

COVID-19 Pandemic Impacts: Financial Mitigation and Restoration of City Service Plan

Council Meeting – May 26, 2020



- **Background and Context**
- **Financial Update & Mitigation Plan – Operating Budget**
 - High Level Summary
 - Revenues
 - Expenses
 - Changes to Planned 2020 Investments
 - Service Impacts
- **Capital Plan Recalibration Update**
- **Restart of City Services Update**

Background and Context

Council Meeting April 14th and 28th – Recap

At the April 14th meeting, Council approved the following recommendation:

- THAT, in response to the unique circumstances created by the COVID-19 pandemic including uncertainty about the ability to secure Provincial operating grants, decreased revenues the City is currently experiencing on a weekly basis, and the potential for property tax delinquency due to economic hardship, Council direct staff to prepare and bring forward to Council by May 2020 (in public or in camera as necessary), options for consideration that will enable the City of Vancouver to achieve a balanced 2020 Operating Budget, and mitigate anticipated reduced revenue and include the following:
 - i. that such options take into account information from the Federal Government that COVID-19 related restrictions will continue at least through to the end of Summer, and that some level of COVID-19 response measures are likely to be in place for the remainder of 2020.
 - ii. that the report include and provide Council with a summary of Capital Projects including funding source identification of restricted or unrestricted funds, and which projects impact the Operating Budget through debt servicing.

At the April 28th meeting, Council added the following direction:

- THAT Council direct staff to include in the mitigation plan deferral of service level increments, deferral of capital projects and reduction of the operating budget in order to achieve a balanced budget in 2020.

Council Meeting May 26th – Objective



The objective of this presentation and the related Council report is to

- provide a financial update and mitigation plan related to the COVID-19 pandemic. The mitigation plan includes:
 - a reduction of the operating budget in order to achieve a re-balanced budget
 - a description of key service level impacts
- provide a summary of the mitigation planning for the Capital Plan and Budget including the recalibration of the Capital Plan
- introduce the re-start work as part of the City's recovery program

Financial Update & Mitigation Plan

Budget Impact 2020 & 2021 – \$111M Gap



High level summary of the \$111 million deficit (based on Scenario 2)

	Impact (\$M)
Revenue impacts / (shortfall)	(152)
Expense impacts and mitigations	40
Provincial funding support for emergency response costs and DTES	11
Net 2020 budget deficit	(101)
2021 Budget Impacts as part of recovery phase	(10)
Total Budget Impact in 2020 & 2021	(111)

- The City is taking a balanced approach to address the \$111 million deficit resulting from lost revenue and increased cost pressures related to COVID-19.
- Mitigating the impact includes actions such as staff layoffs, wage adjustments, cost containment, reviewing new hiring and holding vacancies, and utilizing reserves.

Mitigation Plan

Forecast based on latest COVID-19 impact assumptions and mitigation strategy:

	Impact (\$M)	Changes from April 14 th report
Revenue impact / (shortfall)	(136)	<ul style="list-style-type: none">• Ramping up parking enforcement• Golf courses and VanDusen
Salary related expense mitigation	64	<ul style="list-style-type: none">• Hiring freeze• Exempt furlough, 0% inflationary increase, deferred merit increase• Wage provision for City bargaining units excluding public safety• Temporary layoffs due to facility closures
Non-salary expense mitigation	20	<ul style="list-style-type: none">• Building occupancy & energy savings due to facility closures• Other discretionary expenses• Capital project deferrals and scope reductions in technology projects (funded from tax revenue)
Reserves	52	<ul style="list-style-type: none">• Use of the revenue stabilization reserve and budgeted 2020 transfers to reserves
Balanced 2020 Budget	-	

- The forecast for a balanced 2020 budget is based on one of many possible scenarios
- Current assumption: gradual reopening of City Services (to be refined as restart plans are developed)
- Scenarios will continue to be developed as new information is received (e.g. risk of second wave of infections)

Revenue Impact / Shortfall

Updated revenue forecast based on latest information and assumptions:

	Impact (\$M)
Revenue impact	(136)
Parking	(44)
Program Fees (incl. recreation fees and admissions, theatres revenue)	(44)
By-law Fines	(13)
License & Development Fees	(12)
Revenue Allowances	(11)
Revenue Sharing	(8)
Rental, Lease & Other	(5)
Investment Income	(1)
Property Tax	3

- After physical distancing restrictions are lifted, revenues will take time to recover to pre-COVID-19 levels.
- The overall revenue forecast has improved by \$16 million mostly attributed to Parking fees, Program fees and By-law fines due to the decision to restore Parking enforcement and reopen certain facilities such as golf courses and the VanDusen Botanical Garden.

