

Municipal Finance Authority of British Columbia

Rating Action Rationale: The 'AAA' Long-Term Issuer Default Rating (IDR) is based on the Municipal Finance Authority of British Columbia's (MFABC) independent and unlimited property taxing authority, which supports its mission of providing access to capital for local and regional governments (LRGs) within the Province of British Columbia (AA+/Negative). The rating reflects a Standalone Credit Profile (SCP) at 'aaa', which combines assessments of the risk profile at 'Stronger' and financial profile in the 'aaa' category. The financial profile assessment – and hence, the SCP – is informed by a variation on Fitch Rating's "International Local and Regional Governments Rating Criteria," as detailed below.

Key Rating Drivers

Risk Profile – 'Stronger': The 'Stronger' risk profile reflects a negligible risk relative to international peers that MFABC's ability to cover debt service from operating balances may weaken unexpectedly over the forecast horizon (through 2029, ending Dec. 31) because of lower-than-expected revenue, higher-than-expected expenditures, or an unanticipated rise in liabilities or debt-service requirements. It is based on six 'Stronger' assessments.

Financial Profile – 'aaa' Category: The financial profile at 'aaa' is based on the criteria variation under which MFABC can adjust its financial performance in a manner that fully offsets the potential stresses tested under the rating case scenario.

In the event of borrower default, MFABC's independent and unlimited property taxing power, combined with ample internal liquidity to cover the timing gap between levying and collecting any special property tax, lends it substantial resilience to address a stress as envisioned in Fitch's rating case scenario without materially affecting its financial profile. Likewise, interest rates on authority debt and loan repayments are largely matched, limiting MFABC's exposure to interest rate risk. Long-term debt is driven by capital borrowing needs of its client governments. New issuance is conservative, with funded projects subject to multiple layers of approval at the local, regional and provincial levels by voters, and, ultimately, by MFABC.

Other Rating Factors: There are no support mechanisms for MFABC's liquidity or debt from the province. The IDR is not capped by IDRs for Canada (at AA+/Stable) or British Columbia. Provincial responsibility for local governments under Canada's institutional framework shields MFABC from federal interference, and the province has statutorily delegated a high degree of financial autonomy and taxation powers to MFABC. The ability of MFABC to be rated above the province or the sovereign is tempered by the likelihood that factors affecting their credit quality would, ultimately, also affect MFABC's operating environment.

Criteria Variation: A variation has been made to the financial profile assessment because of the statutory requirement to levy an unlimited property tax on a broad economic base to restore draws on the debt reserve fund (DRF) if a borrower fails to pay, as well as the matched nature of long-term debentures and loans to borrower governments. These factors provide MFABC with the ability to adjust its financial performance in a manner that fully offsets potential stresses imposed by Fitch under the rating case.

ESG Considerations: ESG credit relevance is a score of '3', meaning that ESG issues are either credit-neutral or have only a minimal credit impact, due to either their nature or the way in which they are being managed by the entity.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found at www.fitchratings.com.

Ratings

Foreign Currency

Long-Term Issuer Default Rating AAA

Outlooks

Long-Term Foreign-Currency Issuer Default Rating Stable

Debt Ratings

Senior Unsecured Debt - Long-Term Rating AAA

Issuer Profile Summary

Created in 1970, MFABC is the authorized capital financing entity for most municipalities and regional districts in British Columbia. MFABC provides loans to LRGs, primarily for capex, and issues long-term debentures to fund these loans.

Financial Data Summary

(CAD mil.)	2024	2029rc
Payback ratio (x)	19.9	12.0
Synthetic coverage (x)	0.6	1.0
Actual coverage (x)	0.2	0.3
Fiscal debt burden (%)	1,837.2	1,127.9
Net adjusted debt	5,747	5,425
Operating balance	289	451
Operating revenue	313	481
Debt service	1,519	1,529
Mortgage-style debt annuity	486	471

rc - Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, MFABC

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

Related Research

[Fitch Affirms Municipal Finance Authority of British Columbia, Canada at 'AAA'; Outlook Stable \(June 2025\)](#)

[Global Economic Outlook \(June 2025\)](#)

[Canadian LRG Outlook Revised to Deteriorating Amid Tariff Uncertainty \(June 2025\)](#)

[Sector Data & Tools: Canadian Provinces Scorecard \(May 2025\)](#)

