
Municipal Finance Authority of British Columbia 'AAA' Ratings Affirmed; Outlook Negative

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TORONTO (Standard & Poor's) Jan. 17, 2005--Standard & Poor's Ratings Services today said it affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on the Municipal Finance Authority of British Columbia (MFABC).

At the same time, Standard & Poor's affirmed its 'A-1+' short-term global scale and its 'A-1(High)' Canadian national scale CP ratings on the authority. The outlook is negative.

The MFABC is the highest rated, stand-alone pooled financing entity in Canada. "The authority benefits from a high degree of credit uplift (relative to the aggregate credit quality of constituent pooled borrowing members), which is based primarily on its liquidity and timely access to the entire provincial local property tax base, including the City of Vancouver," said Standard & Poor's credit analyst Paul Calder.

The ratings on the MFABC reflect the Province of British Columbia's high level of financial support, particularly for the smaller and more rural municipalities that have a lower level of own-source revenues compared with urban municipalities.

The authority also has a high level of available liquidity in the form of its debt reserve fund (DRF), capital repayment equalization fund, and unencumbered credit facilities. It also has indirect and slightly less timely access to municipal member financial resources via the authority's ability to levy local taxes to replenish any draw from its DRF, something which has never occurred.

The outlook on the MFABC primarily reflects a significantly increasing debt burden in the next few years to fund an ambitious capital infrastructure program, primarily in the Greater Vancouver Regional District (GVRD). Major projects related to transit, transportation, and water and sewer system upgrades will cause the GVRD's indebtedness to increase further in the short term, although new revenue sources could mitigate the debt increase to some extent. Fulfillment of the projected borrowing profile, capital program cost overruns, and weakness in the generation of incremental funding sources to finance the expanded capital program could exert potential downward pressure on the ratings. The outlook also reflects Standard & Poor's expectation that provincial grant support for weaker MFABC loan obligors will continue.

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