Expense Mitigation – Salary Related

Impact of identified salary related mitigations:

	Impact in \$M
Salary related expenses	64
Reduced salary expenses due to temporary layoffs	32
Vacancy savings (due to hiring restrictions and new investments deferral)	18
Wage provision reduction for city bargaining units (excluding public safety)	9
Exempt savings (merit/furlough/inflation)	8
Other pressures	(3)

- Reduced salary expenses include temporary layoff of 1,800 bargaining unit staff due to closure of key facilities and service changes due to COVID-19.
- The cost mitigations identified have been partially offset by additional staffing costs in the following areas:
 - Higher spend in DTES program and winter shelter spending offset by Provincial recoveries.
 - Anticipated staffing spend on developer-funded projects e.g. St. Paul's Hospital, Heather Lands, Jericho Lands Policy, East Fraser Lands, North East False Creek Bridging, & Oakridge Redevelopment, offset by recoveries.

Expense Mitigation – Non-Salary

Impact of identified non-salary mitigations/savings:

	Impact in \$M
Non-salary	20
Other Expenses	6
Building Occupancy & Maintenance	4
Professional Fees	4
Capital funded from operating budget reduced by deferral of planned technology capital projects	3
Supplies & Materials	2

Note: totals may not add due to rounding

- Other Expenses include:
 - Cancellation of special events
 - Pay by phone contractual savings
 - Reframing of Vancouver Plan including budget reductions
 - Travel and training due to restrictions and discretionary cost reviews
- Building Occupancy & Maintenance savings include:
 - Energy related to closure of key facilities
 - Lease payment savings due to delays in occupying new leased facilities
 - School tax savings due to the provincial reduction in school tax

- **\$52 million** of the budget gap will be addressed through the use of the revenue stabilization reserve.
- This reduces the forecasted balance from 11% of revenues to 8% of revenues (the target range is 8-16% of non-utility revenues).
- This allows a balance to be retained for future years or scenarios.

Changes to Planned 2020 Investments

2 major categories of investments:

- Investments required to fill Service Gaps and address Risks
- Investments to address Council Priority areas

Many of the investments in these categories have been delayed due to

- the closure of key facilities
- review of new hiring and holding vacancies
- staff being redeployed to support the Emergency Operations Centre (EOC)

Any savings resulting from delays in these investments have been built into the updated forecast numbers in this presentation.

Investments to Fill Service Gaps and Address Risks



- The 2020 Budget included 76 investments amounting to \$37 million required to fill service gaps and address risk.
- These are funded from sources such as property taxes, user fees, utility fees, and internal reprioritization of existing budgeted resources across the organization.
- Impact due to COVID-19:
 - 3 investments have been cancelled
 - 32 investments have been either delayed, deferred indefinitely or are pending
- Total savings in 2020 is \$5.3 million (tax funded portion: \$2.5 million)

Impact due to COVID-19	Number of investments	2020 Original Investment (\$ in 000's)	2020 Adjusted Investment (\$ in 000's)	Change in Investment Request (\$ in 000's)
Cancelled	3	163	95	68
Delayed, deferred indefinitely or pending*	32	9,353	4,185	5,168
No change due to COVID-19	41	27,354	27,354	0
Total investments	76	36,870	31,634	5,236

* Pending further conversations with partners

Investments to Address Council Priority Areas

- The 2020 Budget included 39 new investments totaling \$21 million to support Council priorities and improve service levels in core services.
- 20 of these 39 investments have been delayed and 1 reduced in scope due to COVID-19.
- Total savings in 2020 is \$7.3 million (tax funded portion \$5.7 million).

