



**Municipal Finance  
Authority of BC**

**Investor Presentation**  
Q4 2021

# DISCLAIMER

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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***
- BCMFA 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

# LINES OF BUSINESS



<b>MFA Line of Business</b>	<b>Strategic Fit</b>	<b>Description</b>	<b>Market Positioning</b>
<b>Long-Term Financing</b>	Core Business	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>	Secondary revenue stream (non-core)	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>	Secondary revenue stream (non-core)	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).



## British Columbia – Local Government

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

## Board of Directors

- 39 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 \$10.1bn
- Complement of 17 professionals

# LEGISLATIVE CREDIT STRENGTHS

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## Taxation Authority

Equally applied to all taxable land and improvements in BC

- Annual operational tax levied every year
- Unlimited taxation authority to replenish Debt Reserve Fund
- BCMFA **must** increase taxes to replenish Debt Reserve Fund in certain circumstances
- Senior-level government approval not required – Trustees of BCMFA approve
- Property values assessed of approximately \$1.8 trillion

## Joint Liability

Borrowers' long-term debt with BCMFA is a Regional District liability

- Borrowers guarantee each other's debt in event of default
- Joint and several guarantees never been applied (zero losses)

## Investments

Sinking Fund Methodology

- Semi-annual billing of interest to match debenture coupons
- Annual billing of principal for debt retirement
- \$4.5 billion in investments (52% of gross long-term debt)

# RISK CAPITAL MANAGEMENT



- BCMFA has over \$200 million of immediately available on balance sheet capital, yet has exhibited no credit losses in its 50-year history

	2020	2019
<b>NON-RISK BASED CAPITAL ASSESSMENT</b>		
Capital Leverage Ratio:		
Total Assets	\$10.1 billion	\$9.4 billion
Target %	2.00%	2.00%
<b>Non-Risk Based Target Level</b>	<b>\$202 million</b>	<b>\$187 million</b>
Current %	2.14%	2.08%
<b>RISK BASED CAPITAL ASSESSMENT</b>		
Part A - Capital Adequacy Ratio:		
Total Risk Weighted Assets	\$1.7 billion	\$1.7 billion
Target %	9.68%	9.72%
<b>Risk Based Target Level A</b> (credit, operational & market risk)	<b>\$164 million</b>	<b>\$165 million</b>
Current %	12.71%	11.44%
Part B - Key Internal Risks:		
<b>Risk Based Target Level B</b> (investment return & lt debt refi risk)	<b>\$7 million</b>	<b>\$6 million</b>
<b>Combined Risk Based Target Level (Part A + Part B)</b>	<b>\$171 million</b>	<b>\$171 million</b>
<b>Total Capital (SRF &amp; DRF)</b>	<b>\$216 million</b>	<b>\$195 million</b>

- In 2019 BCMFA adopted a policy and framework outlining a target for on-balance sheet risk capital, the retention of operating surplus, and the ongoing management of capital
  - The Strategic Retention Fund (\$96 million) and Debt Reserve Fund (\$120 million) collectively comprise total capital (\$216 million as at December 31, 2020).
  - The MFA has self imposed the following requirements on itself. The Capital Adequacy Model targets a capital level for the greater of a non-risk capital assessment (\$202M) and a risk-based capital assessment (\$171M):



## **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

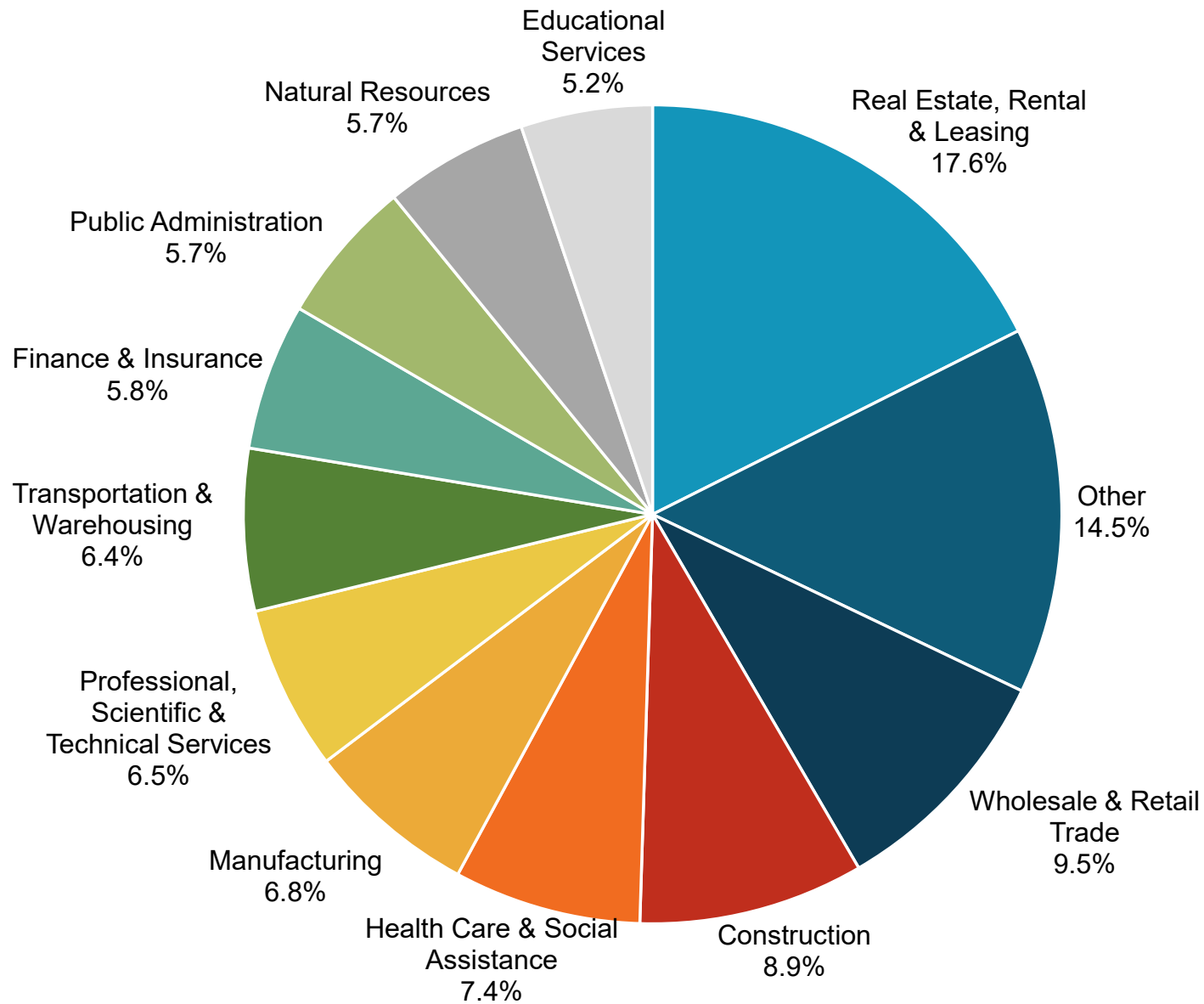


# BC LOCAL GOVERNMENT BORROWING FRAMEWORK



<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>

# BRITISH COLUMBIA'S DIVERSE ECONOMY



Note: 2019 figures shown

Source: British Columbia Financial and Economic Review – 80th Ed. (September 2020)

