



**MUNICIPAL FINANCE AUTHORITY
OF BRITISH COLUMBIA (BCMFA)**
CANADA 

| BCMFA Ratings: | |
|--------------------|--------------|
| Moody's: | Aaa "Stable" |
| Fitch Ratings: | AAA "Stable" |
| Standard & Poor's: | AAA "Stable" |

Credit Strength

BCMFA – “the Authority”

- **Taxation Power:** BCMFA has the power to levy a property tax on all taxable land in the province.
 - No senior level of government approval required.
 - Assessed property value in province greater than **\$825 billion**.
- **Debt Reserve Fund:** BCMFA holds cash and investments as a specific reserve against loan default.
 - Funded by withholding 1% from loan requests.
 - Refunded to clients upon repayment of loan.
 - Has never been drawn against in the history of BCMFA.
 - Holds over **\$108 million** in cash & liquid investments.
- **Sinking Funds:** BCMFA collects repayments of loans through a sinking fund methodology.
 - Consistent cash flow requirements from clients (no balloon payments).
 - Principal repayments held and invested by BCMFA for debenture retirement.
 - Holds approx. **\$1.25 billion** in cash & investments (22% of gross debt).
- **Governance:** Members (stakeholders) of BCMFA are responsible to:
 - Review all client loan requests for financing.
 - Authorize the issue and sale of securities to fund requests.

BCMFA – “the Clients”

- **Borrowing Approvals:** All long term Municipal debt in British Columbia (BC) requires public approval.
- **Debt Borrowing Limits:** Municipalities have restrictions on allowable debt levels.
- **Debt Servicing Limits:** Only a portion of sustainable revenues can be recognized as available to service debt costs (principal & interest).
- **Balanced Budgets:** Municipalities **can not** budget for a deficit or an accumulated deficit.
- **Debt Guarantee:** Municipal borrowings must have regional government support.
 - Municipalities guarantee each others debt in event of default.
 - “Joint and Several” guarantees have never been activated.
- **Provincial Oversight:** Provincial legislation and Ministry of Community Development provides that:
 - Borrowings are legal and can not be challenged in court.
 - Borrowings are within Municipal Debt Limits.
 - Municipalities have financial ability to service debt.

BCMFA Organization

- Financing Authority responsible for funding BC's municipal projects (sewer, water, & infrastructure).
- Formed in 1970 under the Municipal Finance Authority of British Columbia Act.
- Functions independently from the Province.
- Operates as a cooperative Municipal Bank representing all municipalities in BC.
- Unique Organization – Municipal credit with a Provincial scope.
 - 165 Municipalities grouped into 28 regional district governments (joint & several).
 - 28 Regional districts represented on BCMFA's Board of Members.
 - 10 trustees elected from Board of Members to oversee operations.
 - City of Vancouver included in BCMFA's membership.

- BCMFA will not undertake debt if it jeopardizes or infringes on credit quality.
- BC's total Municipal debt capacity approximates **\$20 billion** of which only **\$6.2 billion** is outstanding (approx. 31% of authorized limit).

Liquidity - Security for Investors (\$ thousands)

- BCMFA matches interest payments from members to semi-annually market interest obligations.
- To ensure bondholders are always paid first, BCMFA maintains the following coverage:

| | | | | |
|--|--------------------------------|---------------------------|-----------|-------------------|
| Typical Annual Interest Obligation to Bondholders | | | | \$ 270,000 |
| 1) | Debt Reserve Fund – cash | | \$ 59,000 | |
| | – investments | Available - 3 days notice | 49,000 | |
| 2) | Bank Credit Facility available | | 200,000 | 308,000 |
| Excess coverage | | | | \$ 38,000 |

Additional Coverage

- BCMFA can levy a property tax on all taxable land in the province as deemed necessary.
- BCMFA holds an additional **\$1.25 billion** in sinking funds.

Financial Position – BC Municipal Sector (\$ billions)

| | 2010 Projected | 2009 | 2008 | 2007 |
|--------------------------------------|-----------------------|--------------|--------------|--------------|
| BCMFA Sinking & Debt Reserve Funds | \$ 1.500 | 1.358 | 1.299 | 1.254 |
| Municipal Reserves & Surpluses in BC | <u>4.900</u> | <u>4.813</u> | <u>4.487</u> | <u>4.894</u> |
| | \$ 6.400 | 6.171 | 5.786 | 6.148 |
| Long-term Debt | <u>\$ 6.095</u> | <u>5.663</u> | <u>5.362</u> | <u>4.918</u> |

Borrowing Strategy:

- Focus primarily on Canadian Bullet debentures with 10 yr term.
- Target issue sizes in the \$300 to \$500 million range.
- Typically issue debt twice a year (spring & fall) for annual issuance in range of \$500 to \$800 million.
- Will re-opening existing debenture issues to establish benchmark levels.
- Occasional issuances of 5 year and 20 year debentures.

Commercial Paper Program:

- \$500 million authorized – Ratings: Moody's P-1, Standard & Poor's A-1+.
- Weekly issuance, terms 30 –180 days.
- Proceeds used for bridge financing, short-term projects, and capital leasing requirements.
- Fully backstopped by two Canadian Chartered Banks – dedicated term loan facilities.

Municipal Finance Authority of British Columbia

Robin Stringer
Graham Egan
Shelley Hahn

Chief Administrative Officer
Director of Finance
Director of Business Services

robin@mfa.bc.ca
graham@mfa.bc.ca
shelley@mfa.bc.ca

737 Fort Street, Victoria, British Columbia V8W-2V1 Canada
www.mfa.bc.ca :: Phone: 1-250-383-1181 :: Fax: 1-250-384-3000 :: mfa@mfa.bc.ca