Service Impacts

Park Board

- Closure of facilities (e.g. closure of community centres, pools, rinks and gyms)
- Reduced service levels in the areas of park maintenance

Vancouver Public Library (VPL)

- Closure of indoor public spaces used by 18,000 people per day
- Loss of computer access for people who have been relying on 500 library public computers, normally in use an average of 2,550 hours per day
- 20,500 books not borrowed per day for learning and recreation
- Loss of service through physical locations delivered by 215 full time staff and 400 part time and auxiliary staff laid off

Engineering

- Reduced service level of various programs (due to the reduction in Translink funding certainty), including:
 - Major streets slot grinding
 - Hotpour crack sealing
 - Cut-out and patching of roadway
 - Curb repair
 - Special service and tree pit maintenance
- Reduction of delivery:
 - Traffic and Data Monitoring – Traffic Data Count
 - Public Space Street Activities and Street Use
- Reduced filming and special event application review process to correspond with the significant lower number of application during COVID-19.

Vancouver Police Department (VPD)

- As an essential service, the Vancouver Police Board has not put forward reductions to the VPD budget.
- Council has requested the Vancouver Police Board to identify cost mitigations of 1% of the Vancouver Police Department budget which are being assumed as part of balancing the 2020 Budget.
- The Vancouver Police Board is responsible for identifying specific cost mitigations to address Council's request, while fulfilling Police Act requirements to ensure effective policing services.
- The City and VPD will continue to pursue opportunities for reimbursement of incremental COVID-19-related costs from Emergency Management BC.

Vancouver Fire and Rescue Services (VFRS)

- Deferral of certain fire life safety inspections until businesses reopen and mandatory training will need to be completed at a later date.
- Delays in redirecting staff to support the Medic 11 team, stationed in the DTES (highest priority to be added to the VFRS response profile in 2020).
- Delayed development of the Mental Health Program and various diversity and outreach strategies.

Arts, Culture, and Community Services (ACCS)

Social Policy

- Various projects will be delayed, e.g.
 - Equity Framework completion and implementation
 - Access without Fear motion response
 - Mayor's Overdose Task Force
 - Sexual harassment and Violence prevention in Entertainment district
 - Community economic development work
 - One-time projects, e.g. South Asian Apology, anti-Black racism plan, Indigenous Healing and Wellness strategy

Cultural Services

- Impacts include delaying work on key projects including
 - Culture|Shift implementation including Making Space of Art
 - Vancouver Music Strategy
 - First Nations engagement
 - Night life economy
 - Equity grants
 - Public Art Signature projects

Non-Market Housing Operations

- Postponement of the development of a violence prevention program
- Recreation programs at Gathering Place, Evelyn Saller Centre and Carnegie are on hold

Vancouver Civic Theatres (VCT)

- Closure of facilities

Development, Buildings, and Licensing (DBL)

- Impact on processing times
- Ability to complete building inspections potentially slowing down granting occupancy
- Impact on ability to attend animal control calls

Planning, Urban Design, and Sustainability (PDS)

- Impact on progression of various priorities, incl. Green Buildings, Indigenous Planning work
- Community Planning: Actions while Planning (part of Vancouver Plan) slower to progress
- Current Planning: limited capacity to accept new files, longer review times

Real Estate and Facilities Management (REFM)

- Facility and office closures
- Delayed investments in Preventative Maintenance programs

Technology Services (TS)