## MFA'S ESG APPROACH

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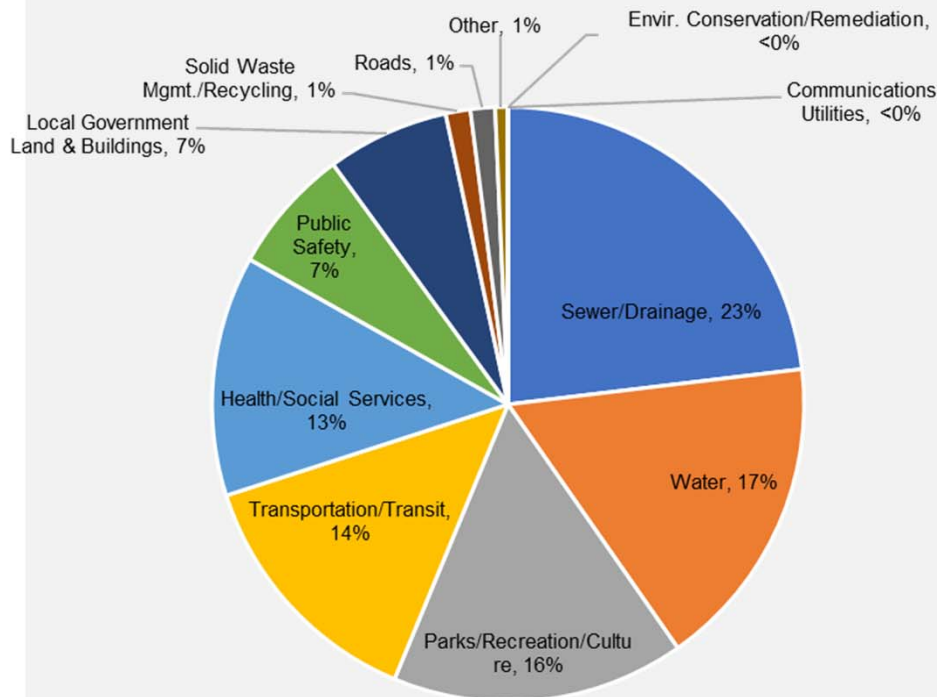


- Since inception in 1970, MFA's main mandate of providing low-cost lending for local government capital projects has provided tremendous benefits to communities and citizens across British Columbia
  - MFA has recently committed to increasing its efforts on collecting, standardizing and disseminating more granular data on its lending activities to assist the investment community
- MFA will now provide "Use of Proceeds" disclosure in conjunction with all future bond issues and in our annual report every year
  - MFA's initial approach will be to map its use of proceeds to UN SDG's, Green Bond Principles and Social Bond Principles
  - Management is committed to helping improve both local government and MFA's disclosures over time - in conjunction with expected improvements of global ESG reporting standards
- MFA currently has no intention of issuing certified labeled bonds. The pooled nature of our borrowing supports multiple loans to numerous Members for any given single bond issue. While we are fully committed to mapping our borrowing to specific "Uses of Proceeds" and UN PRI categories, the 'impact' of that lending along ESG categories is challenging due to lack of standardization and/or capacity of our smaller Members to report back on comparable Key Performance Indicators

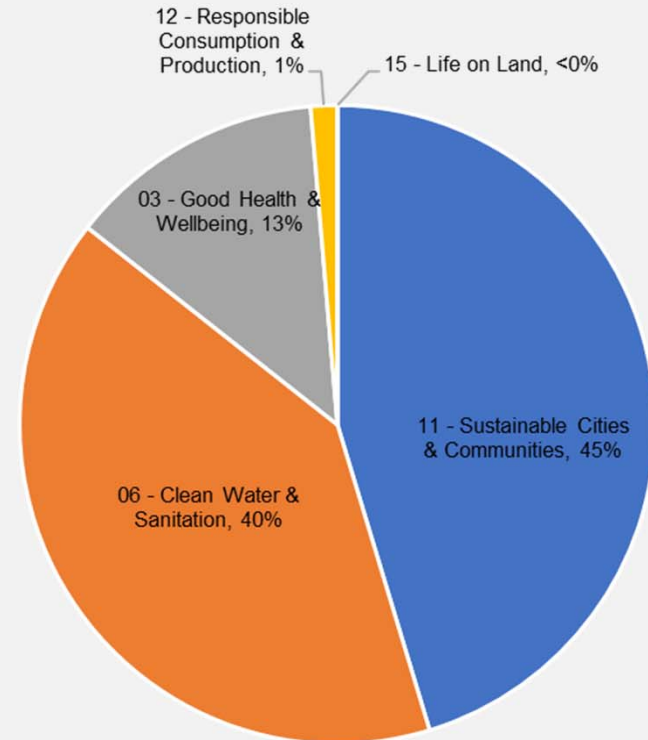
# MFA'S LENDING MEETS ESG CRITERIA



2021 Issuance Split by Purpose (\$1.975bn)



2021 Issuance Split by UN SDG (\$1.975bn)



- MFABC 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
- Almost half the proceeds from MFA's 2021 borrowing program were used to support regional water related and sewer/drainage infrastructure.

