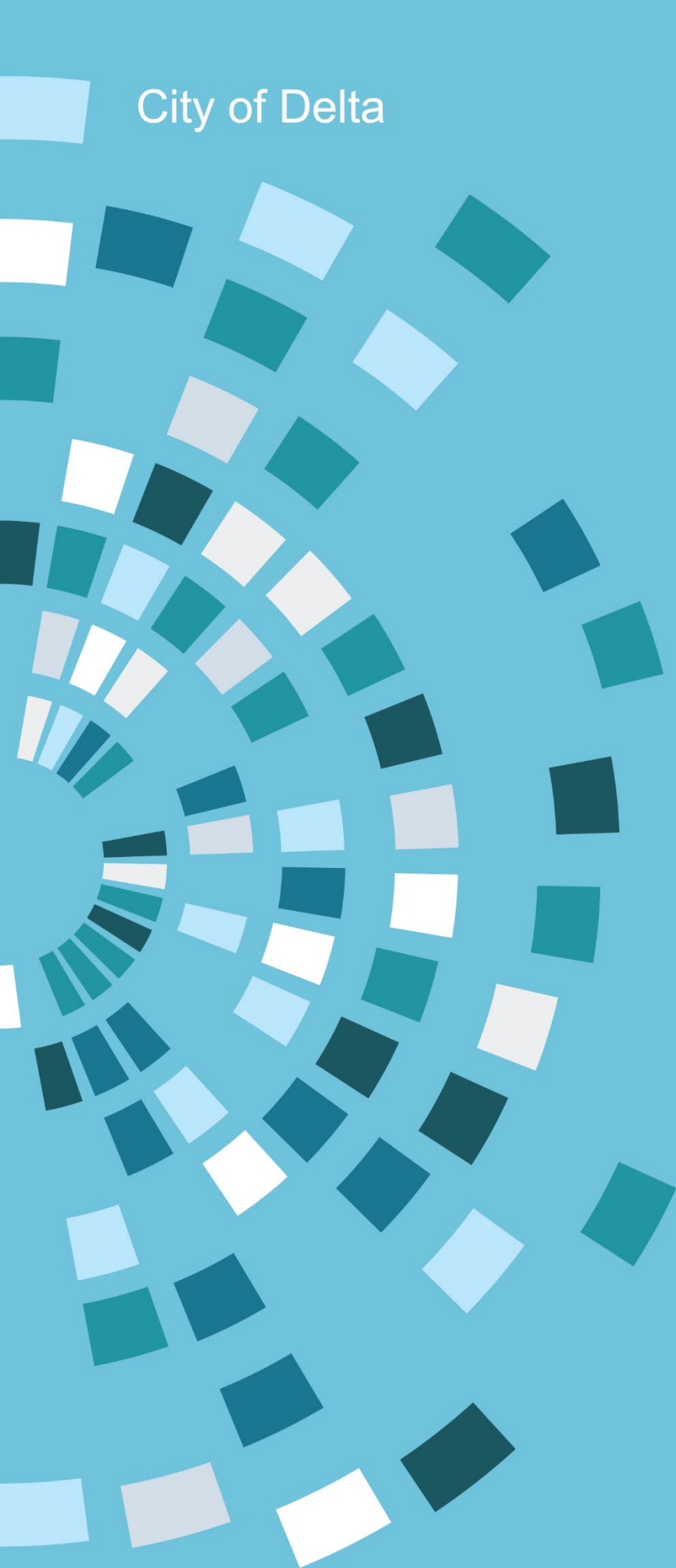




City of Delta

Second Quarter
**Financial
Report**

2026

Delta

Economic Overview and Outlook

Canadian Economy

At the July 15, 2026 rate announcement, the Bank of Canada (BoC) maintained its policy rate at 2.25%, marking the sixth consecutive announcement with no change. At that time, the Canadian economy had shown signs of improvement, with an increase in growth and easing of inflation. The BoC continues to monitor uncertainties related to the conflict in the Middle East and the US trade policy for impacts on the Canadian economy. In its July/August Forecast Summary, the National Bank of Canada projects that the BoC policy rate will remain at 2.25% through the remainder of 2026 and will increase to 2.75% in 2027. The next BoC rate announcement is scheduled for September 2, 2026.