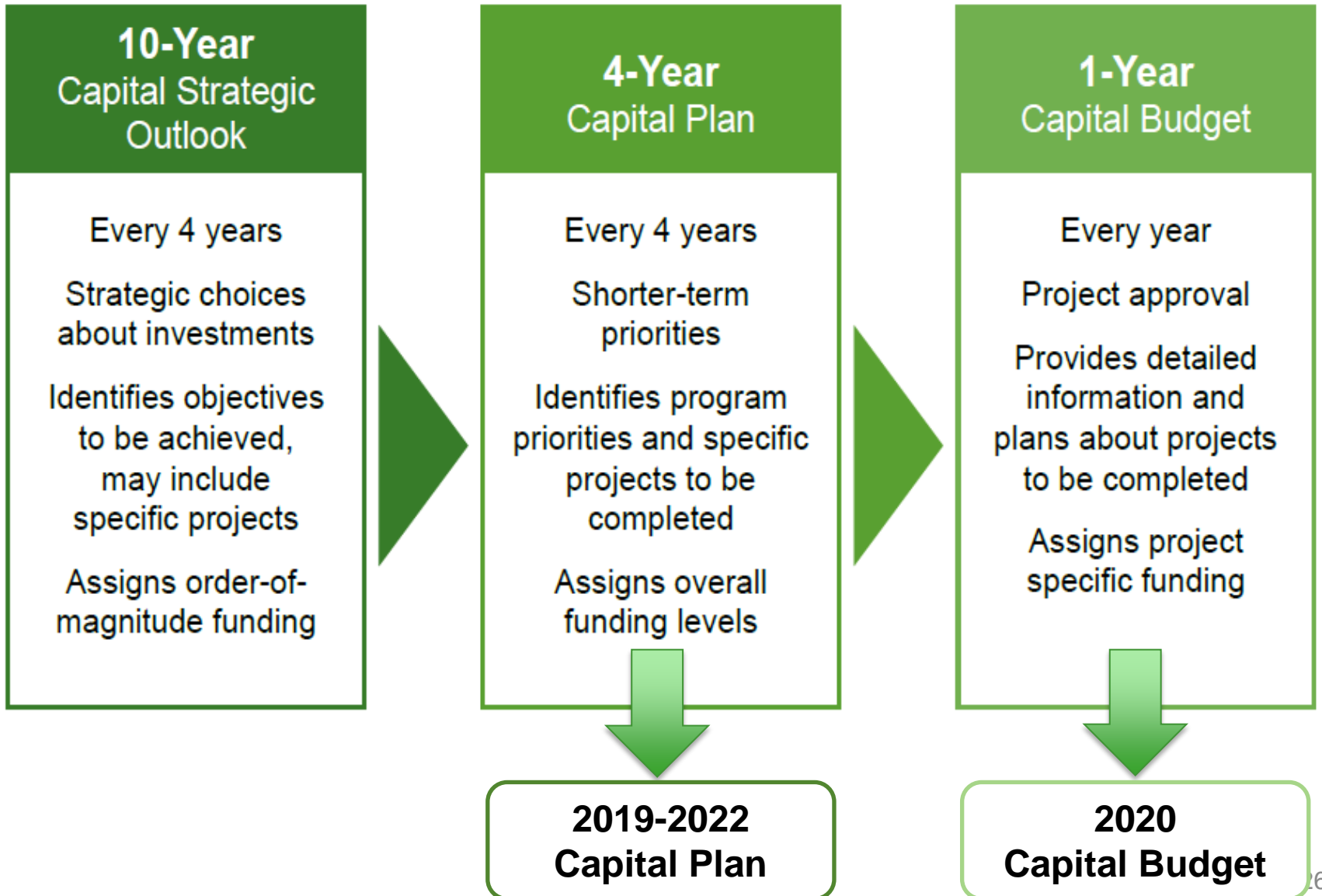
- Impacts on project delivery, service request fulfillment and incident response service levels
- Delay of capital projects which are funded by taxes

Finance, Risk, and Supply Chain Management (FRS)

- Delay of affordability analysis and Enterprise Risk programs
- A number of policy and strategy work will not be complete in 2020

2019-2022 Capital Plan Recalibration

City's Capital Planning Framework



April

- **Initial review:** identified capital projects **pausing or slowing down** due to COVID-19 physical distancing requirements

May

- **Initial review:** identified capital projects that would help **mitigate the 2020 Budget gap**
- **Capital Plan recalibration:** developed program for recalibration of 2019-22 Capital Plan to be completed in Q3 2020 (July-Sept.)

