



**Municipal Finance  
Authority of BC**

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**Investor Presentation**  
Q1 2024 Update



This presentation, including the accompanying slides and subsequent discussion, contains certain forward-looking information, forecasts, projections, goals and strategies (the “forward-looking information”) with respect to revenues, funding, expenses, the financial condition, and results of operations. This forward-looking information represents the Municipal Finance Authority of British Columbia’s expectations or beliefs concerning future events and involves known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. This material is for information purposes only.



- Formed in 1970 under the ***Municipal Finance Authority of British Columbia Act***
- MFA is the only Public Sector Regional Infrastructure Agency in the world that has direct and unfettered taxation powers
- Long term debt ratings of AAA/Aaa/AAA by S&P/Moody's/Fitch
- Infrastructure financing to local government in the Province of British Columbia
  - Access to stable and lowest cost funding for sewer, water, roads, public works, parks, etc.
- Provide competitive investment alternatives and quality financial education
- We have consistently been profitable from operations and benefit from direct taxation power and a stable and large capital base to support our lending
- Our borrowing program emphasizes predictable and large public offerings: BCMFA is the benchmark municipal issuer in Canada - offering the highest credit quality and most liquid bonds in the sector



MFA Line of Business	Description	Market Positioning
<b>Long-Term Financing</b>	MFA's core business activity is providing long-term financing to local governments.	No competitors. By legislation, all long-term borrowing by municipalities and regional districts in British Columbia must be provided by MFA.
<b>Short-Term Financing</b>	MFA provides optional short-term financing to local governments.	Low competition. MFA is able to offer highly competitive short-term lending rates to BC local governments.
<b>Pooled Investment Products</b>	MFA provides optional investment products to local governments through its pooled fund offerings.	Highly competitive. However, MFA is able to provide local governments with broad exposure to different asset classes (vs. strict limitations set out in the Community Charter).
<b>Financial Education</b>	MFA provides high quality financial education.	Highly competitive. However, MFA provides local governments with unique financing and investing educational opportunities directly or through our key partners.



## British Columbia – Local Government

- 28 Regional Governments made up of municipalities, cities, towns & villages

## Board of Directors

- 40 Members appointed by local government
- Responsible for reviewing loans, electing trustees

## 10 Trustees

- Trustees responsible for overseeing operations and management
- Authorize debt issuance

## MFA Employees

- Manage loans, debt and investments
- Balance sheet of \$10.4bn
- Complement of 19 professionals



		Taxable land and improvements to restore Debt Reserve Fund (DRF)
<b>Taxation Authority</b>		<ul style="list-style-type: none"><li>• Senior-level government approval not required</li><li>• Property values assessed at \$2.4 trillion</li><li>• Never been used for the DRF, tested every year via operational levy</li></ul>
<b>Joint Liability</b>		Borrowers' long-term debt with MFA is a Regional District liability
		<ul style="list-style-type: none"><li>• Borrowers guarantee each other's debt in event of default</li><li>• Joint and several guarantees never been applied</li></ul>
<b>Investments</b>		Sinking Fund Methodology
		<ul style="list-style-type: none"><li>• Semi-annual billing of interest to match debenture coupons</li><li>• Annual billing of principal for debt retirement</li><li>• \$4.0 billion in assets (41% of gross long-term debt)</li></ul>
<b>Capital Policy</b>		Debt Reserve Fund
		<ul style="list-style-type: none"><li>• \$120 million in liquid investments for long-term debenture obligations</li><li>• 1.00% cash withheld from all loan requests</li><li>• Never been drawn against</li></ul>
		Retention Fund
		<ul style="list-style-type: none"><li>• \$105 million in liquid investments from retained earnings</li><li>• Never been drawn against</li></ul>
<b>Balanced Budgets</b>		Under provincial legislation, municipalities may not plan for a deficit



## **Balanced Budgets**

- Under provincial legislation, municipalities may not plan for a deficit

## **Transparency and Disclosure**

- Audited financial statements - PSAB, by May 15
- Annual Report - presented to residents, by June 30

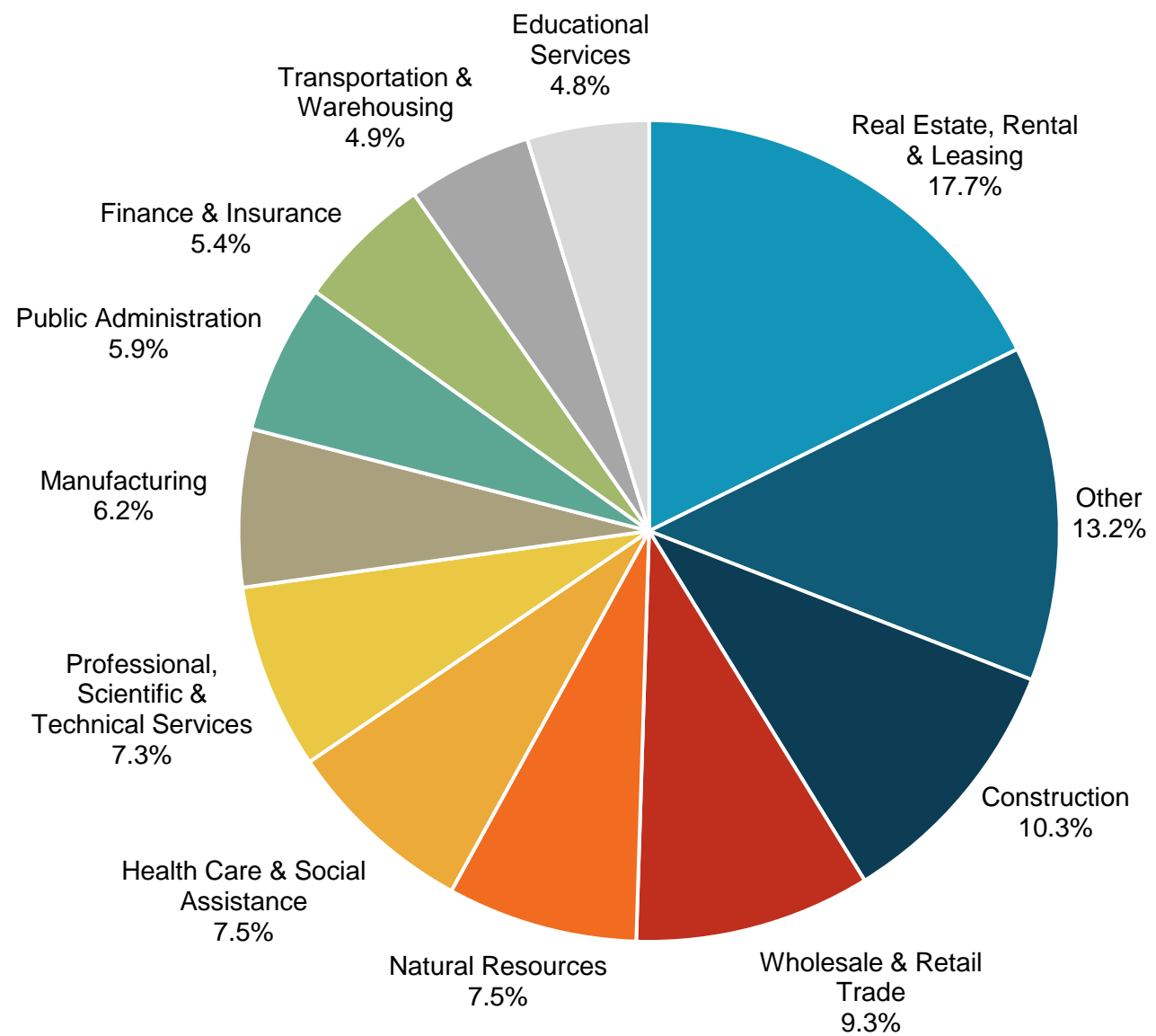
## **Long-Term Capital and Financial Planning**

