

**City of Vancouver
Backgrounder
April 15, 2020**

As the COVID-19 pandemic continues to exert major stresses globally, the City of Vancouver has been monitoring, assessing, and evaluating the financial impacts to Vancouver.

Recently City staff presented Mayor and Council with a report which outlined the severe financial pressure which the City is under, as it strives to provide safety and assistance to residents at this challenging time.

Currently the City is losing \$4-5M a week in revenues, due to facility closures and lower parking revenue, and the City's efforts across many areas to address the pandemic have increased expenses.

The [Council report](#) provided three scenarios of the City's financial picture, indicating a range of budget impacts from \$60 to \$190M, depending on the duration of the current health emergency.

The City, like all local governments, is limited in how it can bridge the current shortfall. The City is not able to run an operating deficit. While the City has considerable reserve funds, these are not all available for funding operations.

The City has already taking action to address the situation. Many staff have been re-deployed to the Emergency Operations Centre to help the City deliver essential, critical, and priority services during this time. About 1,800 unionized staff have been temporarily laid off. The City will continue to evaluate its workforce requirements as circumstances unfold. The City intends that upon a return to regular business, laid-off employees can be rehired to continue their work delivering the community programming valued by residents.

In addition, on April 15 the City announced compensation impacts for exempt employees, including a mandatory unpaid furlough of one unpaid day off in each 10-day pay period, which is equivalent to an approximate 10 per cent reduction in salary for each exempt staff member. This is expected to remain in effect from April 10 to December 17, 2020 and to contribute to operational budget savings of approximately \$7.5 million.

Led by the Mayor, the City is engaging other levels of government to request relief funding to offset the cumulative financial impact to City expenditures and revenues as a result of the pandemic emergency, to provide a financial backstop should tax delinquencies increase, and to make the property tax deferral program available to more residents and to businesses and non profits who are experiencing financial hardship.

A special office has been established to focus on business support and recovery.

In positive news, the City Treasurer reports that the City continues to have a strong liquidity position as evidenced by the highest quality credit ratings from Moody's Investors Service (Aaa) and from S&P Global Ratings (AAA). As of our latest annual financial report, our debt servicing costs to operating revenues has been stable at around 8% and our cash flow from operations to total operating revenue is 27% which reflects the City's strong financial health. The City continues to manage its financial investment portfolio conservatively in accordance Vancouver Charter. The City has designated sinking funds for the repayment of outstanding debentures upon maturity. The sinking funds liquidity position is more than sufficient to pay interest and principal owed on borrowings when they become due. Our next two debenture maturities, in June 2, 2020 and December 2, 2021, is already fully funded by this sinking fund.

Staff will be establishing a financial plan to balance the 2020 operating budget utilizing further cost reductions and the financial stabilization reserve as necessary.

As we move forward, City staff will continue assessing the implications of COVID-19 on the City of Vancouver budget and on the City's economy, and will take prudent actions to ensure future stability and prosperity.

More information about the City's response to COVID-19 is available at Vancouver.ca/COVID-19.

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