## RECENT LONG-TERM DEBT ISSUANCE



C\$mm	Date	Term
\$350	Sept 14, 2021	20
\$475	May 12, 2021	5
\$500	May 12, 2021	10
\$450	March 30, 2021	5
\$200	March 30, 2021	10
\$125	Sep 22, 2020	5
\$615	May 20, 2020	5
\$280	March 26, 2020	5
\$235	Sep 25, 2019	10
\$800	May 21, 2019	5
\$170	April 1, 2019	10.5
\$605	Nov 16, 2018	5
\$555	Sep 12, 2018	10
\$410	April 10, 2018	5
\$170	April 10, 2018	10.5
\$500	Nov 21, 2017	5

- Typically issue new 10-year in spring (April) and fall (September)
  - Will often issue a 10.5-year and re-open in 6 months
- New 5-year issues are typically completed “off-cycle” and are aligned with existing debt maturities
- Focused on building benchmark issues over \$500mm
  - Currently 9 outstanding issues >\$500mm
  - Well defined curve out to 2031

# ANTICIPATED BORROWINGS



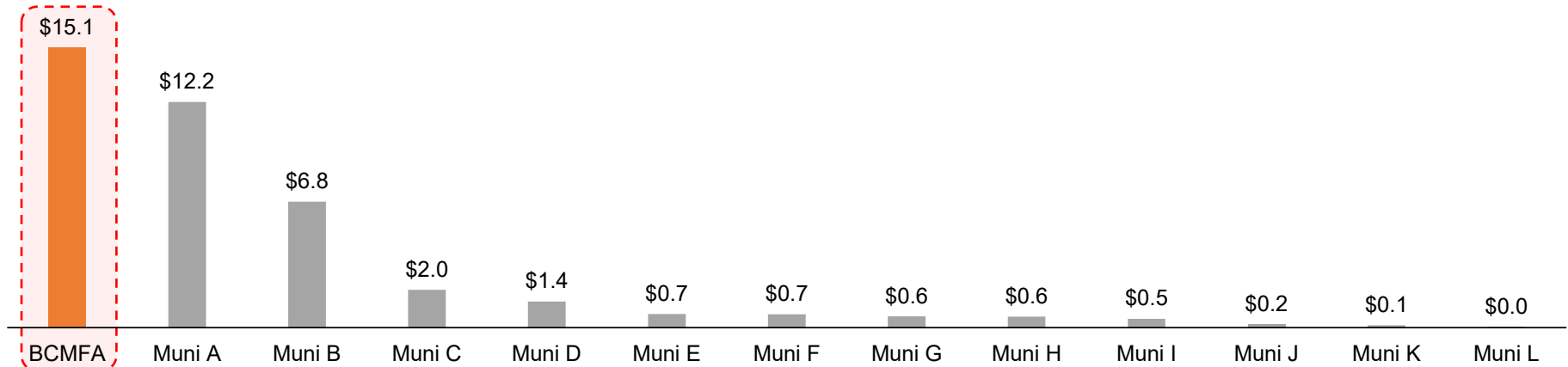
Year	2022	2021
<b>5 Year (\$mm)</b>	\$650	\$950
<b>10 / 20 Year (\$mm)</b>	\$675 to \$1,125	\$800 to \$1,200
<b>Total (\$mm)</b>	\$1,325 to \$1,775	\$1,750 to \$2,150

- \$450mm completed in March 2021.
- \$475mm completed in May 2021.
- New \$200mm 10 year completed in March 2021.
- Reopened MFA 2.30% April 15, 2031 bonds for an additional \$500mm May 2021.
- New \$350mm 20 year completed Sept 2021.
- **Funding now complete for 2021**

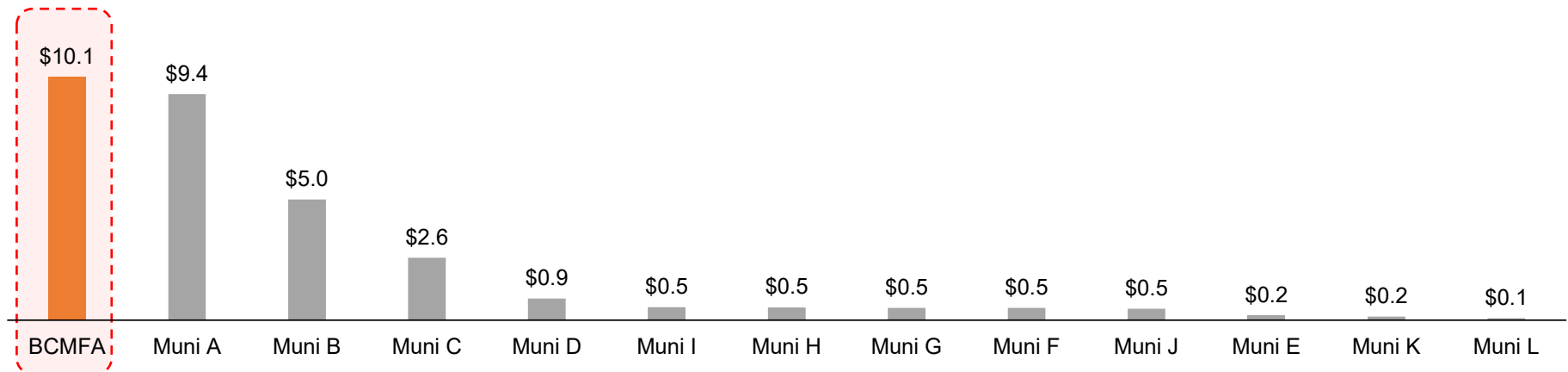
# MUNICIPAL BOND SECONDARY TRADING VOLUME



2020 MUNICIPAL SECONDARY TRADING VOLUME (\$ billions)



2019 MUNICIPAL SECONDARY TRADING VOLUME (\$ billions)



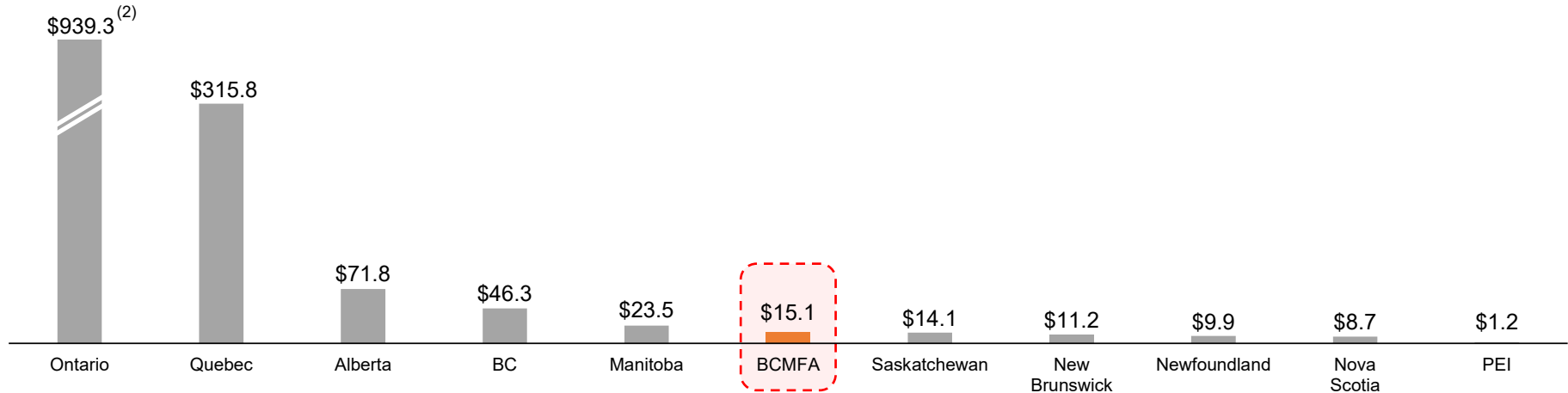
**Note:** The 12 unnamed municipalities shown above include: First Nations Finance Authority, Halton, Montreal, Ottawa, Peel, Quebec, TransLink, Toronto, Vancouver, Winnipeg, Waterloo and York, with combined trading volume of \$31.1bn in 2019 and \$41.1bn in 2020. Total Canadian municipal trading volume per IIROC in 2019 of \$36.0bn and in 2020 of \$45.8bn includes primary issuance of unrated municipal debt.