- Five-year financial plans - public consultation, by May 15



<b>Debt Limits</b>	Only 25% of recurring revenues eligible to service debt costs
<b>Taxpayer</b>	All long-term municipal debt in BC requires a public approval process
<b>Province of BC</b>	Legislation requires the Provincial Inspector to verify: <ul style="list-style-type: none"><li>• Borrowings are legal and within debt limits</li><li>• Municipalities have the financial ability to service debt</li></ul>
<b>Regional District</b>	Long-term debt is approved by the Regional District
<b>MFA</b>	<ul style="list-style-type: none"><li>• Oversight and review</li><li>• Due diligence and statutory reviews</li><li>• Management credit review</li><li>• Trustees and Members review loan requests</li><li>• Members authorize the sale of securities</li></ul>





Note: Shares of B.C. GDP at basic prices by major industry, 2022  
Source: British Columbia Financial and Economic Review – 83<sup>rd</sup> Ed. (September 2023)



MFA has recently released a sustainable bond framework under which we can issue three types of bonds, Green, Social and Sustainability. In practice, MFA will continue to issue Sustainability bonds, as we value aggregating Use of Proceeds and issuing larger-sized and more liquid bonds over carving-out smaller Green or Social bonds. Currently there is no intention of getting a third-party sustainability certification for our bonds.

The MFAs Framework is based on four core components:

## **Use of Proceeds**

- Projects are pre-vetted at multiple levels of government before approval by MFA. Allocation is predefined by legislative authority and ensure funds are used for the specified projects

## **Process for Evaluation and Selection**

- By the very nature of local government mandates, we believe that all projects we fund can be considered as social, green, or both in nature
- Projects reviewed before any new bond issue to ensure that all meet the eligible categories

## **Management of Proceeds**

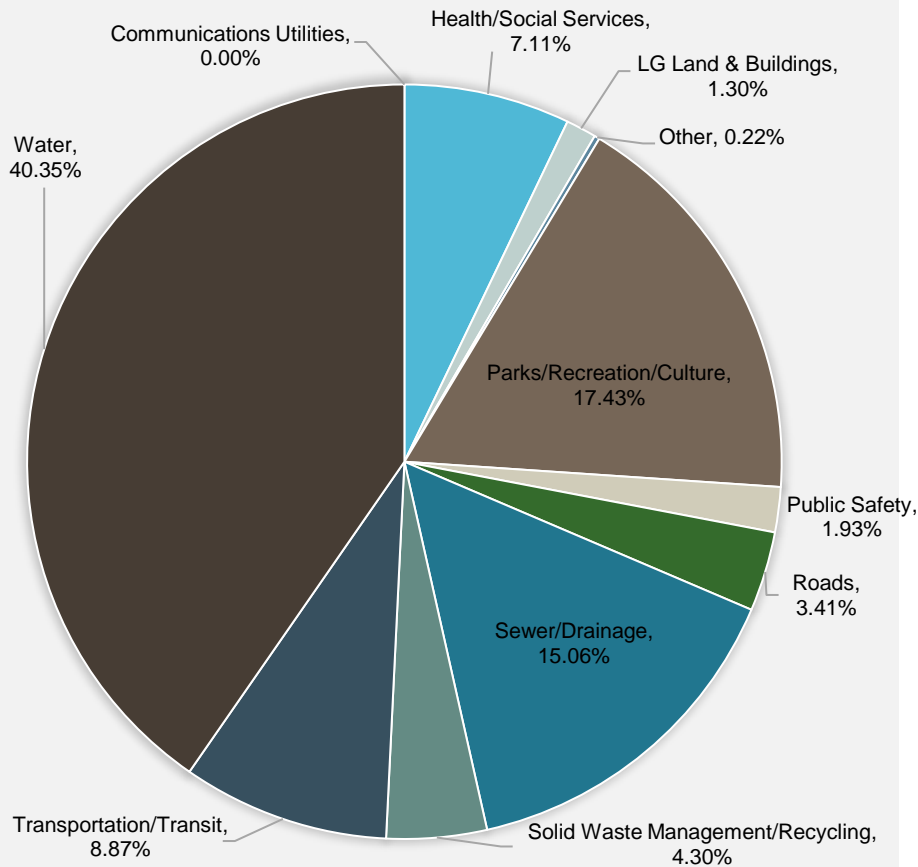
- Allocations of net proceeds tracked from sale of bonds to eligible green and social assets to be equal to the amount of proceeds raised by the applicable bond