The U.S. Federal Reserve (Fed) also held its target range at 3.50% to 3.75% at its July 29, 2026 meeting. The Fed noted that U.S. economic activity continues to expand at a solid pace despite uncertainty from the Middle East, while inflation remains above its 2% target. The BoC has indicated that the growth in the US economy is mostly because of strong consumption and AI-related investment. The BoC policy rate is currently 150 basis points below the Fed's upper target range.

Canadian Consumer Price Index (CPI) increased 3.0% year over year in July 2026, following a 2.8% gain in June. The increase was primarily driven by gasoline prices, which increased at a faster rate in July when compared to June. Excluding gasoline, CPI rose 2.2% in July, which was the same as June and May. The BoC expects inflation to ease to about 2.5% in the second half of 2026 and then to the 2% target by early 2027.

The Canadian real Gross Domestic Product (GDP) increased 0.8% quarter over quarter in the second quarter of 2026 because of higher exports, household spending, and business capital investment. The increase partly reflects a reversal of factors that temporarily weakened the economy in the first quarter. In July, the BoC forecasted annual average real GDP growth for 2026 to be 0.7%, rising to 1.8% for both 2027 and 2028. These projections were based on a recovery in exports, modest gains in residential investment, and activity in the oil and gas sector.

The Canadian labour market was overall positive in July, although not yet considered strong according to RBC Economics. The unemployment rate declined 0.1 percentage points to 6.4%, which is the lowest level in 2 years and marks three consecutive monthly decreases. Employment increased 0.4%, while the employment rate rose to 60.9%, with increases concentrated in Ontario and British Columbia.

British Columbia Economy

British Columbia's Consumer Price Index increased 2.9% year over year in July 2026. Prices in the province rose at a slightly faster pace in July than in June, consistent with the trend in all provinces except one. British Columbia recorded the second-lowest annual inflation rate among the provinces in July, behind Ontario at 2.0%.

Building and Development Highlights

Construction value of permits

\$93.4M

Permit fees collected

\$1.6M

Development application fees

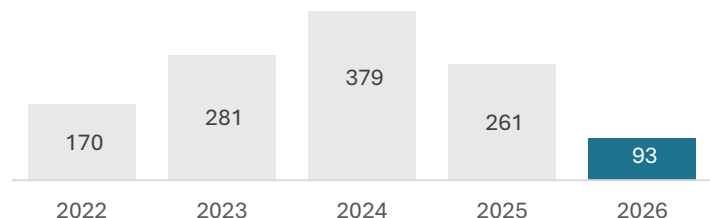
\$232K

The City's building and development performance for the first six months of 2026 compared to previous years is summarized in the following charts.

Construction value of permits

The construction value of building permits issued was \$93 million, below the five-year average of \$237 million. This decline is related to an overall market slowdown in residential construction and a transition from multi-level towers to smaller builds.

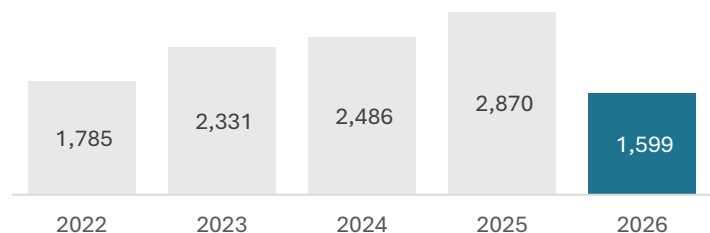
Construction Value of Building Permits (\$ millions)
January to June



Permit fees

Building, sign, plumbing and highway use permit fees were \$1.6 million for the first half of 2026, below the five-year average of \$2.2 million. Decreasing permit numbers, coupled with lower construction values contributed to the reduction. Comparatively, 2025 permit fees were higher due to permits issued prior to development cost charge rate increases in March 2025, in alignment with Metro Vancouver's timing.