**Source:** 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.

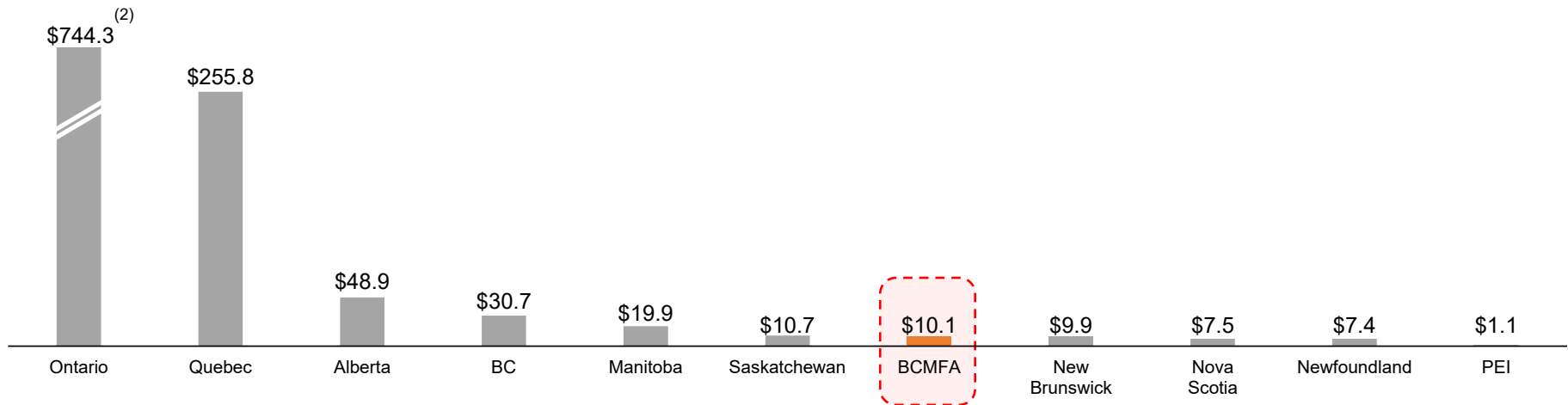
# IMPLIED PROVINCIAL BOND SECONDARY TRADING VOLUME