## **Reporting**

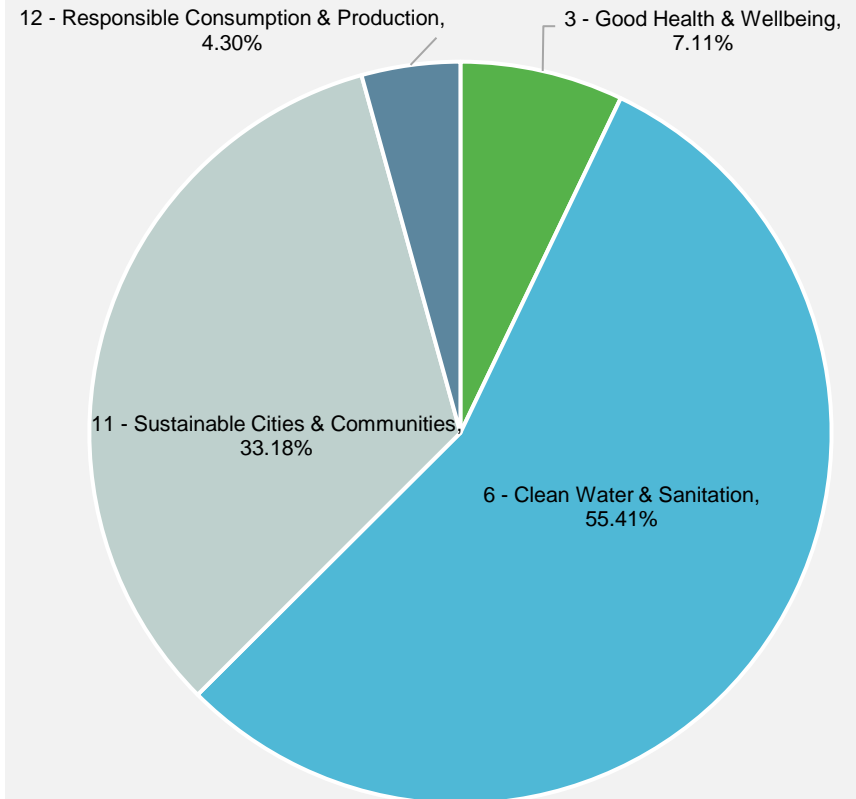
- The intent is to make available Sustainable Bond impact reporting on select projects
- Working towards voluntarily aligning with the ISSB's sustainability disclosure standards



## 2023 Issuance Split by Purpose (\$1.105bn)



## 2023 Issuance Split by UN SDG (\$1.105bn)



- MFA was created to increase the ability of local governments to enhance societal benefits across BC
- BC's local governments have a long tradition of focusing on sustainability and social equity
- Approximately 55% of the proceeds from the 2023 borrowing program were used to support water and sewer-related infrastructure, while 17% was dedicated to the enhancement of parks, recreation and cultural facilities

# Enhanced ESG Loan-by-Loan Disclosure

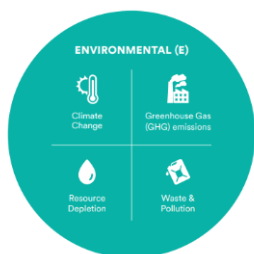


## Appendix A - Municipal Finance Authority of BC \$310,000,000 Spring 2022 Debenture Financing Project Detail



3 - Good Health & Wellbeing	
Health/Social Services \$5,776,704 (1.86%)	
• James Bay Urgent and Primary Care Centre	0.004%
• Lady Minto Hospital emergency room redevelopment	0.03%
• Victoria Urgent and Primary Care Centre	0.05%
• Esquimalt Urgent and Primary Care Centre	0.16%
• Victoria Urgent and Primary Care Centre #2	0.38%
• Royal Bay property acquisition for future facility	0.59%
• Nanaimo Regional General Hospital intensive care unit	0.28%
• Nanaimo Regional General Hospital thermal energy plant	0.37%
6 - Clean Water & Sanitation	
Sewer/Drainage \$162,897,528 (52.55%)	
• Magic Lake Estates wastewater system	0.32%
• Replace Kalavista sewer lift station	0.23%
• Annacis Island waste water treatment plant Stage 5 expansion & outfall system, biosolids driver, treatment plant outfall refurbishment, Iona secondary wastewater treatment, North Shore waste water treatment plant	51.86%
• secondary upgrade conveyance and decommissioning, Northwest Langley wastewater	
• Goose Country Road culvert replacement	0.14%
Water \$56,476,022 (18.22%)	
• Annacis water supply channel, Cambie-Richmond water supply tunnel, Coquitlam main no. 4, Haney water supply tunnel, Second Narrows water supply tunnel, Stanley Park water supply	12.97%
• South Okanagan Mission agricultural water irrigation system	0.14%
• Gallagher Lake water siphon	2.10%
• Peachland Creek water treatment plant	3.01%

11 - Sustainable Cities & Communities	
Local Government Land & Buildings \$12,070,242 (3.89%)	
• Property purchase for community purposes	1.46%
• Strategic land acquisition	2.43%
Other \$1,326,331 (.43%)	
• Mausoleum expansion phase 2	0.43%
Parks/Recreation/Culture \$42,579,235 (13.74%)	
• E&N Rail Trail Humpback connector	0.16%
• Lending to Vancouver Island Regional Library, for construction of a new library	1.94%
• Lending to Okanagan Regional Library for construction of new library	1.94%
• Ron Brent Park redevelopment	0.54%
• Masich Stadium amenities refurbish project	0.88%
• Four Seasons Leisure Pool replacement	8.27%
Public Safety \$14,164,763 (4.57%)	
• Construction of South Galiano fire hall	0.68%
• Protective services building for fire protection	0.49%
• Infrastructure upgrades for 9-1-1 service	0.97%
• Fire department equipment	0.07%
• Construction of fire hall	1.98%
• Pumper truck	0.13%
• Construction of firehall in Lund	0.24%
Roads \$13,995,770 (4.51%)	
• Capital paving program	1.62%
• Local area service - road improvements	0.05%
• Local area improvements	2.09%
• Intersection signalization project	0.16%
• Highway 16 West Frontage - Heyer Road to Henry Road	0.26%
• 14th Avenue upgrades	0.33%
Transportation/Transit \$713,405 (.23%)	
• Improvements to Southern Gulf Islands harbours	0.23%



# PROGRAM & ANTICIPATED BORROWINGS



Year	2024
5 Year (\$mm)	\$645 to \$695
10 / 20 Year (\$mm)	\$400 to \$625
Total (\$mm)	\$1,045 to \$1,320

