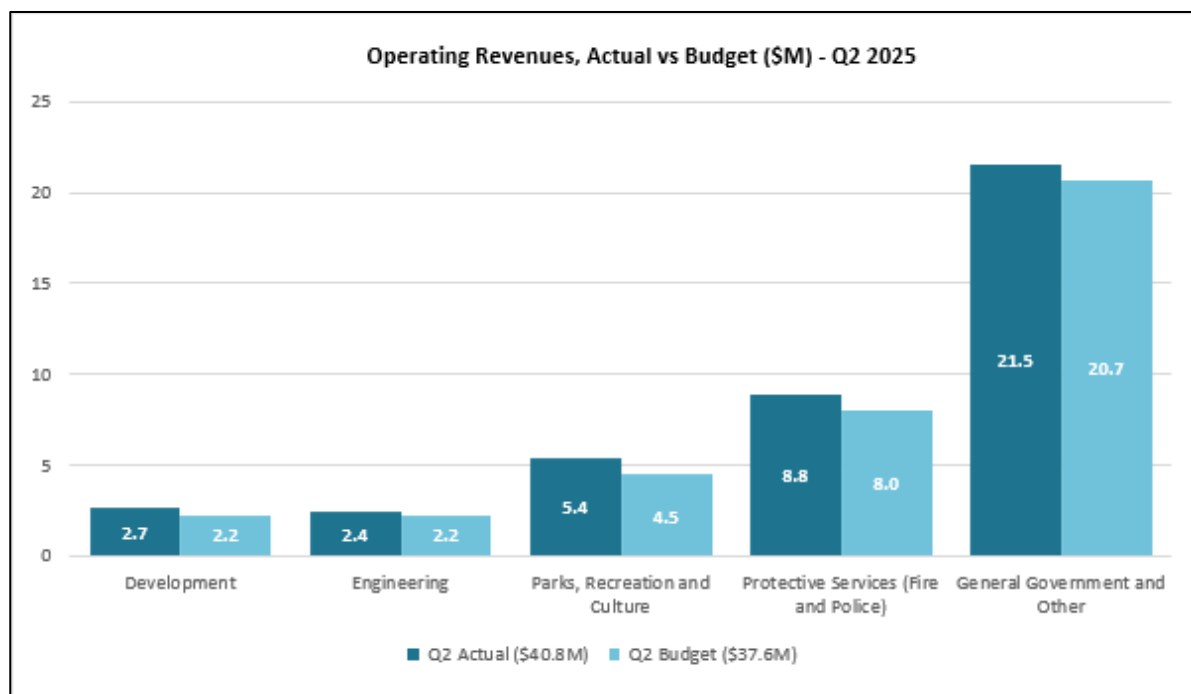
General Operating Revenues

The 2025 annual revenue budget of \$73.7 million represents general departmental operating revenue, which excludes property taxation. January to June operating revenue recorded by the City was \$40.8 million, which exceeded the budget of \$37.6 million by \$3.2 million. The following provides the January to June 2025 results for departmental general operating revenue.

The Development, Engineering, and Parks, Recreation and Culture departments generated \$10.4 million in revenue, surpassing the budget by \$1.6 million. This increase was mainly the result of higher-than-anticipated revenues from building permits and recreational memberships and programs.

Year to date protective services (Fire and Police) revenue of \$8.8 million exceeded budget by \$0.8 million due to the receipt of grants and servicing agreement revenue.

General Government recorded \$21.5 million in revenue which included investment income, payments in-lieu of taxes, Vancouver landfill revenues, and casino revenue. Interest rates are expected to decline in the latter half of the year, which is expected to have an impact on investment income in the second half of 2025.