## 2020 PROVINCIAL SECONDARY TRADING VOLUME (\$ billions)<sup>(1)</sup>



## 2019 PROVINCIAL SECONDARY TRADING VOLUME (\$ billions)<sup>(1)</sup>

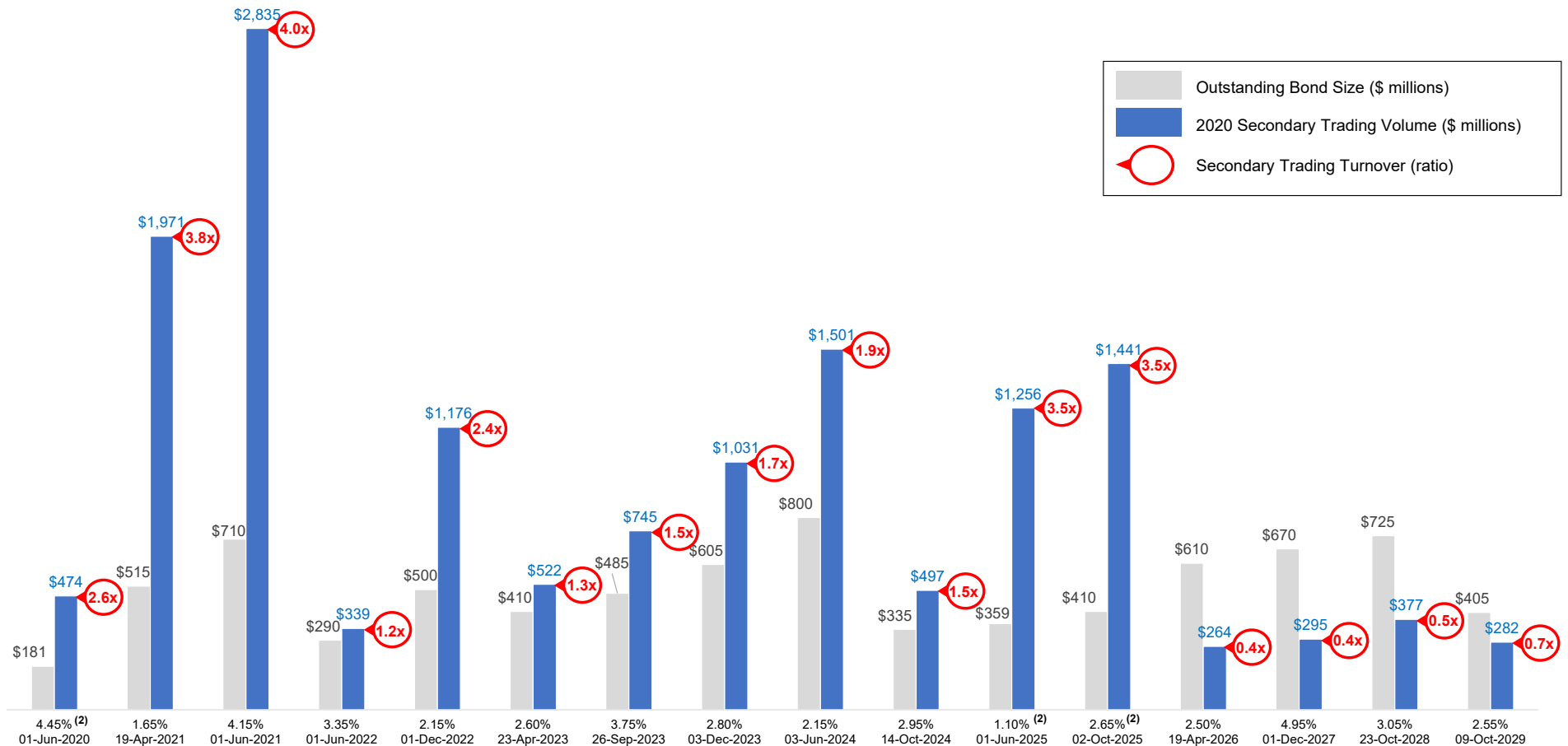


**Note: (1)** IIROC provides specific secondary trading volume figures for Alberta, BC, Ontario, and Quebec and a consolidated figure for “Total Provinces”. Secondary trading volumes shown in the charts above for Manitoba, New Brunswick, Newfoundland, Nova Scotia, PEI and Saskatchewan are estimates based 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 2020, the outstanding stock of MFABC bonds turned over 1.9x, with large benchmark issues turning over up to 4.0x

**Notes:** (1) Includes MFA bonds with a time-weighted average outstanding balance >\$150mm for the calendar year 2020.

(2) Indicates outstanding bond size was adjusted for maturity or new-issuance/re-opening part way through the calendar year 2020.

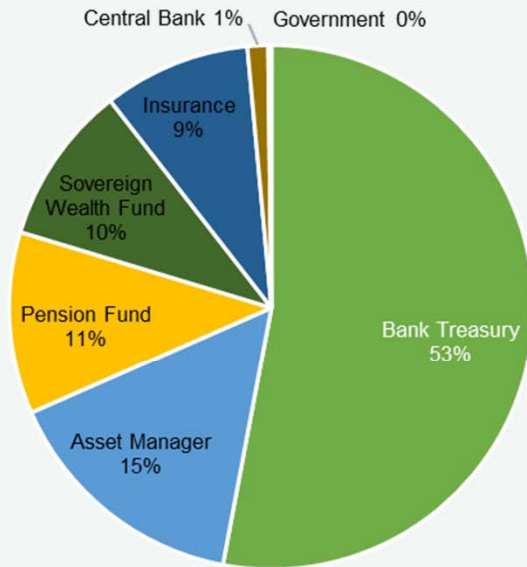
**Source:** BMO Capital Markets, Scotia Capital, Casgrain Capital Markets, CIBC World Markets, Laurentian Bank Securities, National Bank Financial, RBC Capital Markets, and TD Securities.

# MFABC LONG-TERM DEBT DISTRIBUTION

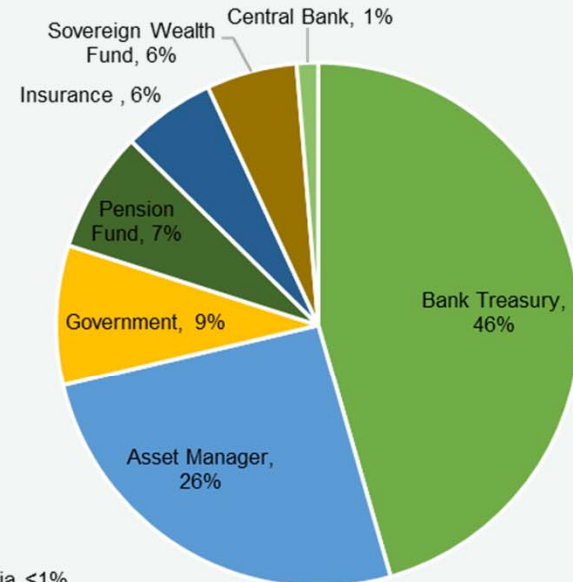


**By Investor Type:**

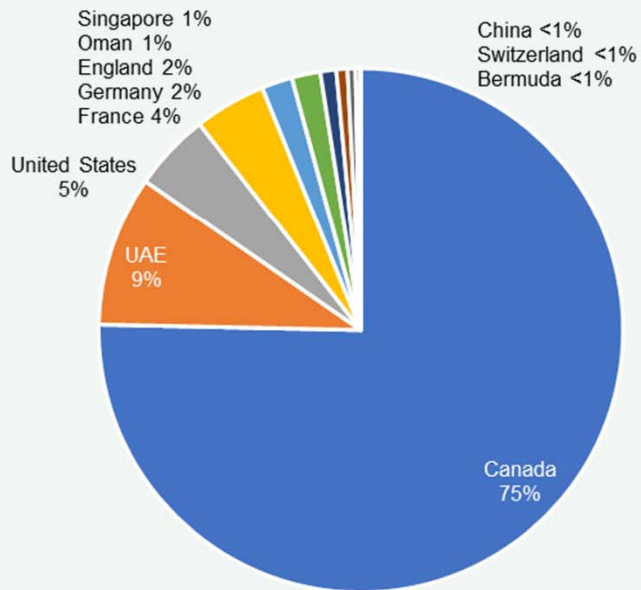
2020



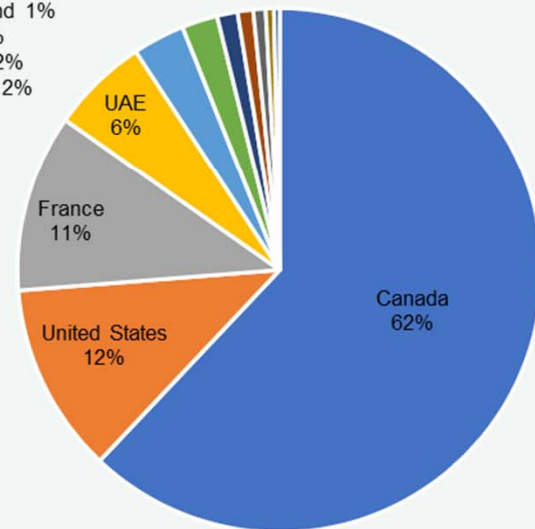
2021



**By Geography:**



Estonia <1%  
Singapore 1%  
Korea  
Switzerland 1%  
Japan 1%  
England 2%  
Germany 2%