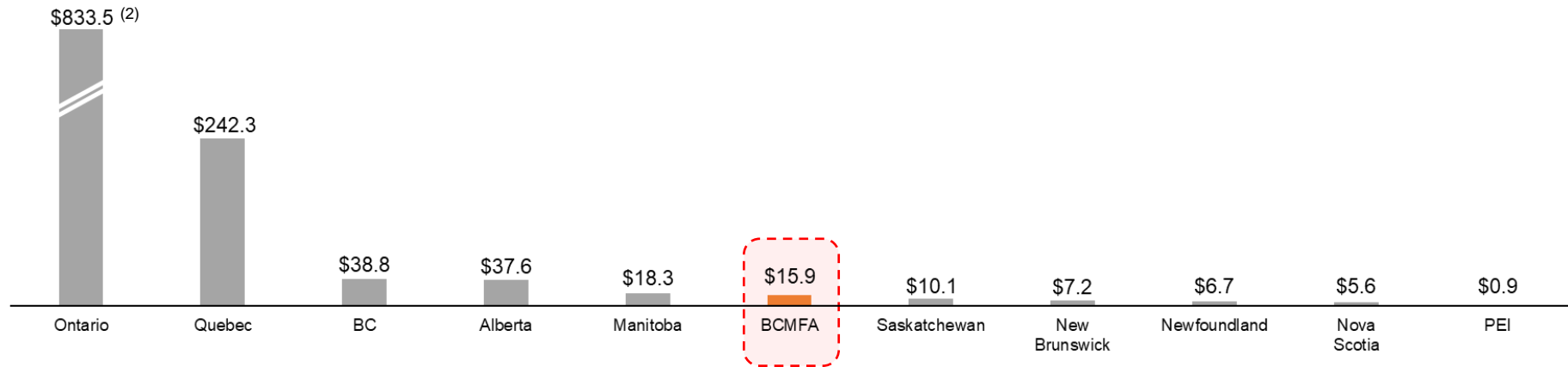
- Typically issue new 10-year in spring (April) and re-open in fall (September) to fund new loan requirements
  - **Intend to reopen Dec 2033 debenture in late March / early April for ~\$400M**
- New 5-year refinancing issues are typically completed “off-cycle” and are aligned with existing debt maturities
- Focused on building benchmark issues over \$500mm:
  - Currently 10 outstanding issues >\$500mm
  - Well defined curve out to 2033

**Note: (1)** Private placements may be used for small refinancing requirements

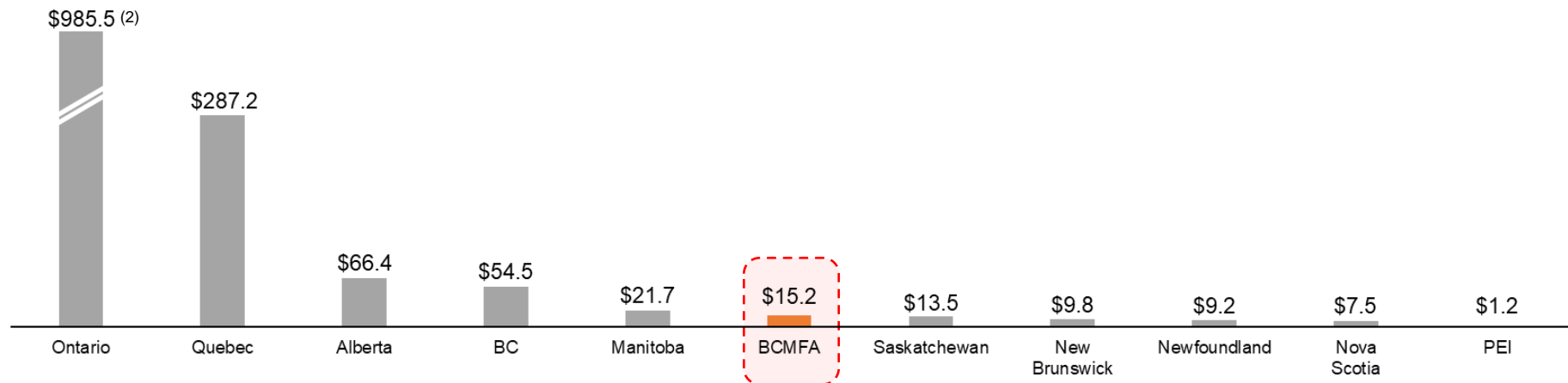
# IMPLIED PROVINCIAL BOND SECONDARY TRADING VOLUME



## 2023 PROVINCIAL SECONDARY TRADING VOLUME (\$ billions)<sup>(1)</sup>



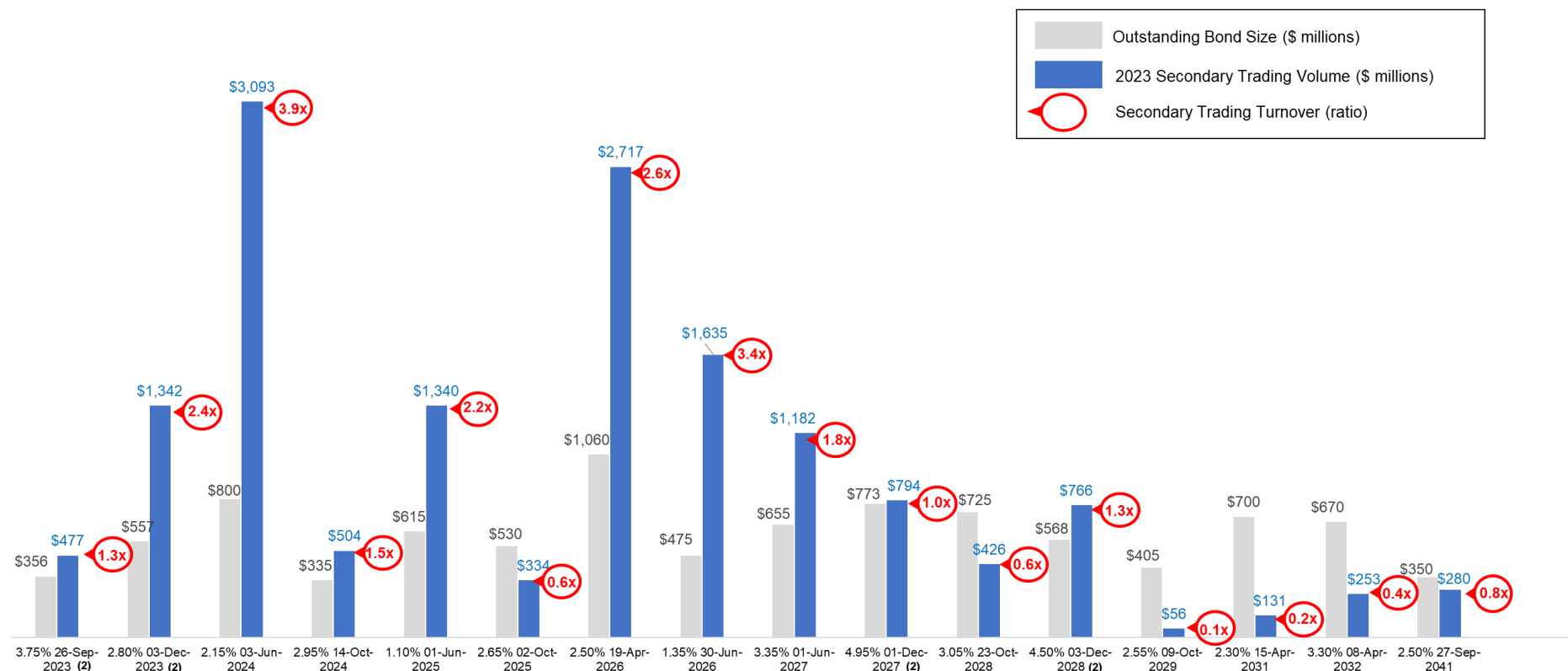
## 2022 PROVINCIAL SECONDARY TRADING VOLUME (\$ billions)<sup>(1)</sup>