Initial Review: Projects Pausing/Slowing Down



Projects currently in planning/scoping phase:	<ul style="list-style-type: none">• West End Community Centre/Joe Fortes Library project• Bute Greenway project• Robson/Alberni public space project• Chinatown Cultural Partnership project• Chinatown Memorial Square project• City Hall campus renewal project• Marpole Civic Centre project at Granville St. & 67th Ave.
Projects currently in the detailed design phase:	<ul style="list-style-type: none">• Chinese Society Buildings renewal project• Archive renewal & relocation project
Projects currently in the construction phase:	<ul style="list-style-type: none">• Nanaimo Street upgrade project• Richards Complete Street project

Initial Review: \$3M Savings for 2020 Budget



Deferring some Technology projects to 2021 or 2022	<ul style="list-style-type: none">• Council meeting management project• Small to medium projects identified and prioritized by service groups
Deferring the scope of some Technology projects to 2021 or 2022	<ul style="list-style-type: none">• E-sourcing project (application supporting Supply Chain Management)• Lagan upgrade project (application supporting 311 call centre)• Citywire replacement project (internal website for City staff)

Recalibration: Context – 2019-22 Cap Plan

Total: \$2.9 B

City Contributions (\$1.1 B)

- Property tax
- Utility fees
- User fees
- City reserves

Operating Budget gap for 2020 + limited appetite for tax/fee increase in 2021/22

Development Contributions (\$1.6 B)

- DCL, CAC, DBZ
- Connection fees for water/sewer

Slowdown in pace of development for 2020/21 + possible lower DCL/CAC rates due to soft market

Partner Contributions (\$0.15 B)

- Federal gov't
- Provincial gov't
- TransLink
- Non-profit partners

Risk with TransLink funding programs

Anticipated infrastructure stimulus package

Recalibration: Conceptual Overview

Current project
statuses

Updated funding
envelope

Changing context
& considerations

COVID-19
constraints &
opportunities



COVID-19 recovery /
Capital Plan Recalibration



2020 Budget
Adjustment

Capital Plan
Recalibration
(Q2-Q3)

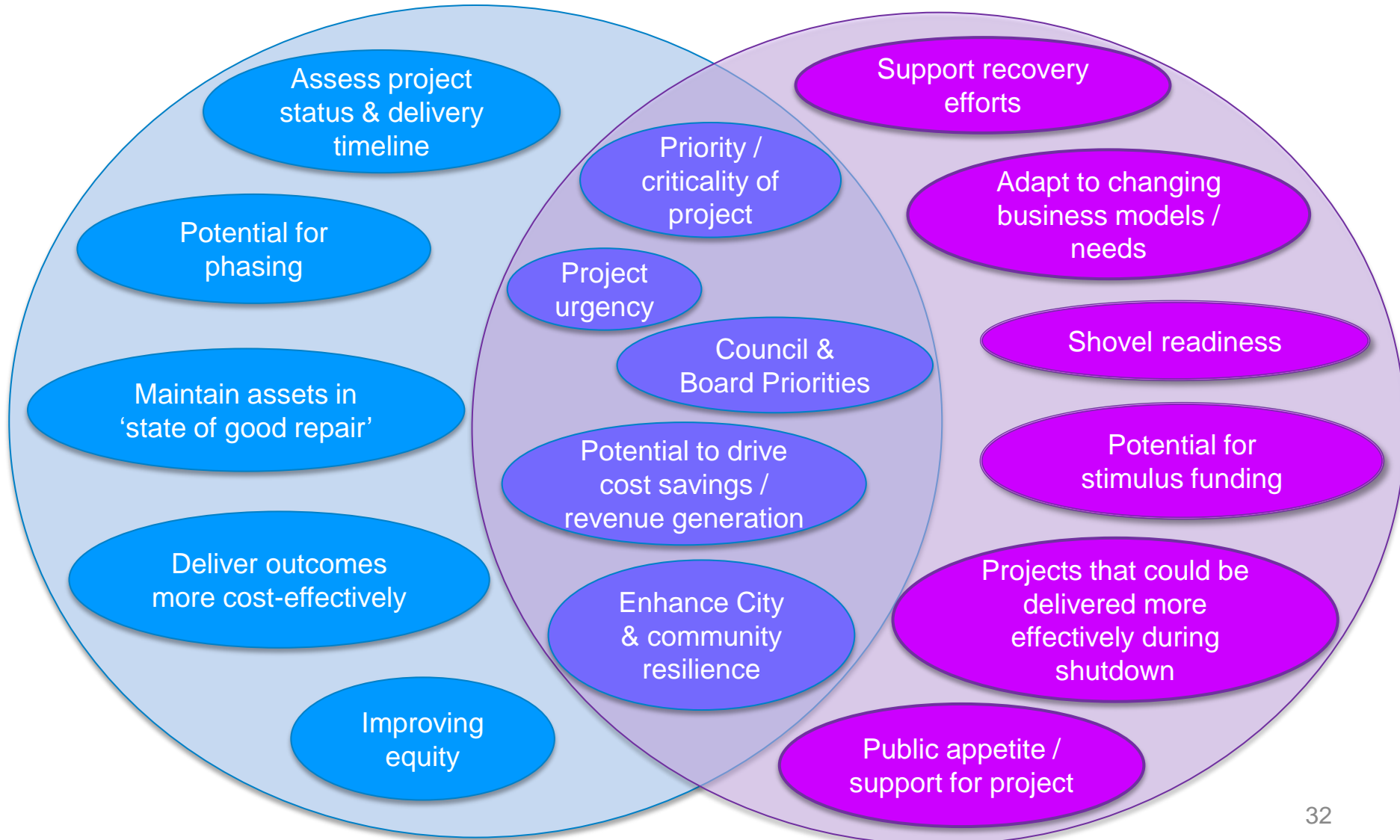
Fed/Prov stimulus
submissions
(Q2-Q3)