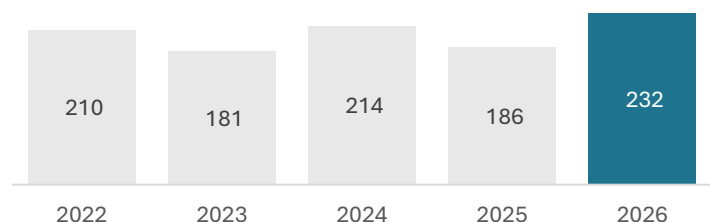
Permit Fees (\$ thousands)
January to June



Development application fees

For the first half of 2026, development application fees totaled \$232,000, exceeding the five-year average of \$205,000. Development fees increased on January 1, 2026, contributing to higher revenues.

Development Application Fees (\$ thousands)
January to June



General Operating Financial Results

At the Regular Meeting on December 8, 2025, Council adopted the City's 2026 Financial Plan which has an annual budget for general operating expenditures of \$268.2 million and general departmental operating revenues of \$77 million. This section discusses general operating spending for the first half of 2026, excluding amortization, utilities, and capital items.

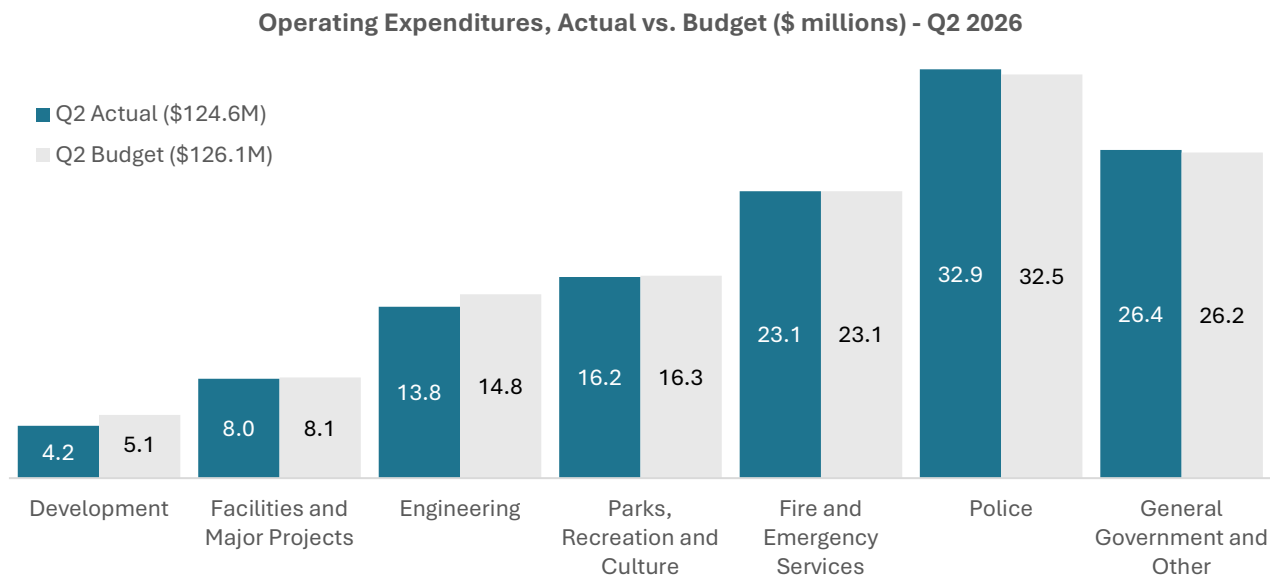
General Operating Expenditures

For the first six months of 2026, the City recorded \$124.6 million in general operating expenditures, within budget.

Development, Facilities & Major Projects, Engineering, and Parks, Recreation & Culture recorded combined expenditures of \$42.2 million, approximately \$2.1 million below budget. The favorable variance was primarily driven by salary savings associated with vacant positions. While some positions have since been filled, the remaining vacancies are expected to be filled later in the year. Savings were also realized in road and street maintenance and drainage operations due to warmer, drier weather conditions.

Protective Services (Police and Fire) expenditures totaled \$56 million, slightly above budget. The variance was primarily attributable to costs associated with Police investigations and some recoverable services. Fire and Emergency Services were in line with budget.

