



Circular No. 20:09

April 23, 2019

To: All Local Government Financial Administrators

Re: Detailed Financial Circular on Provincial Financial Measures for Local Governments During Covid-19

In a joint communique on April 16, 2020, the Honourable Selina Robinson, Minister of Municipal Affairs and Housing and the Honourable Carole James, Minister of Finance, announced a number of measures to provide critical assistance business and local governments through 2020 (<https://news.gov.bc.ca/releases/2020FIN0020-000703>).

The purpose of this circular is to provide an overview of these measures and their implications for local government finance. There will be more technical circulars on each measure in the coming week. We ask for your patience while we prepare and vet these circulars for distribution.

Measure 1 – Reduction of School Tax Rate for Commercial Property:

The Province has provided \$720 million in school tax relief through a reduction in 2020 school tax rates (when compared to the revenue that would have been raised under the normal rate-setting policy announced in Budget 2020).

This relief is directed to Class 4 (major industry), Class 5 (light industry), Class 6 (business and other), Class 7 (Managed Forests) and Class 8 (Recreation/Non-Profit).

These rate reductions were set to provide a 25% tax saving from the previous year for classes 5,6 and 8 on the total property value taxes collected by municipalities for themselves and other public authorities. For classes 4 and 7, the amount of school tax collected will be almost zero, but the overall tax saving is less than 25%.

If a municipality chooses, it may add some wording to the tax notice informing commercial taxpayers of the school tax reduction for 2020.

Measure 2 - Postponing late payment penalties on Commercial Properties:

For all municipalities, the province will postpone the application of late payment penalties for

property tax on commercial properties (Classes 4, 5, 6, 7 and 8) to October 1, 2020 (thus, to avoid penalty, payments must be made by September 30th). This will not change the due date of taxes for those classes; it will only change the October 1st date on which the penalties can be incurred for unpaid taxes. For most municipalities, this will represent a 90-day delay in penalties for these commercial classes.

This postponement will apply to both a default (July 2) tax scheme under S.234 of the Community Charter and an alternative tax scheme under S.236 of the Community Charter. However, if a due date under an alternative tax scheme is later than September 30, the later due date will still apply and penalties will not be imposed until after the municipal due date.

This postponement measure will not impact Class 1 (Residential), Class 2 (Utility) and Class 9 (Farm). The normal municipal due date and penalties will apply for these classes.

This measure will provide meaningful short-term cashflow relief to businesses that own their own property and to commercial landlords.

The Province understands that the tax software for some municipalities does not currently allow for municipalities to delay penalty dates on certain property classes. If this is the case with your municipality, we encourage you to include some information in your property tax notice that a late penalty will not be imposed on properties in Classes 4, 5, 6, 7, and 8, until October 1, 2020.

Regarding split classified properties (i.e. properties that include portions of different Classes), if any portion of a property includes a taxable value in Class 4, 5, 6, 7, or 8, the entire property is eligible for the delayed tax penalty date of October 1. This is due to the complexity of disaggregating different portions for an individual property. However, this will only affect a small number of properties in British Columbia.

We also encourage you to include messaging in your tax notice mail outs reminding businesses that the property tax payment date has not changed, and that if business can pay prior to September 30, they should pay.

Measure 3 – Delayed Remittance of School Tax and Police Tax until the end of 2020:

The Provincial government understands that delaying penalties on commercial classes may have an impact on municipal cashflow over the summer months, including remittances to other public authorities like regional districts, regional hospital districts, TransLink, the Greater Vancouver Sewage and Drainage District and the Greater Vancouver Water District.

To help you better address this issue, the Province is delaying municipalities' remittance of school tax and police tax to the end of 2020. This will effectively free up some cash to address summer liquidity pressures. However, this money must be prioritized to first pay annual remittances to other public authorities. Also, in the case of Translink, BC Assessment and other

public authorities that have multiple remittance dates, we require municipalities to pay their full remittance amounts in August rather than the actual amounts collected as referenced in the relevant statutes. This will ensure these authorities receive necessary revenue to remain liquid in 2020.

Municipalities should also prioritize annual debt payments to regional districts for any outstanding capital borrowing under a security issuing bylaw.

Measure 4 – Borrowing from Capital Reserves

In order to strengthen local governments' cash position, the Province will allow interfund borrowing from one or more capital reserve funds to an operating reserve fund established to address current revenue shortfalls (including revenue shortfalls caused by remittances to other public authorities).