2021 Budget

Recalibration: Considerations

Business as Usual

COVID-19 Recovery



Recalibration: Framework

2019

2020

2021

2022

2023

future

Proceed with prioritized items, including:

- Prioritized items to submit for Fed/Prov stimulus \$\$
- Projects selected to receive City's Emerging Priorities \$\$

Pause selected items

Activate in 2021/22 if \$\$ becomes available

Reduce / remove items from Capital Plan

Footnotes:

1 – permanent savings

2 – temporary savings

Construct project with reduced scope¹

Defer some scope to next cap plan²

Finish plan/design, construct in next cap plan²

Cancel project¹

Recalibration: Updated Funding Assumptions



Funding source		Pre-COVID-19 funding assumptions	Updated funding assumptions	Summary
City	Debt	\$495 M	\$483 M	~\$26 M reduction
	Pay-as-you-go	\$417 M	\$405 M	
	Reserve	\$188 M	\$186 M	
Development	DCLs	\$672 M	TBD	Likely decrease from DCLs/CACs
	CACs in-kind	\$570 M	\$570 M	
	CACs cash	\$266 M	TBD	
	Water/sewer connection fees	\$110 M	\$110 M	
Partner	Federal gov't	\$20 M	TBD	Anticipating significant increase
	Provincial gov't	\$37 M	TBD	
	Regional gov't	\$79 M	TBD	Likely decrease from TransLink
	Non-profits	\$15 M	\$15 M	
TOTAL		\$2,869 M	TBD	

Staff:

- Review of options and formulation of recommendations in June/July

Council & Boards:

- Ongoing dialogue as staff move through this process
- Work will conclude in Q3 (July-Sept)

Restart of City Services – Update

Purpose of presentation

1. Provide context for Restart planning
2. Highlight the new “regulatory” environment
3. Provide considerations for Restart
4. Provide update on Restart planning

Context for CoV Restart Planning

- a. Serious **financial constraints** for the City
- b. Health Orders, public need etc., require/enable **some services to start earlier**
- c. Temporary layoffs and reallocation of resources makes CoV **restart environment very different** from shut down environment
- d. **New “regulatory” environment** to be considered – Health orders etc.
- e. Physical distancing and Health Orders **“forced” temporary transformation** of City activities
 - i. Work from home
 - ii. Digital building applications
 - iii. Application review meetings on the phone
 - iv. etc.
- f. Response to COVID-19 provides **opportunity for permanent transformation**
- g. **Second wave** of the pandemic is **likely** - flexibility required
- h. **Centralized coordination needed** to understand organization-wide impacts of restart