**Note: (1)** IIROC provides specific secondary trading volume figures for Alberta, BC, Ontario, and Quebec and a consolidated figure for “Total Provinces”. Secondary trading volumes shown in the charts above for Manitoba, New Brunswick, Newfoundland, Nova Scotia, PEI and Saskatchewan are estimates based on their respective outstanding debt weighted pro-rata share of the “Total Provinces” category. **(2)** Ontario trading volume on chart is not shown to scale.

**Source:** Bloomberg, BMO Capital Markets, Scotia Capital, Casgrain Capital Markets, CIBC World Markets, Laurentian Bank Securities, National Bank Financial, RBC Capital Markets, TD Securities and IIROC MTRS 2.0 Reporting.

# MFABC BOND LIQUIDITY: SECONDARY TRADING TURNOVER <sup>(1)</sup>



Throughout 2023, the outstanding stock of MFABC bonds turned over 1.6x, with large benchmark issues turning over up to 3.9x

**Notes:** (1) Includes MFA bonds with an outstanding balance >\$150mm for the calendar year 2023.

(2) Indicates outstanding bond size was adjusted for maturity or new-issuance/re-opening part way through the calendar year 2023.

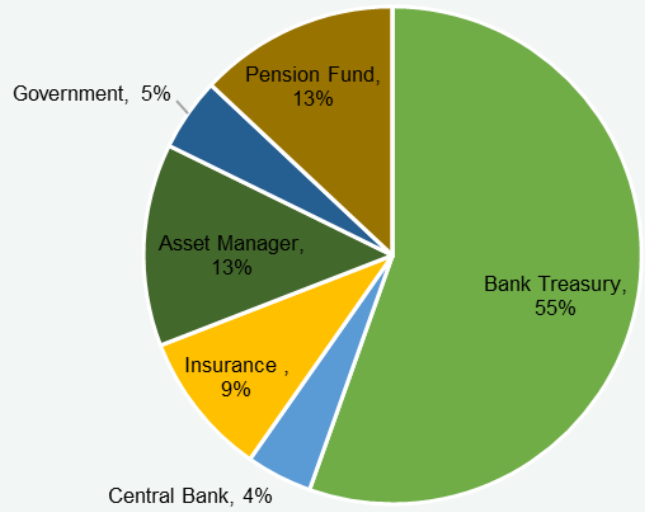
**Source:** BMO Capital Markets, Scotia Capital, Casgrain Capital Markets, CIBC World Markets, Laurentian Bank Securities, National Bank Financial, RBC Capital Markets, and TD Securities.

# MFA LONG-TERM DEBT DISTRIBUTION

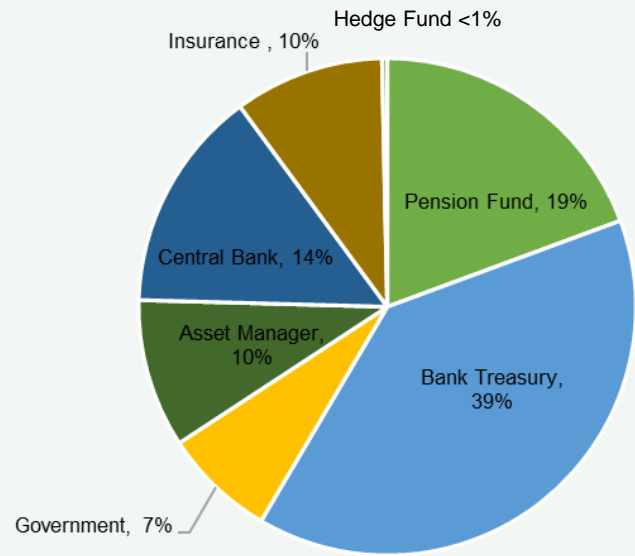


By Investor Type:

2022

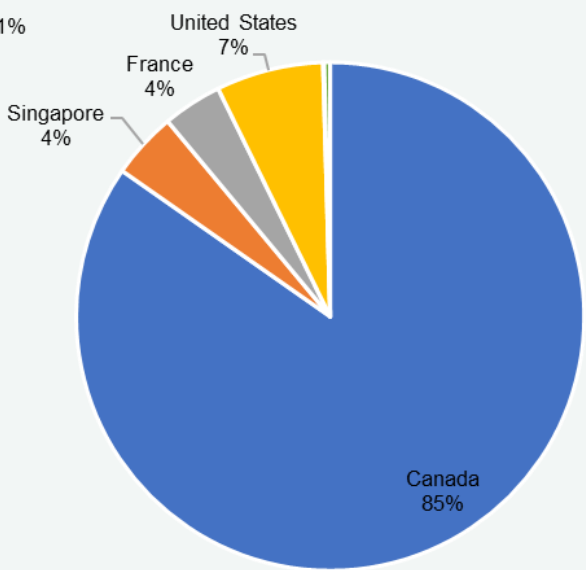


2023

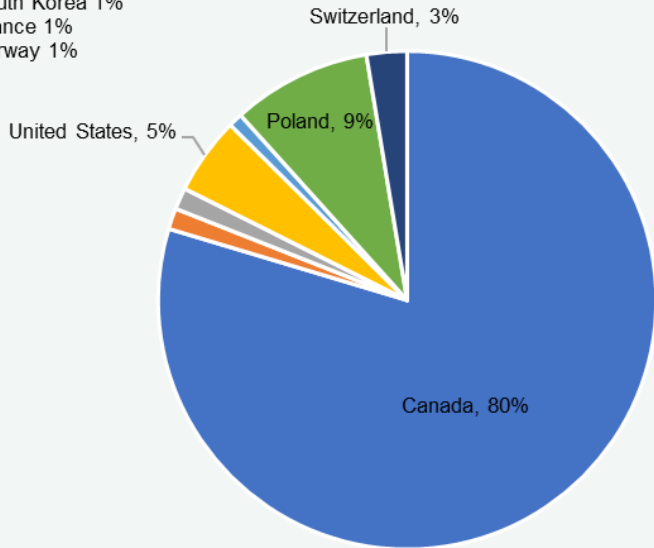


By Geography:

Chile <1%  
England <1%



South Korea 1%  
France 1%  
Norway 1%





# LONG-TERM LOAN PORTFOLIO DIVERSIFICATION



## Northeast

Net Loans:	\$149mm (3%)
Property Value:	\$19bn (1%)
Population:	0.07mm
Net Loans Per Capita:	\$2,065

## Interior

Net Loans:	\$134mm (2%)
Property Value:	\$35bn (1%)
Population:	0.17mm
Net Loans Per Capita:	\$792

## Central Interior

Net Loans:	\$689mm (12%)
Property Value:	\$218bn (9%)
Population:	0.63mm
Net Loans Per Capita:	\$1,092

## Southeast

Net Loans:	\$152mm (3%)
Property Value:	\$51bn (2%)
Population:	0.17mm
Net Loans Per Capita:	\$914

## North Coast

Net Loans:	\$176mm (3%)
Property Value:	\$18bn (1%)
Population:	0.10mm
Net Loans Per Capita:	\$1,750

## Vancouver Island

Net Loans:	\$903mm (16%)
Property Value:	\$350bn (14%)
Population:	0.91mm
Net Loans Per Capita:	\$996

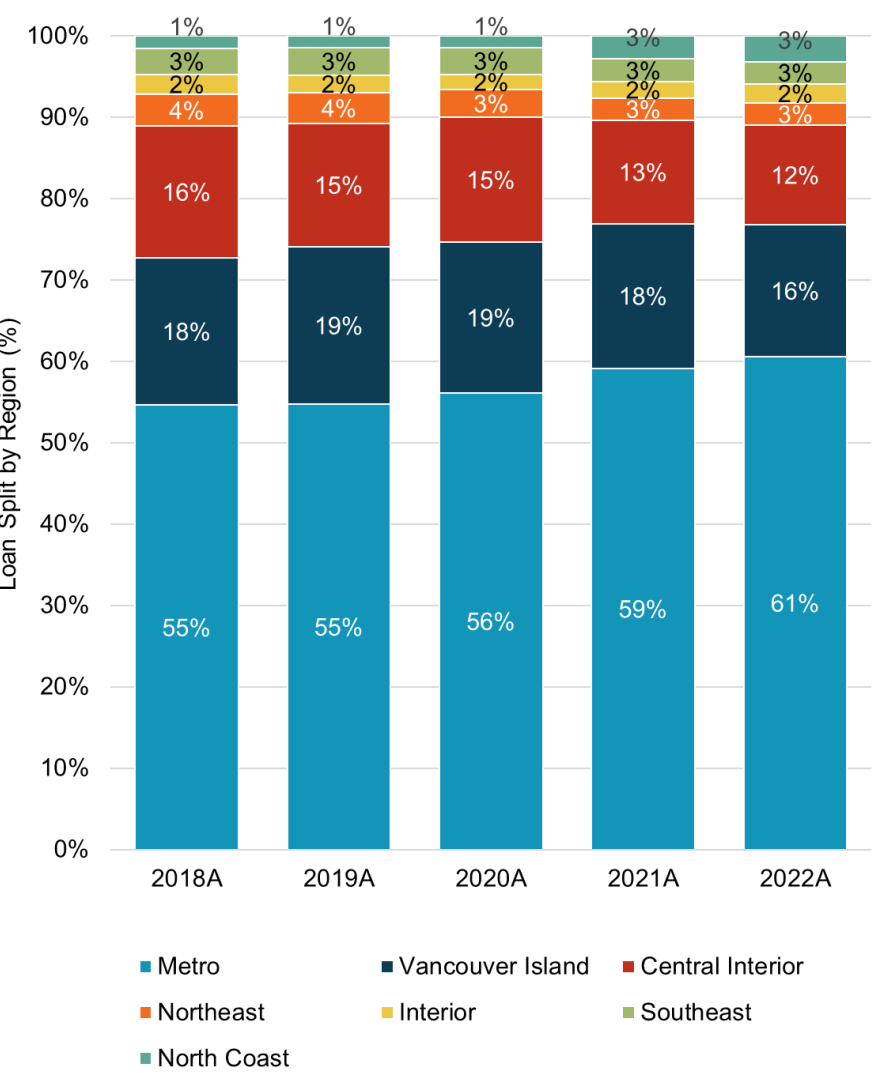
## Metro Vancouver

Net Loans:	\$3,393mm (61%)
Property Value:	\$1,730bn (71%)
Population:	3.27mm
Net Loans Per Capita:	\$1,037