General Government includes Corporate Services, Finance, Legal Services, City Administrative Services, Fiscal, and Property Use and Compliance. Expenditures for the first six months of 2026 in these areas totaled \$26.4 million, in line with budget. The final net financial impact of the Westham Island Bridge emergency response will be reported once all costs and related recoveries have been finalized.



General Operating Financial Results

General Operating Revenues

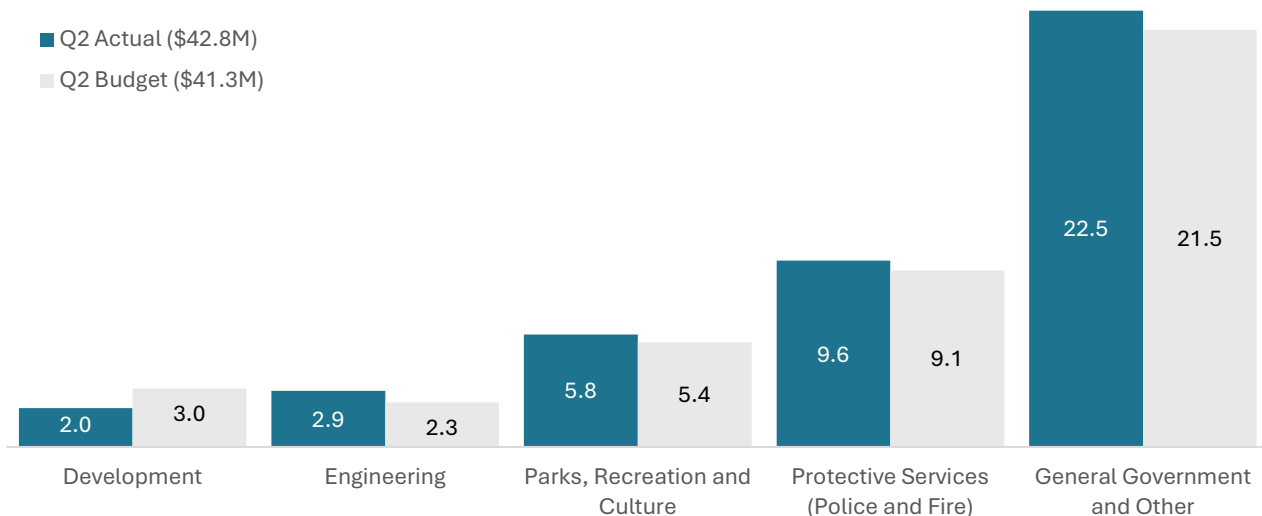
The 2026 annual revenue budget of \$77 million represents general departmental operating revenue and excludes property taxation. From January to June, the City recorded total operating revenue of \$42.8 million, which was higher than budget.

Development, Engineering, and Parks, Recreation & Culture generated combined revenues of \$10.7 million in the first six months of 2026, in line with budget. Engineering and Parks, Recreation & Culture revenues exceeded budget by \$1 million, reflecting continued strong recreational program demand and Engineering recoverable services. This was offset by lower than budgeted Development revenue, reflecting slower activity in the housing market.

Protective Services (Police and Fire) recorded \$9.6 million in revenues, \$0.5 million above budget, largely due to grant funding and recovered services. Grant funding received by Delta Police supported specialized equipment purchases and organized crime enforcement activities, while Delta Fire received funding for emergency response and training initiatives.

General Government recorded \$22.5 million in revenue, including investment income and Vancouver Landfill revenues. Revenue was favourable to budget, driven in part by higher landfill royalties received under the terms of a new agreement.

