

# MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

## CREDIT RATINGS

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

## ORGANIZATION

The Municipal Finance Authority is responsible for financing municipal infrastructure in the province of British Columbia (BC), Canada. Formed in 1970 under the Municipal Finance Authority of British Columbia Act, it operates as a cooperative 'municipal bank' representing local government in BC. It is independent of the Province of BC, and offers municipal credit with a provincial scope:

- 161 municipalities are grouped into 28 regional district governments.
- Each regional district is represented on BCMFA's Board of Members.
- 10 trustees are elected from the Board of Members to oversee operations.
- The City of Vancouver is included in BCMFA's membership.

## CREDIT STRENGTH

<b>Taxation Power:</b>	BCMFA has the power to levy a property tax on all taxable land in the province. <ul style="list-style-type: none"> <li>• Senior-level government approval not required</li> <li>• Property values exceed \$900 billion</li> </ul>
<b>Debt Reserve Fund:</b>	BCMFA holds investments as a specific reserve against loan default. <ul style="list-style-type: none"> <li>• 1 % cash withheld from all loan requests</li> <li>• Refunded upon repayment of loan</li> <li>• Never been drawn against</li> <li>• Over \$108 million in liquid investments</li> </ul>
<b>Sinking Funds:</b>	BCMFA follows sinking fund methodology on loan collections. <ul style="list-style-type: none"> <li>• Regular billing of principal and interest (no balloon payments)</li> <li>• Principal portion invested in sinking fund for debenture retirement</li> <li>• Over \$1.35 billion in investments (22 % of gross debt)</li> </ul>
<b>Governance:</b>	Members are stakeholders of BCMFA and responsibilities include: <ul style="list-style-type: none"> <li>• Reviewing loan requests for financing</li> <li>• Authorizing the issue of debentures to fund loans</li> <li>• Ensuring no loan infringes on BCMFA's credit worthiness</li> </ul>
<b>Public Approval:</b>	All long-term municipal debt in BC requires public approval.
<b>Borrowing Limits:</b>	Municipalities have restrictions on allowable debt levels. <ul style="list-style-type: none"> <li>• Total debt capacity available - \$20 billion</li> <li>• Debt capacity used - \$6 billion (30 % of authorized limit)</li> </ul>
<b>Debt Service Limits:</b>	Only 25 % of sustainable revenues recognized to service debt costs.
<b>Balanced Budgets:</b>	Municipalities may not budget for a deficit or accumulated deficit.
<b>Debt Guarantee:</b>	Municipal borrowings must have regional government support. <ul style="list-style-type: none"> <li>• Municipalities guarantee each other's debt in event of default</li> <li>• 'Joint and Several' guarantees have never been activated</li> </ul>
<b>Province of BC:</b>	Provincial legislation and the provincial ministry verifies that: <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>



## LIQUIDITY - SECURITY FOR INVESTORS

Collections from members are matched to debenture obligations. To ensure bondholders are paid first, BCMFA maintains the following coverage:

### THOUSANDS OF DOLLARS

<b>Annual Interest Obligation to Bondholders</b>			<b>\$ 286,000</b>
Debt Reserve Fund – cash		\$ 25,000	
– investments	available in 3 days	83,000	
Bank Credit Facility available		250,000	<b>358,000</b>
<b>Excess coverage</b>			<b>\$ 72,000</b>

### Additional Coverage

- Authorized to levy a property tax on all taxable land in the province as deemed necessary
- An additional \$1.35 billion in sinking fund investments

## FINANCIAL POSITION – BC MUNICIPAL SECTOR

BILLIONS OF DOLLARS	2011 Projected	2010	2009	2008
BCMFA Sinking & Debt Reserve Fund	\$ 1.450	1.352	1.358	1.299
Municipal Reserves & Surpluses in BC	4.800	4.612	4.813	4.487
Total	\$ 6.250	5.964	6.171	5.786
Long-term Debt	\$ 5.800	5.681	5.663	5.362

## BORROWING STRATEGY

- Focus on 10-year Canadian Bullet debentures
- Issue sizes – \$300 to \$500 million range
- In market twice a year (spring & fall)
- Annual issuance – \$500 to \$800 million range
- Strategy to re-open existing debentures to establish benchmark
- Occasional issuances of 5 & 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



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