Any money borrowed from capital will need to be repaid within five years of the time of borrowing. Also, there will be no requirement to pay interest on interfund borrowing, though individual local governments may choose to do so. This should help alleviate some short-term cash concerns by accessing cash and investment in capital reserves.

Each local government should establish, by bylaw, an operating reserve fund for 2020 revenue shortfalls. The actual interfund borrowing transaction does not require a bylaw, though each local government should consider authorizing the interfund borrowing by bylaw or resolution.

Regional districts can also interfund borrow from capital reserves to operations. However, in doing so, regional districts should exercise caution because their reserve funds are often associated with different services located in different geographical areas. For this reason, regional districts should do internal financial planning before considering interfund borrowing. Ministry staff can provide guidance on this process.

Measure 5 – Delay Tax Sale

The Province will enable municipalities to delay the statutory date of property tax sales (and redemption) by one year. Essentially, municipalities would be allowed the option of delaying statutorily-required tax sale (under S.654 of the Local Government Act) for one year and allow the delinquent property owner an additional year to carry the taxes as "delinquent" under S.246 of the Community Charter.

This measure will provide municipalities with the discretion to delay the 2020 tax sale process by one year (from Sept 2020 to Sept 2021). If a council elects to delay tax sale, they can continue to carry the outstanding taxes as "delinquent" for one additional year. In 2021, the municipality would conduct its normal 2021 tax sale on properties that became "delinquent" on December 31, 2020, and on the delayed tax sales from 2020.

A municipality will also have the discretion to extend the redemption period (from the 2019 tax

sale) for one year. Thus, the redemption deadline could be extended from September 2020 to September 2021.

The details of this extension for tax sale and redemption are still being finalized, but the decision of a municipality to delay tax sale or redemption will likely require a bylaw or resolution of council.

Measure 6 – Extend Revenue Anticipation Borrowing

Under section 177 of the Community Charter and section 404 of the Local Government Act, municipalities and regional districts utilize revenue anticipation borrowing to meet current year lawful expenditures.

For 2020 revenue anticipation only, the Province will allow local governments to carry any outstanding balance at the end to 2020 into 2021. In 2021, local governments will be allowed to do new revenue anticipation borrowing in addition to the balance carried over from 2020.

Anticipating that the COVID-19 situation will be well into recovery mode in 2021, and normal revenues should begin flowing back to local governments through fees and taxes. Thus, this measure should only be required for one year. All outstanding revenue anticipation borrowing should be paid down by the end of calendar year 2021.

Measure 7 – Annual Reporting and SOFI Reporting

The Province understands that many local governments are dealing with limited resources and the difficulty of remote working. Because of this, the Province wants local governments to focus on the budget and revenue cycle (including taxation).

Things like financial reporting for previous years may be temporarily delayed so local governments can concentrate on addressing current cashflow issues.

In a previous circular, the Province said it would not be enforcing the May 15 deadline for audited financial statements and Local Government Data Entry System (LGDE) Reports. In addition to this, the Province will also be delaying the requirement for annual reports (under S.98 of the Community Charter and S.376 of the Local Government Act) and for Statement of Financial Information (SOFI) Reports (under the Financial Information Act) from June 30, 2020, to August 31, 2020. If local governments can get these reports completed sooner, we encourage them to do so.

If possible, we would like to encourage timely completion of the LGDE Tax report in early summer. If that is not possible, we encourage municipalities to submit their tax bylaw to the Ministry of Municipal Affairs and Housing. This information is necessary to determine calculations for grants-in-lieu of taxes.

Conclusion

We appreciate that local governments in BC are addressing many competing issues. The Province will work cooperatively with local governments to ensure critical services are delivered in a timely manner.

As COVID-19 is an evolving major issue, the Province will continue to monitor the effects of these measures, consider other measures that may be required and provide updates of actions taken to support local governments. If you should have any questions regarding this circular, I encourage you to contact Kevan Letawske, Senior Policy Analyst, Local Government Infrastructure and Finance Branch. You can reach Kevan by phone or email at: 778 698-3239 or Kevan.Letawske@gov.bc.ca.

We sincerely thank local governments for their support and cooperation throughout this process.

Sincerely,

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