Operating Revenues, Actual vs. Budget (\$ millions) - Q2 2026



Investment Portfolio and Performance

Total Portfolio Balance – June 30, 2026

\$392M

Yield – 2026 Q2

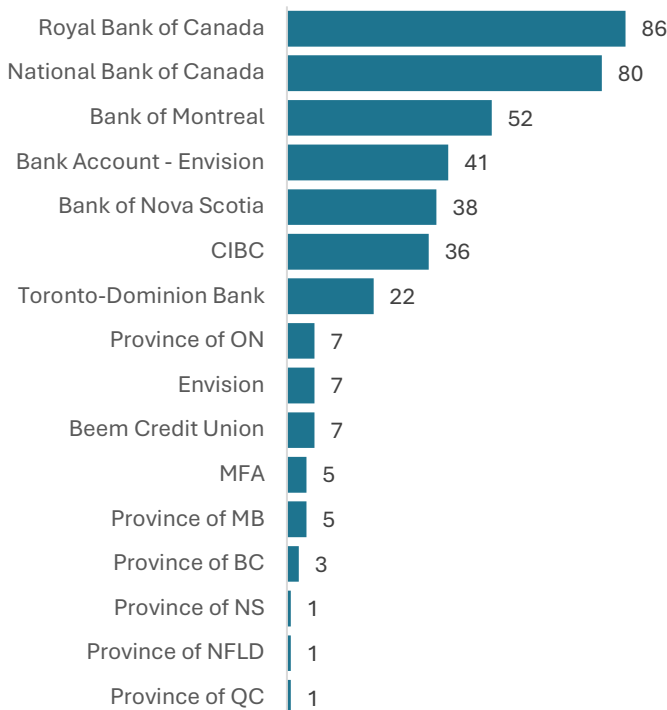
3.56%

It is the policy of City of Delta to invest City funds with primary emphasis on preservation of principal, while seeking to maximize risk-adjusted investment returns, ensuring sufficient liquidity to meet the ongoing cash flow requirements, and complying with the statutory requirements of the Community Charter. The City's objectives are to invest funds ensuring: 1) safety of principal, 2) liquidity, and 3) return on investment.

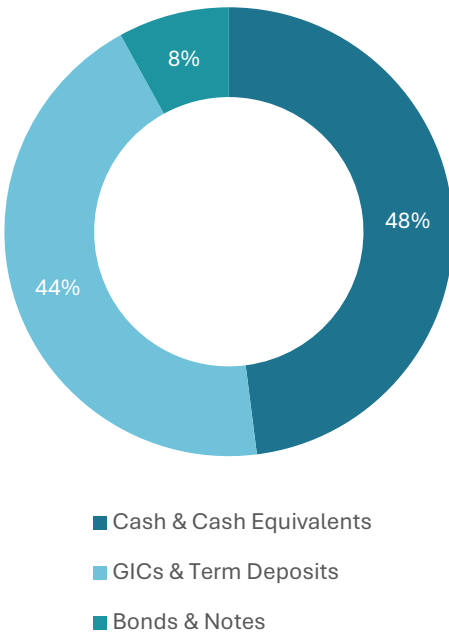
Portfolio

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, 2026, Delta's investment portfolio totaled \$392 million. The portfolio was in compliance with the Investment Policy.

Investments by Issuer (\$ millions)
Jun 30, 2026



Investments by Security Type
Jun 30, 2026



Investment Portfolio and Performance

Performance

Delta's Q2 2026 total yield was 3.56%, compared to 3.54% in Q1 2026. The City's overall investment yield is expected to decrease marginally as older investments mature and are reinvested in the current rate environment.

The Q2 2026 short-term yield on the City's portfolio was 3.02%, down from Q1 2026's yield of 3.06%.

Short-Term Investment Yield	Q1 2026	Q2 2026
Delta Short-Term	3.06%	3.02%
One Month T-bills	2.17%	2.25%
MFA Money Market	2.50%	2.51%

The Q2 2026 yield on the long-term portion of the portfolio was 4.03%, compared to Q1 2026's yield of 4.11%.

Long-Term Investment Yield	Q1 2026	Q2 2026
Delta Long-Term	4.11%	4.03%
Gov't of Canada Bonds (3-5 year)	2.88%	3.06%
Gov't of Canada Bonds (5-10 year)	3.20%	3.33%

As of June 30, 2026, 61% of the City's investment portfolio was held in short-term securities and the remaining 39% was held in long-term investments (greater than one year), reflecting a shift in weighting the portfolio towards short-term investments.

Outlook

On July 15, 2026, the Bank of Canada held its target for the overnight rate at 2.25%, which was the sixth consecutive rate hold since October 29, 2025. The BoC is focused on continuing to assess the strength of the Canadian economy and the inflation outlook with a preparedness to adjust as needed. The next rate announcement is scheduled for September 2, 2026.