## COMMERCIAL PAPER ACTIVITY

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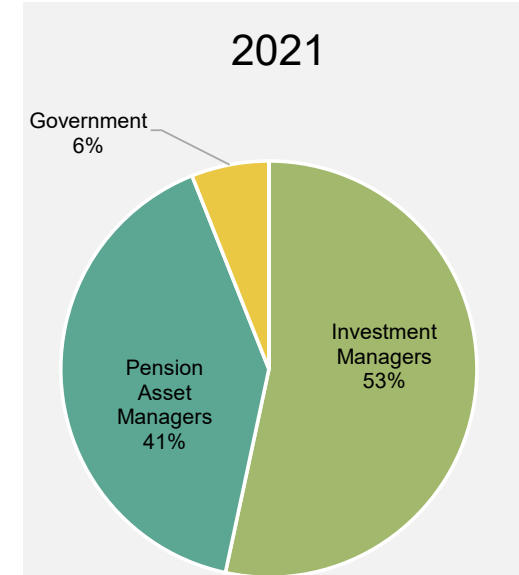
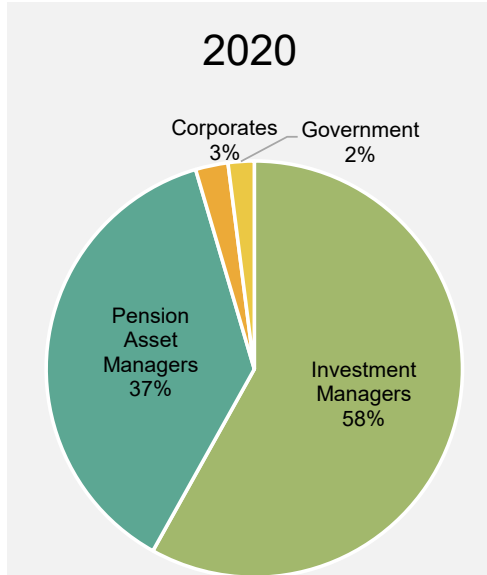
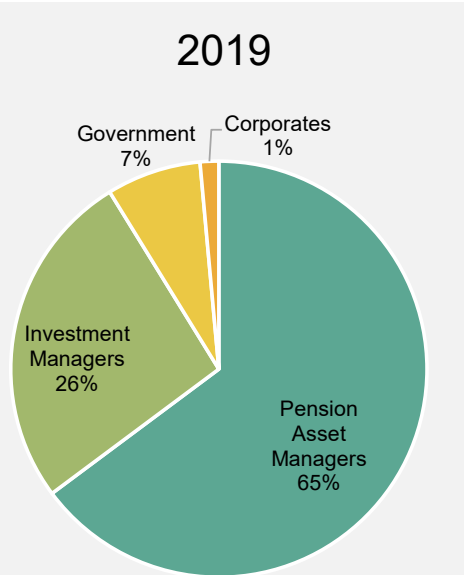


- \$700 million approved program size
- Rated A-1+ / P-1 by S&P/Moody's
- Strong dealer network of 7 banks
- Typically priced around 4 to 6 basis points back of provincial issuance levels
- Issued every Wednesday in 1-month and 3-month terms

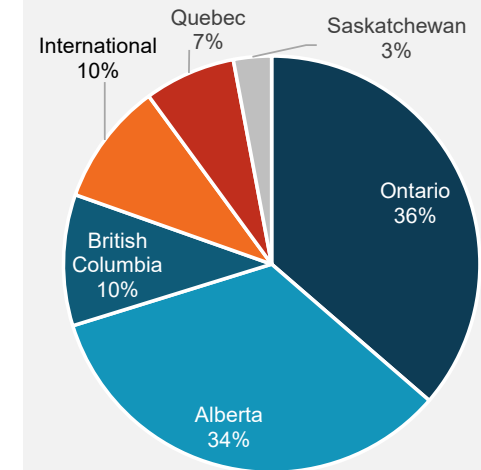
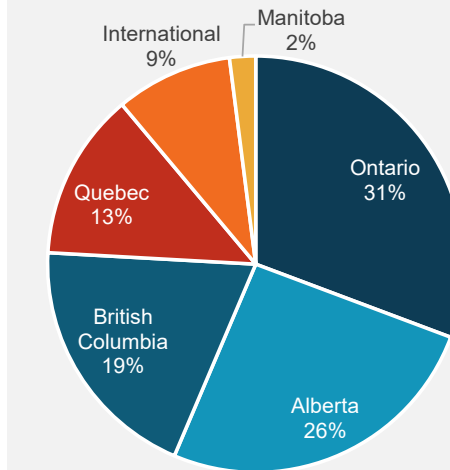
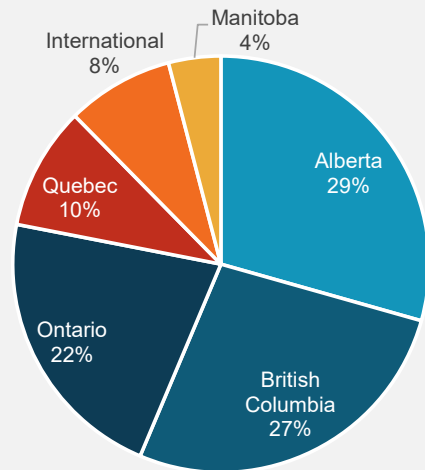
# COMMERCIAL PAPER DISTRIBUTION



