



Date: June 23, 2020

To all Regional District CFOs:

On April 23, the province sent out a [circular](#) to all local governments regarding 2020 financial measures to address the Covid-19 situation.

Pursuant to that circular, the Province recently issued [Ministerial Order M159](#) under section 10 of the Emergency Program Act.

This backgrounder provides additional context to the measures covered under Order M159.

The relevant sections of Order M159 for regional districts are as follows:

- Section 4 – Borrowing from Reserve Funds
- Section 11 – Revenue Anticipation Borrowing
- Sections 21 & 22 – Financial Reporting

#### **I. Section 4 of the Order --- Regional Districts Borrowing from Statutory Reserve Funds**

In order to strengthen local governments' cash position, the Province will allow borrowing from one or more reserve funds for operational purposes.

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.

The borrowing of funds can only be done in calendar 2020. There is no established dollar limit on the borrowing; however, the borrowing is bound by the current-year budgeted expenditures.

The total 2020 borrowing from reserve funds must be fully repaid to the respective reserve funds used for the borrowing on or before December 31, 2025. There is no interest payable on borrowing from reserve funds over the repayment period.

If the amount is not fully repaid by December 31, 2025, the regional district must include the repayment of outstanding borrowing in 2026 budget plus a penalty. The penalty will equal 5% of the outstanding reserve fund borrowing at December 31, 2025.

Regional districts can also interfund borrow between services in order to address cash shortfalls in 2020. Because different services are located in different areas with different taxpayers, regional districts should exercise caution before approving lending between reserve funds in different services. The Province strongly encourages regional districts to do internal financial planning before considering such interfund borrowing. Ministry staff can provide guidance on this process.

## **II. Section 11 of the Order – Extend Regional District Revenue Anticipation Borrowing**

Under section 404 of the *Local Government Act*, regional districts may utilize revenue anticipation borrowing to meet current-year lawful expenditures.

Under the EPA order, the Province will allow regional districts to carry any unpaid balance of revenue anticipation borrowing 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.

The unpaid balance from revenue anticipation borrowing incurred in 2020 will not impact the amount of revenue anticipation borrowing authorized for 2021. This will enable regional districts to continue to engage in revenue anticipation borrowing, despite carrying over such debt from 2020.

The balance of revenue anticipation borrowing carried into 2021 must be fully repaid by the end of Calendar 2021 to ensure timely resolution of the debt (December 31, 2021).

## **III. Sections 21 & 22 of the Order – Delayed Financial Reporting**

Currently, under section 376 of the *Local Government Act*, regional districts are required to prepare and make public an **annual report by June 30, 2020**. And, under section 2 of the Financial Information Act, regional districts must complete a statement of financial information (or **SOFI Report**) **also by June 30, 2020**.

The EPA order will allow regional districts to delay both these dates to **August 31, 2020**. Note, this order is only moving the deadlines; these reports must still be prepared and adopted in accordance with statutory requirements.

In addition, 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. The deadline for these reports is also extended to **August 31, 2020**. If you can do the reports earlier, we encourage you to do so.

### **Further Information**

For additional information, please contact:

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