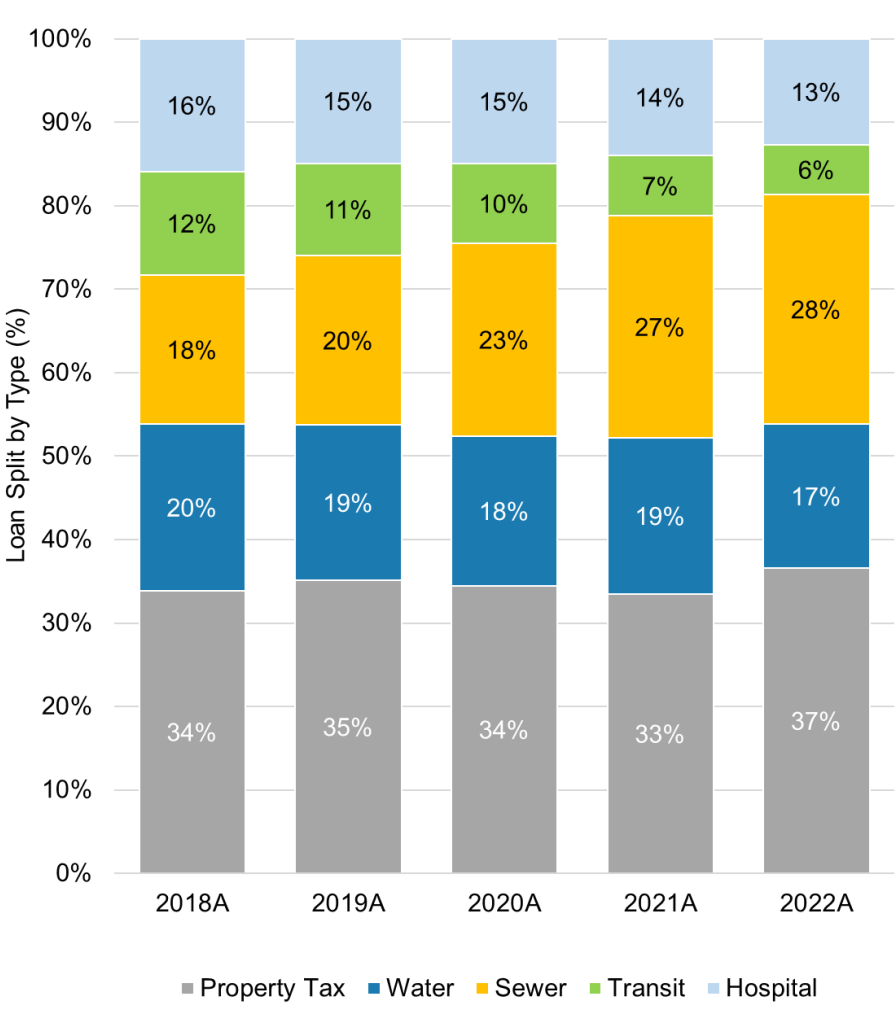
# LONG-TERM LOAN PORTFOLIO COMPOSITION



LOAN SPLIT BY REGION



LOAN SPLIT BY BORROWING TYPE

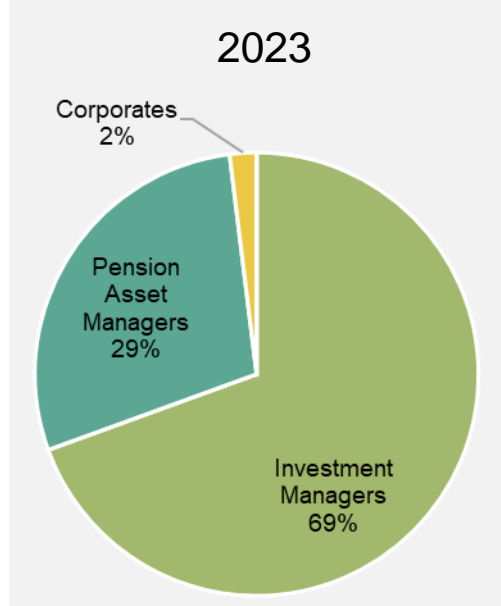
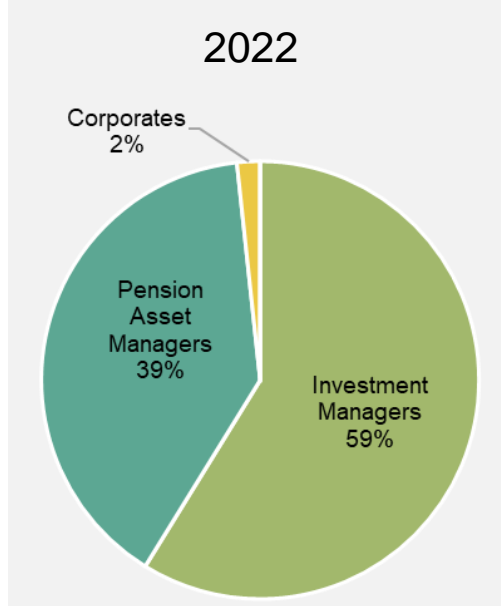
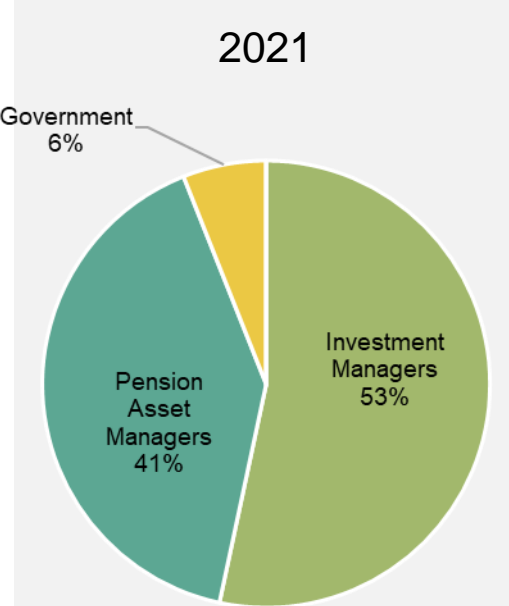