**By Investor Type:**

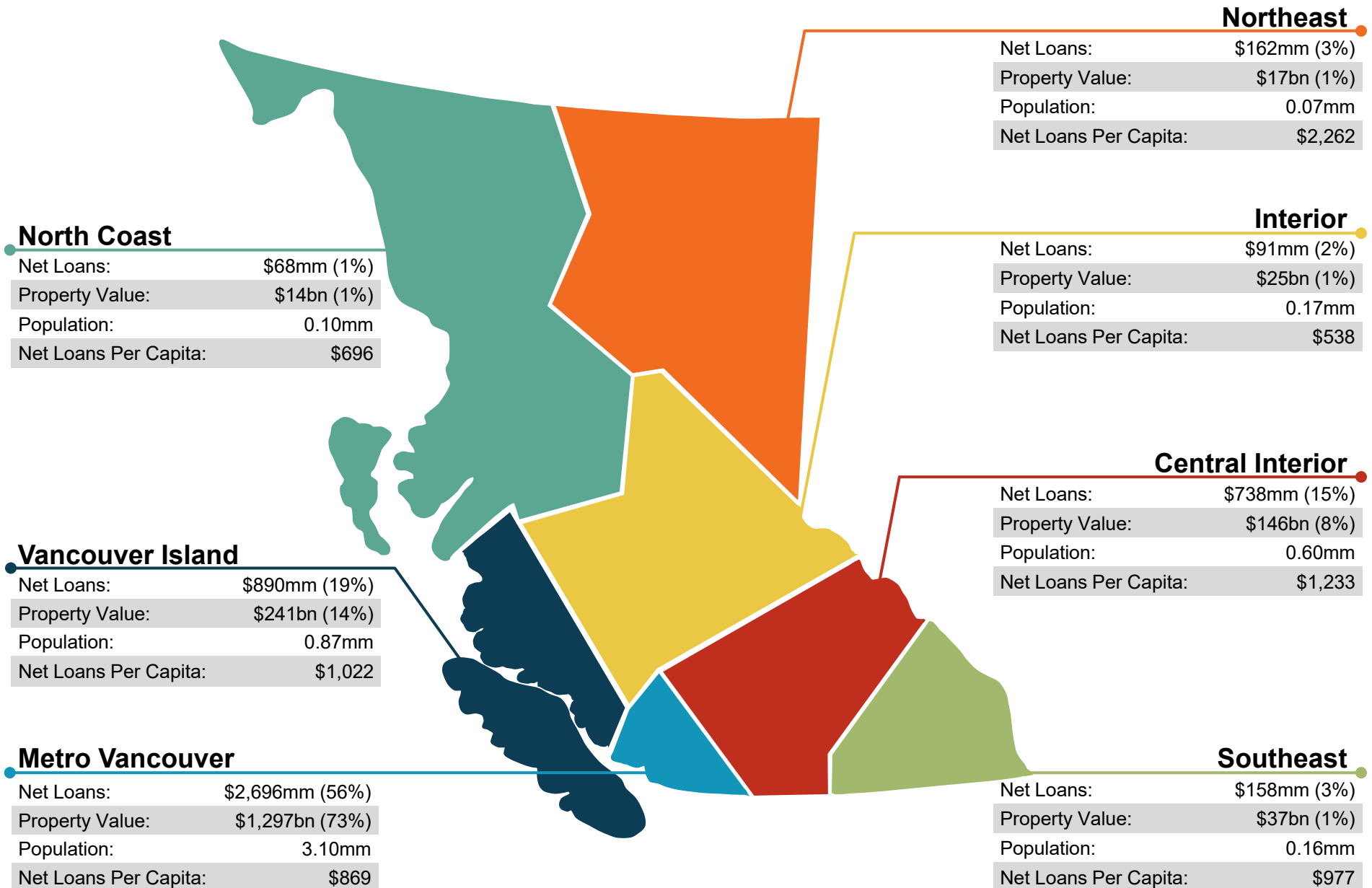


**By Geography:**



**Note:** All figures shown as at February 28

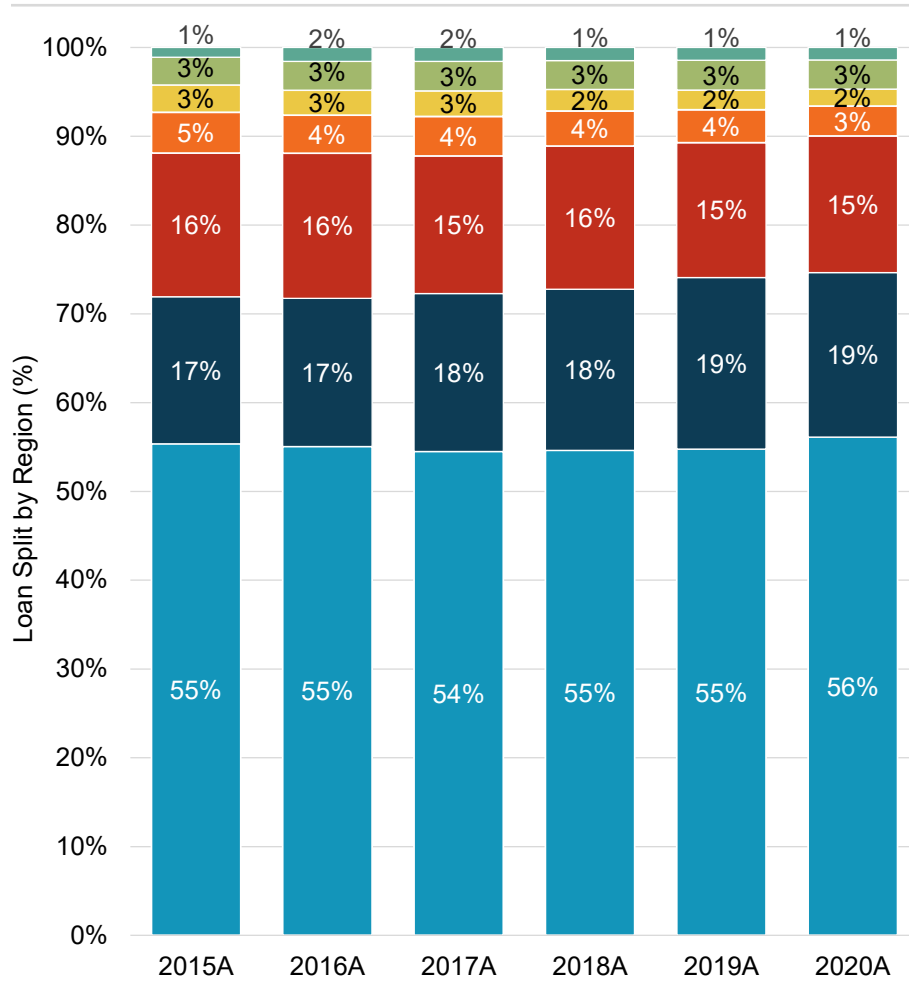
# LONG-TERM LOAN PORTFOLIO DIVERSIFICATION