The new “regulatory” environment – Public Health Orders



1. Workplace Safety Plans – order issued May 14, 2020
 - i. All employers must have documented COVID-19 safety plans in place
 - ii. COVID-19 safety plans must be posted on employer websites and available in workplaces for review by staff and public
2. Food Service Establishments – order issued May 15, 2020
 - i. 2m distancing between parties
 - ii. Maximum 50% of typical capacity
 - iii. If practicable, retain contact information for each party for 30 days

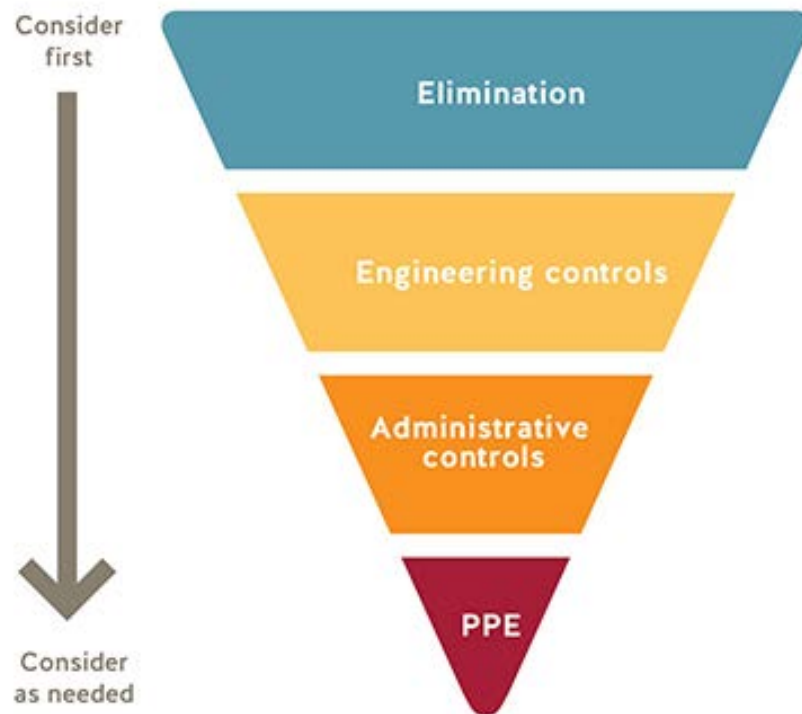
The new “regulatory” environment – WorkSafeBC Requirements



1. All employers are required to establish COVID-19 safety plans
2. Safety plans must incorporate the following:
 - i. Risk assessment for all workplaces
 - ii. Measures to reduce risk of infection
 - iii. New policies, procedures as required
 - iv. Communication and training for staff
3. Detailed, sector-specific guidelines for municipal services, parks, arts & cultural facilities

The new “regulatory” environment – WorkSafeBC Requirements (continued)

4. Detailed, sector-specific guidelines for municipal services, parks, arts & cultural facilities



Source: WorkSafeBC

- Remote work
- Occupancy limits
- Physical distancing requirements
- Plexiglass barriers
- Facility modifications
- Cleaning protocols
- Space use/traffic flow
- Elimination of shared equipment
- Non-medical / medical masks
- Other PPE