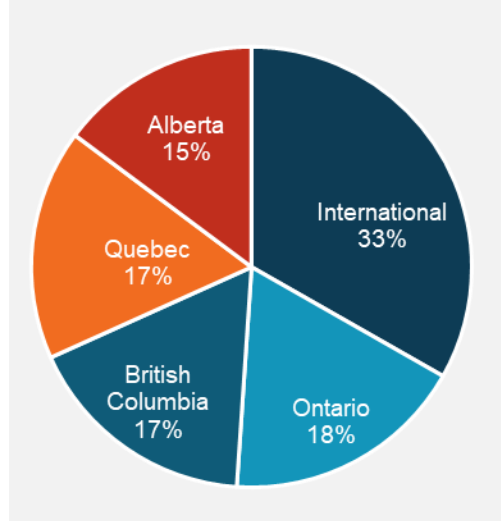
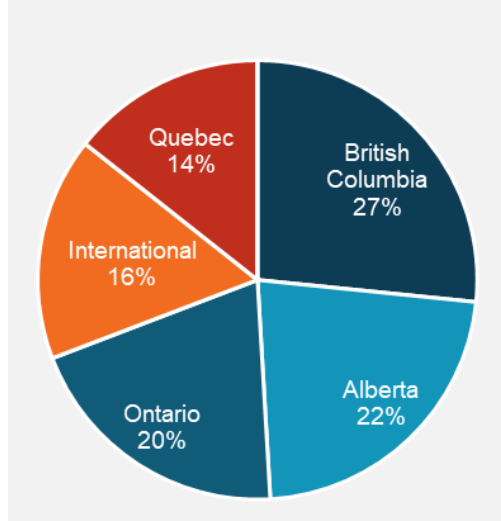
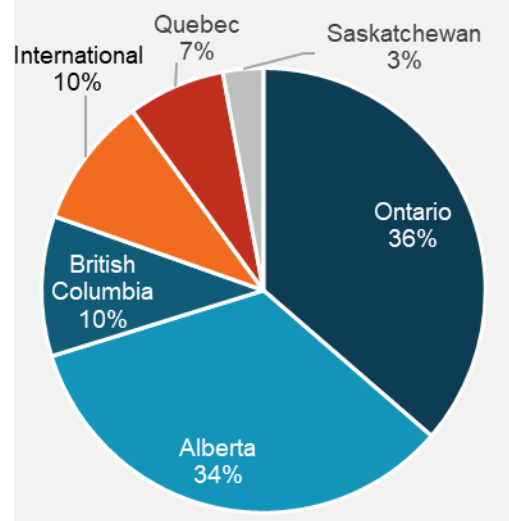
- \$700 million approved program size
- Rated A-1+ / P-1 by S&P/Moody's
- Strong dealer network of 7 banks
- Typically priced around 4 to 6 basis points back of provincial issuance levels
- Issued every Wednesday in 1-month, 3-month and 6-month terms



By Investor Type:

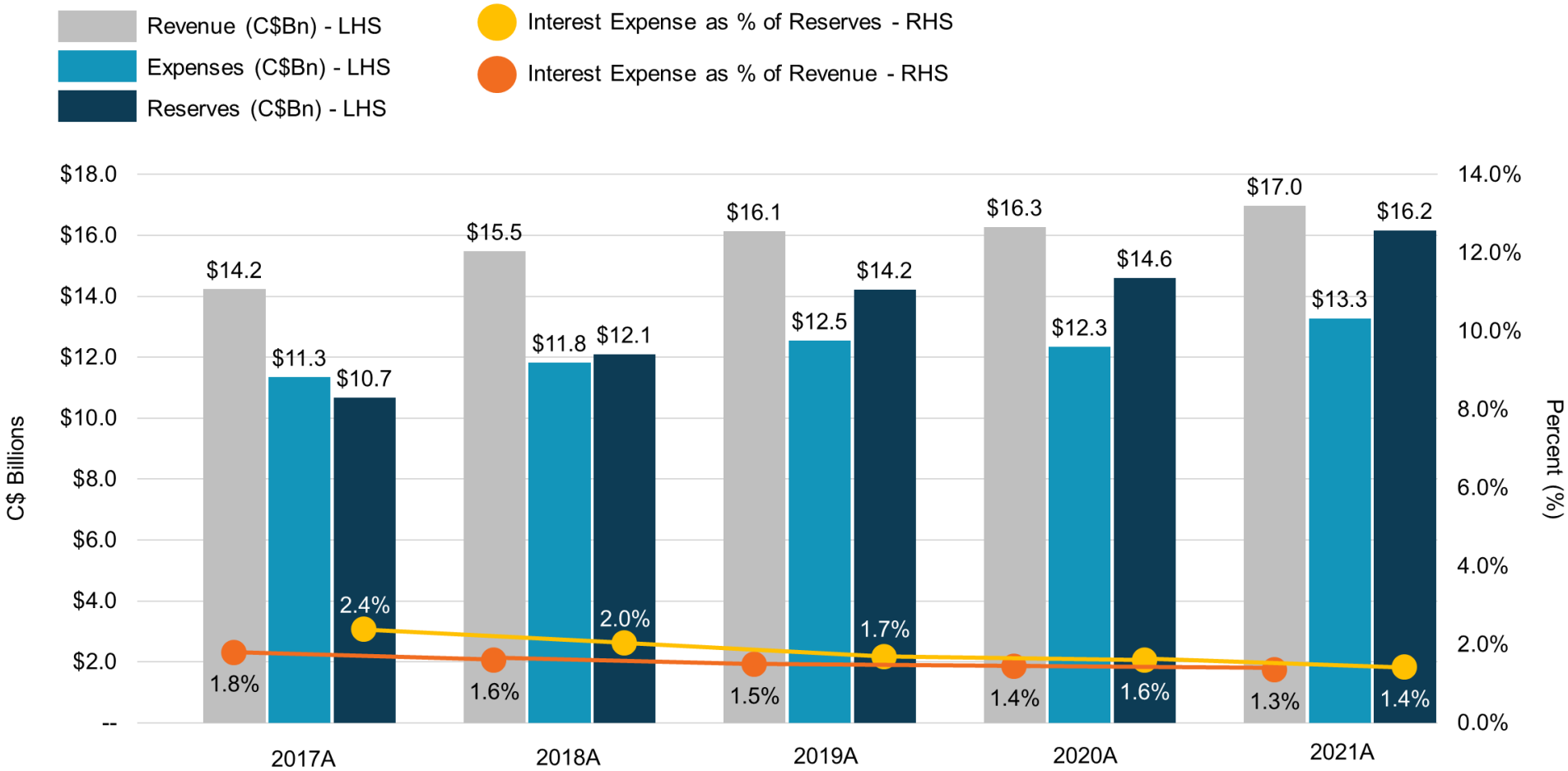


By Geography:



Note: All figures shown as of February 28

# BC LOCAL GOVERNMENT LOAN SERVICING ABILITY



# CREDIT RATINGS



## Long-Term Ratings

Agency	Rating	Outlook	Date
S&P	AAA	Stable	May 16, 2023
Moody's	Aaa	Stable	June 30, 2023
Fitch	AAA	Stable	July 27, 2023

## Short-Term Ratings

Agency	Rating	Outlook	Date
S&P	A-1+	Stable	May 16, 2023
Moody's	P-1	Stable	June 30, 2023



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