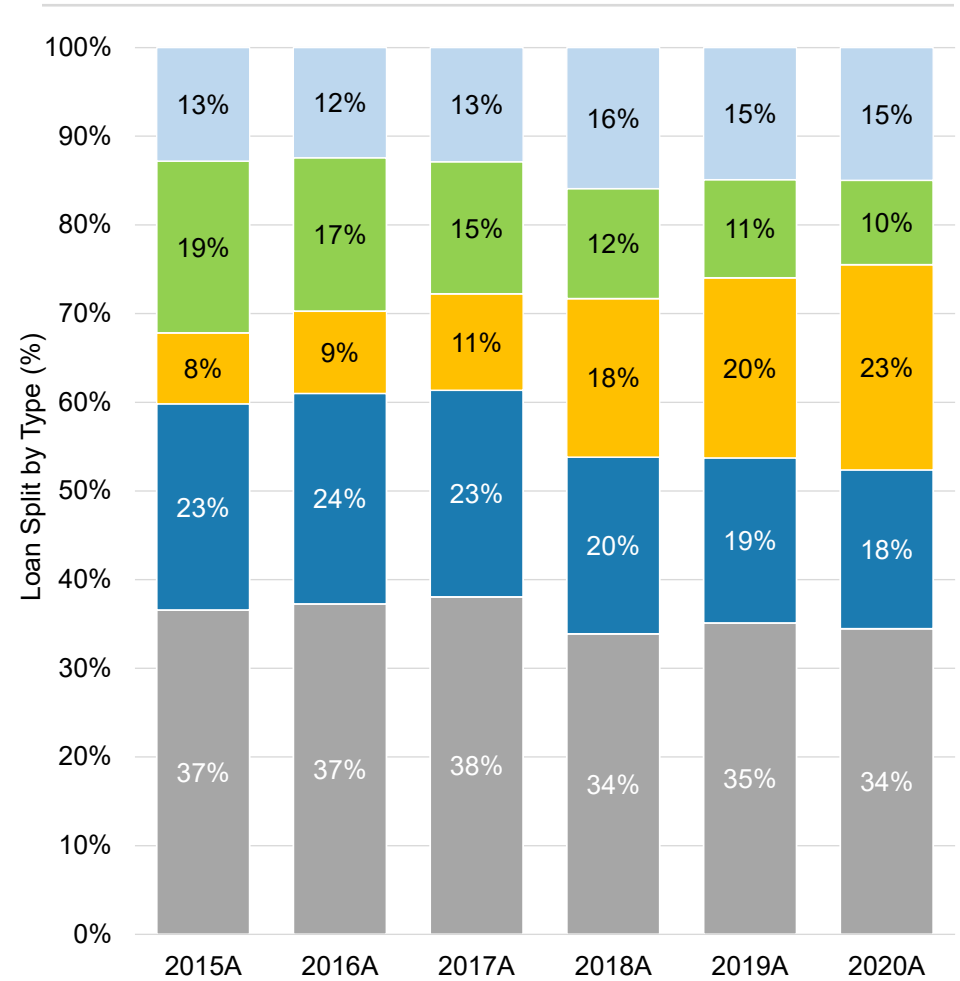
# LONG-TERM LOAN PORTFOLIO COMPOSITION



## LOAN SPLIT BY REGION



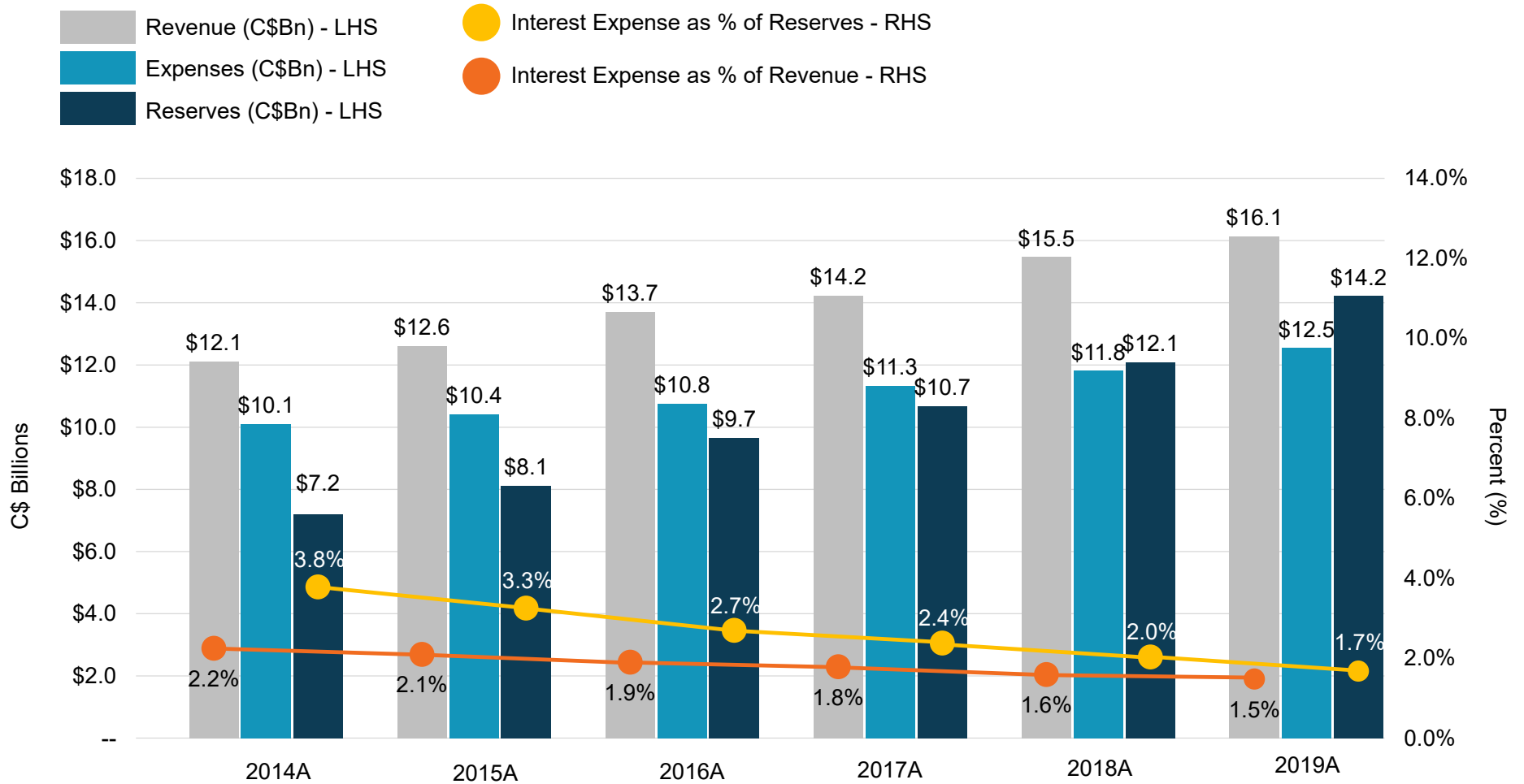
## LOAN SPLIT BY BORROWING TYPE



- Metro
- Vancouver Island
- Central Interior
- Northeast
- Interior
- Southeast
- North Coast

- Property Tax
- Water
- Sewer
- Transit
- Hospital

# BC LOCAL GOVERNMENT LOAN SERVICING ABILITY



# CREDIT RATINGS



## Long-Term Ratings

Agency	Rating	Outlook	Date
S&P	AAA	Stable	May 15, 2020
Moody's	Aaa	Stable	Feb 2, 2021
Fitch	AAA	Stable	April 26, 2021

## Short-Term Ratings

Agency	Rating	Outlook	Date
S&P	A-1+	Stable	May 15, 2020
Moody's	P-1	Stable	Feb 2, 2021





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