S&P Global
Ratings

RatingsDirect®

City of Vancouver

February 13, 2025

This report does not constitute a rating action.

Primary contact

Amanpreet Kaur
Toronto
437-771-7950
Amanpreet.Kaur
@spglobal.com

Secondary contact

Bhavini Patel, CFA
Toronto
1-416-507-2558
bhavini.patel
@spglobal.com

Ratings Score Snapshot

Institutional framework	Individual credit profile		Issuer credit rating
Extremely predictable and supportive	Economy	1	AAA/Stable/A-1+
Very predictable and well-balanced	Financial management	1	
Evolving but balanced	Budgetary performance	1	
Evolving but unbalanced	Liquidity	1	
Volatile and unbalanced	Debt burden	2	
Very volatile and underfunded		1 Strongest – 5 Weakest	

Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Vancouver's status as British Columbia's economic engine supports the city's creditworthiness.	After-capital surpluses will continue, albeit falling from historical high levels as the city proceeds with an elevated capital plan.
Experienced management adheres to prudent policies and sound long-term fiscal planning.	Overall budgetary performance will remain healthy and help to mitigate increased reliance on debt to fund infrastructure investment.
An extremely predictable and supportive institutional framework with senior levels of government underpins the ratings.	Exceptional levels of liquidity will remain a key credit strength.

S&P Global Ratings expect the City of Vancouver's operating performance will remain healthy. However, as the city ramps up its capital investment, for both infrastructure renewal needs and growth projects, after-capital surpluses will weaken from historical high levels. Nevertheless, we believe the city's strong underlying economic fundamentals and financial management will support Vancouver's ability to maintain strong financial performance. We also expect the debt burden will remain moderate despite additional new borrowing, supported by Vancouver's exceptional liquidity.

Outlook

The stable outlook reflects our view that, in the next two years, prudent fiscal planning will facilitate after-capital surpluses, despite an elevated capital plan, while also mitigating debt issuance. We also expect that the city will continue to hold robust levels of liquidity.

Downside scenario

We could lower our rating, in the next two years, if an economic downturn negatively affects revenues in the absence of an appropriate response from government and/or the city incurs higher-than-expected capital expenditures resulting in sustained after-capital deficits. This could also lead tax-supported debt, net of statutory sinking funds, to increase to more than 60% of consolidated operating revenues.

Rationale

A robust economy and a solid institutional framework bolster the city's creditworthiness.

Vancouver, the economic heart of the Province of British Columbia, has a strong and diversified local economy, in our view. The local industries are well diversified, with key sectors consisting of trade, construction, transportation, technology, digital entertainment, the green economy, and services such as health care and social services. In the past 10 years, Vancouver has experienced healthy population growth of about 15% characterized by high median household income compared with the national level, according to the most recent census data. Although we expect population growth will slow down in the medium term due to reduced immigration targets, it will remain steady. The city's assessment base has been rising steadily, surpassing C$500 billion in 2023 compared with about C$467 billion in 2018, and we expect the trend will continue. Thus, although municipal GDP data are unavailable, we believe that Vancouver’s GDP per capita is in line with the national level, which we estimate at about US$54,000 in 2025. We also expect the city’s economy will remain resilient to increased uncertainty associated with international trade disputes (for further information on our estimates of the potential macro effects of proposed tariffs on the Canadian economy more broadly, see “Macro Effects Of Proposed U.S. Tariffs Are Negative All-Around,” published Feb. 6, 2025, on RatingsDirect). As a result, we do not expect material fluctuations to the city’s stable revenue base, driven by solid property tax revenues, over the next two years.

We believe Vancouver’s management team is highly experienced and prudent, with a detailed and proactive approach toward long-term financial planning. The current city council continues to prioritize affordability and services for mental health, addiction, and homelessness, while aligning with the provincial housing targets. The city prepares robust multiyear budgets as well as long-term capital and borrowing plans, which are realistic in our view. In addition, it has a track record of passing budgets before the start of its fiscal year with minimal variations from budgeted revenues and expenditures, reflecting management’s effective long-term fiscal planning. City staff and council were also able to identify efficiencies and cost savings to alleviate property tax increases in the latest budget cycle. Thus, we believe that the city’s management is accountable, follows prudent financial policies, and undertakes good disclosure and transparency.

As do other Canadian municipalities, Vancouver benefits from an extremely predictable and supportive local and regional government framework that has demonstrated high institutional stability and evidence of systemic extraordinary support in times of financial distress. Most recently through the pandemic, senior levels of government provided operating and transit-related grants to municipalities, in addition to direct support to individuals and businesses. Although provincial governments mandate a significant proportion of municipal spending, they also provide operating fund transfers and impose fiscal restraint through legislative requirements to pass balanced operating budgets. Municipalities generally have the ability to match expenditures well with revenues, except for capital spending, which can be intensive. Any operating surpluses typically fund capex and future liabilities (such as postemployment obligations) through reserve contributions. Municipalities have demonstrated a track record of strong budget results and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

Ongoing high capital spending will reduce future after-capital surpluses; debt levels to remain manageable.