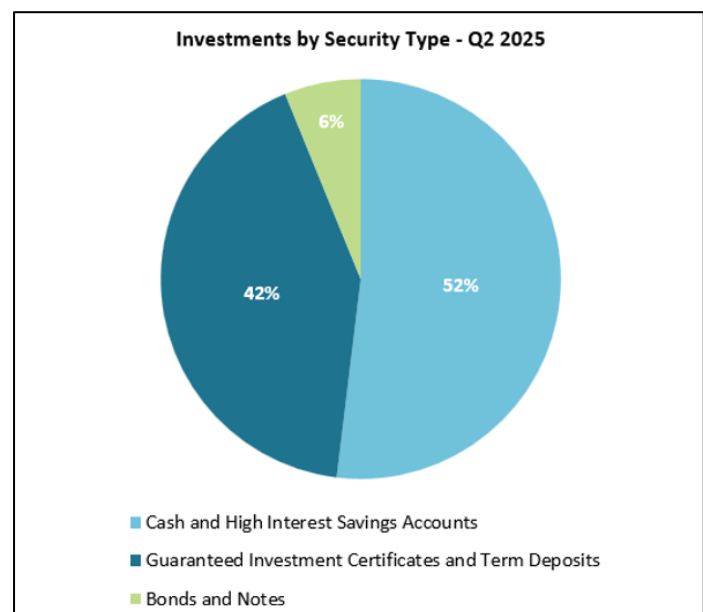
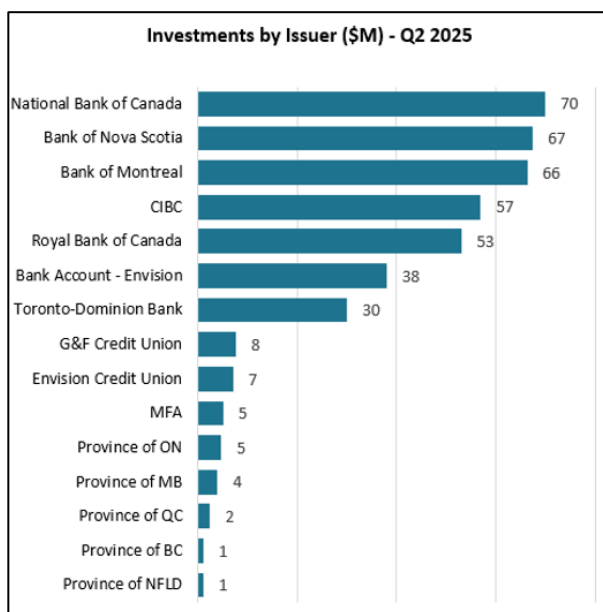
Investment Portfolio and Performance

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, credit unions, the Municipal Finance Authority (MFA), and provincial governments.

As of June 30, 2025, Delta's investment portfolio totaled \$415 million. The portfolio followed the Investment Policy with respect to financial institution limitations.



Investment Portfolio and Performance (cont.)

Performance

Delta's Q2 2025 total yield was 4.07%, compared to 4.13% in Q1 2025. The City's overall investment yield is expected to remain stable in the near term, reflecting the Bank of Canada's decision to hold its policy interest rate at 2.75% while monitoring economic conditions closely.

The Q2 2025 short-term yield on the City's portfolio was 3.73%, down from Q1 2025's yield of 3.80%.

Short Term Investment Yield		
	Q1 2025	Q2 2025
Delta Short Term	3.80%	3.73%
One Month T-bills	2.91%	2.67%
MFA Money Market	3.43%	2.96%

Q2 2025 yield on the long-term portion of the portfolio was 4.57%, compared to Q1 2025's yield of 4.64%.

Long Term Investment Yield		
	Q1 2025	Q2 2025
Delta Long Term	4.64%	4.57%
Gov't of Canada Bonds (3-5 yr)	2.77%	2.76%
Gov't of Canada Bonds (5-10 yr)	2.99%	3.04%

As of June 30, 2025, 63% of the City's investment portfolio was held in short term securities and the remaining 37% was held in long-term investments, reflecting a modest shift in weighting the portfolio towards higher yielding long-term investments.

Outlook

The Bank of Canada (BoC) made no change to the target overnight rate on July 30, 2025, maintaining it at 2.75% after a series of decreases that began in June 2024 and paused in April 2025. The BoC has continued its approach of "proceeding carefully" while monitoring the impact of U.S. tariffs and underlying inflation pressures.

Policymakers noted that, if inflationary pressures ease further, "there may be a need for a reduction in the policy interest rate." The next rate announcement is scheduled for September 17, 2025.