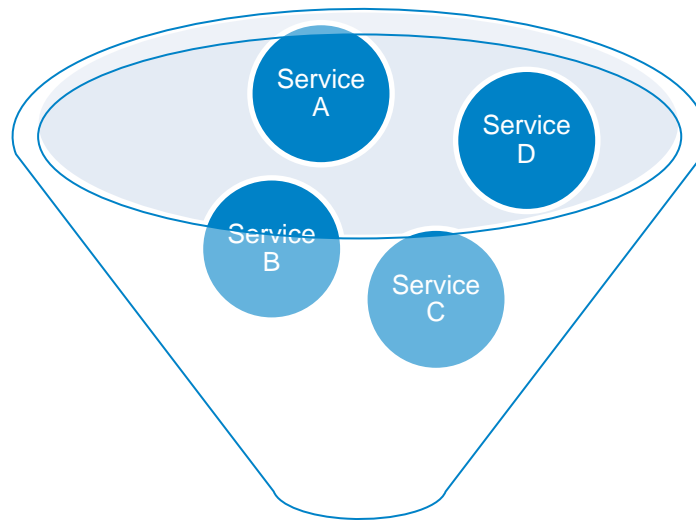
Considerations for CoV Restart Planning



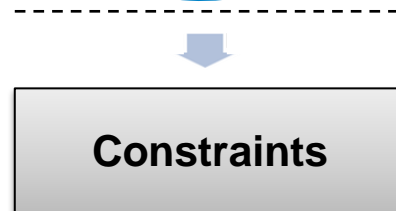
1. Services that can be delivered in a **safe manner for staff** and the public. Our number 1 priority
2. Services that meet a **community need** and/or a **market demand**
3. **Revenue** generating activities
4. **Degree of additional resources**, above current levels, required to restart and maintain service (financial, operational, etc.)
5. **Public facing** activities/services prioritized over office environments
6. **Transformation opportunities**
7. What **other municipalities** are doing – regional commitment to collaborate

1. Department **prioritizes public facing service** for restoration based on **community need/market demand**
2. Department develops **operational restart plan** for safe service delivery
 - i. Scope – service levels, rationale
 - ii. Space – facility set up
 - iii. Staff – deployment plan, recalls, training on new procedures
 - iv. Stuff – PPE, plexiglas barriers
 - v. Support services – cleaning, security, technology
 - vi. \$ - Financial – projected revenues/costs
 - vii. Stats – outcome measures
3. Plans assessed against **safety requirements and resource constraint**
4. If required, **trade-offs** need to be assessed
5. Restart plan **approved as proposed/modified or rejected**
6. Department **implement restart plan**

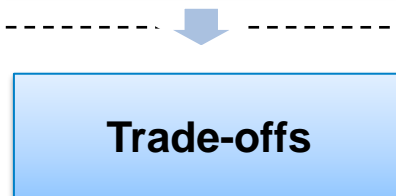
Restart Planning Framework



- Potential services to restart
- Based on CoV priorities
- Requirements and considerations addressed in Restart plans



- Budget
- Staffing needs
- Cleaning resources
- Ability to meet Health Orders
- Etc.



- Sometimes no trade-offs
- Sometimes multiple



Service Restart – Status

#	Plan	Status
1	Vancouver Park Board	<ul style="list-style-type: none"> Golf, VanDusen Gardens, Tennis, Off leash dog parks and parking has been re-started Outdoor recreation - aiming for restart this week Playgrounds - aiming for restart aligned with school opening
2	Vancouver Public Library	<ul style="list-style-type: none"> Computer access at central library has started Curbside pickup at 5 locations will start June 2 Limited services at Central library and 5 other locations is planned for July
3	Vancouver Civic Theatres	<ul style="list-style-type: none"> Limited ability to restart due to nature of business/industry Assessing alternative use options for revenue generation
4	Non-Market Housing & Social Operations	<ul style="list-style-type: none"> Community Centers – phased approach under development Cemetery – All but memorial services still operational. Plan under development Housing – scaling back of current services under review
5	Parking enforcement	<ul style="list-style-type: none"> First level of enforcement has been implemented; A further plan with additional staff and physical distancing setup currently under review
6	Council Operations	<ul style="list-style-type: none"> Currently no in-person Council meetings contemplated until September
7	General Office	<ul style="list-style-type: none"> Repopulation to commence no earlier than September Anticipating a different office environment
8	Public Facing Counters	<ul style="list-style-type: none"> Coordination and planning for restart of all Public Facing Counters underway
9	City Tenants	<ul style="list-style-type: none"> Working with tenants based on agreements to clarify roles and responsibilities (Vancouver Maritime Museum, Museum of Vancouver, etc.)

- i. Restart is a very complex exercise
- ii. Coordination and alignment between departments required
- iii. Environment is continuously changing – adaptability critical

Summary

- Challenging environment with financial constraints due to revenue loss and limitations related to cleaning and physical distancing
- Some services like libraries will likely open sooner than anticipated in the scenario planning; some services will require additional time
- The process will require an agile approach with changes and adjustments taking place throughout the year
- Staff will follow the outlined restart process to ensure decisions are coordinated and balanced across the city