While we expect the average operating balance will drop to about 15% in our 2025-2027 base case from peak levels of more than 20% achieved during the COVID-19 pandemic years of 2021-2022, we believe financial performance is sound. In the short term, this decline will be caused by slower property tax revenue growth, in line with the approved 2025 budget, and high operating costs, particularly personnel expenses. Moreover, significant costs are passed on to the city from Metro Vancouver as it undertakes various capital projects, including the most recent, the North Shore Wastewater Treatment Plant. That said, these pressures are offset by a steadily rising property tax base and increasing utility fees. The city council is also focused on enhancing nontax revenue generation through fee optimization, including real estate portfolio optimization, and other measures like sponsorship, advertisement, naming rights, and donations.

We expect a higher-than-historical level of capital investment in the next several years, as projects advance to implementation phases. In 2025-2027, we forecast that the city will spend, on average, more than C$650 million annually on capital investments, compared with about C$376 million annually on average in 2021-2023. This is primarily spurred by renewal of critical infrastructure, including upgrades to the city’s water and sewer system and streets and bridges. Also driving the higher capital expenditures are one-time projects like the renewal and expansion of the Vancouver Aquatic Centre (total cost of C$140 million) and the Pacific National Exhibition Amphitheatre (total cost of C$127 million). Nevertheless, we believe that the city will continue to generate a modest after-capital surplus of about 3.5% of total revenues annually, on average, in 2025-2027.

We believe Vancouver’s debt burden will remain manageable, despite increased reliance on debt to fund major capital maintenance and renewal projects as part of the city's large capital plan. The projected after-capital surpluses during the forecast horizon will help mitigate additional borrowing. The city intends to issue about C$480 million in debt for infrastructure renewal needs in 2025-2027. This will moderately increase tax-supported debt (net of statutory sinking funds) to about 33% of adjusted operating revenues in 2027 from about 30% in 2023. This is in line with the median debt burden of about 32% for Canadian local and regional governments rated 'AAA'. We also expect the interest burden will remain low, at less than 2% of operating revenues on average in 2025-2027. Vancouver's contingent liabilities are also low, in our view. The city is a member of Metro Vancouver, which provides regional services to member municipalities and is responsible for mostly capital-intensive infrastructure. In this capacity, Vancouver, as well as other Metro Vancouver member municipalities, is contingently liable for the debt of the regional authorities. However, we believe these entities are unlikely to need

Vancouver's support in the event of financial stress because they take in revenues to sustain their operations through property taxes and user fees collected by member municipalities. We also believe that other contingent liabilities, including standard employee benefits and landfill post-closure costs, do not have a significant impact on Vancouver's credit profile.

In our opinion, the city has exceptional liquidity. We estimate free cash balances and investments will be robust in the next 12 months, well above 100% of estimated debt service payments during that period (excluding bullet maturities funded with sinking funds). Similar to that of domestic peers, Vancouver's access to external liquidity is satisfactory, in our view.

City of Vancouver Selected Indicators

Mil. C$	2022	2023	2024bc	2025bc	2026bc	2027bc
Operating revenue	2,158	2,317	2,447	2,584	2,707	2,845
Operating expenditure	1,687	1,865	2,016	2,183	2,311	2,419
Operating balance	471	451	432	401	396	426
Operating balance (% of operating revenue)	21.8	19.5	17.6	15.5	14.6	15.0
Capital revenue	262	286	365	393	397	375
Capital expenditure	320	443	647	696	704	664
Balance after capital accounts	413	294	150	97	89	137
Balance after capital accounts (% of total revenue)	17.1	11.3	5.3	3.3	2.9	4.2
Debt repaid	3	112	106	91	91	86
Gross borrowings	2	104	125	150	160	170
Balance after borrowings	412	286	169	156	158	221
Direct debt (outstanding at year-end)	622	624	658	716	791	884
Direct debt (% of operating revenue)	28.8	26.9	26.9	27.7	29.2	31.1
Tax-supported debt (outstanding at year-end)	687	691	716	775	849	943
Tax-supported debt (% of consolidated operating revenue)	31.9	29.8	29.3	30.0	31.4	33.1
Interest (% of operating revenue)	1.4	1.3	1.5	1.5	1.6	1.6
National GDP per capita ($)	56,256.8	54,220.3	53,767.7	54,354.4	58,364.0	61,390.0

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. C$--Canadian dollar. $--U.S. dollar.

Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	1
Budgetary performance	1

Rating Component Scores

Key rating factors	Scores
Liquidity	1
Debt burden	2
Stand-alone credit profile	aaa
Issuer credit rating	AAA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, Dec. 9, 2024

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Subnational Government Outlook 2025: Canadian LRG Revenues Will Play Catchup To Meet Higher Operating Costs And Stabilize Debt Growth, Jan. 16, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024
- Economic Outlook Canada Q1 2025: Immigration Policies Hamper Growth Expectations, Nov. 26, 2024
- Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressures, Sept. 19, 2024
- Institutional Framework Assessment: Canadian Municipalities, April 2, 2024

Ratings Detail (as of February 13, 2025)*

Vancouver (City of)	
Issuer Credit Rating	AAA/Stable/A-1+
Commercial Paper	
Local Currency	A-1+

Ratings Detail (as of February 13, 2025)*		
Senior Unsecured		AAA
Issuer Credit Ratings History		
07-Feb-2017	*Foreign Currency*	AAA/Stable/A-1+
05-Feb-2016		AA+/Positive/A-1+
26-Feb-2015		AA+/Stable/A-1+
07-Feb-2017	*Local Currency*	AAA/Stable/A-1+
05-Feb-2016		AA+/Positive/A-1+
26-Feb-2015		AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.