[Canadian Sentiment Plunge Points to Economic Recession \(May 2025\)](#)

[Fitch Affirms British Columbia \(Canada\) at 'AA+'; Outlook Revised to Negative \(May 2025\)](#)

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Rating Synopsis

MFABC LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments			Standalone Credit Profile (SCP)	From SCP to LT FC IDR					
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics			Financial Profile Score	Intergovernmental lending	Ad hoc support	Sovereign Rating	Leeway Above Sovereign	LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)							
Stronger	Higher Influence KRF	Lower Influence KRF	Higher Influence KRF	Lower Influence KRF	Higher Influence KRF	Lower Influence KRF	Stronger	High Midrange	aaa	aaa	aaa	aaa	AAA	AAA	Stable		
Midrange							Midrange	Low Midrange	aa	aa	aa	aa	AA+	AA+			
Weaker							Weaker	Vulnerable	a	a	a	a	AA	AA			
									bbb	bbb	bbb	bbb	BBB+	BBB+			
									bb	bb	bb	bb	BBB	BBB			
									b	b	b	b	BBB-	BBB-			
									bb	bb	bb	bb	BB+	BB+			
									b	b	b	b	BB	BB			
									ccc+	ccc	ccc	ccc	B+	B+			
									ccc-	ccc	ccc	ccc	B	B			
									cc	cc	cc	cc	B-	B-			
									c	c	c	c	CCC+	CCC+			
													CCC	CCC			
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													CC	CC			
													C	C			

Higher Influence KRF Lower Influence KRF

Source: Fitch Ratings

Under Fitch’s international LRG rating criteria, the six key risk factors, combined according to their relative importance, collectively represent the risk profile of the LRG. The financial profile assessment measures the LRG’s debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon. Both are combined in an SCP, which, together with some additional factors not captured in the SCP, such as extraordinary support or a rating cap, produce the IDR.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Not applicable for a 'AAA' rating, as such ratings are at the highest level and cannot be upgraded.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Erosion of the authority's unrestricted liquidity available to cover debt service during the time between a borrower's failure to pay and the collection of offsetting property taxes.
- Any change in British Columbia's institutional framework that narrows the authority's independent and unlimited taxing power, or a structural shift in the province's favorable long-term economic and property valuation trends.

Issuer Profile

Canadian Subnational Framework: Canada has a decentralized federal system of government, with powers divided between or shared among the federal government and 10 provinces. The constitution bestows responsibility for most public services on the provinces and provides them with virtually unlimited revenue and borrowing powers to support their spending responsibilities. These include responsibility to establish the types and roles of municipal governments. Municipal government tiers in British Columbia include 28 regional districts and 161 municipalities.

MFABC Overview: MFABC is governed by regional districts that appoint 40 members who then elect 10 trustees. It operates autonomously from the province and does not report to the Ministry of Municipal Affairs. Its financial statements and debt are not consolidated with the province's, and the province does not oversee borrowing or

guarantee its debt. However, MFABC benefits indirectly from the province’s strict oversight of local governments. They may not budget for deficits and have broad operating flexibility to adjust their finances to address their own needs, while municipalities specifically are subject to strict borrowing limits that include a cap on principal and interest at 25% of recurring revenue.

Once a loan is made to a municipality, it becomes a regional district liability carrying the joint and several guarantee of all members within the district. MFABC clients operate under a strict system of local oversight. Under provincial law, nearly all regional districts and municipalities must use MFABC to finance general municipal capital projects, including water and sewer infrastructure, communications technology and transportation. MFABC issues short- and long-term debt to fund loans to local entities. Multiple layers of approval are necessary before financing can be made possible, including voters, provincial verification that an entity can service the debt, regional district, MFABC credit review and trustee approval.

A borrower’s failure to pay triggers a DRF draw and, ultimately, a requirement that MFABC levy a province-wide property tax to replenish the DRF; no provincial approval is required for MFABC to act. Throughout MFABC’s 54-year history, there have been no instances of local government failure to repay. Pandemic-related disruptions in 2020–2021 and several severe fires and flood episodes in the years since have had no impact on MFABC borrowers, given robust provincial and federal disaster support and recovery mechanisms.

MFABC’s loan activity is concentrated in the province’s most populated regions, with 61% of loans in metropolitan Vancouver and another 16% on Vancouver Island. The city of Vancouver is a member but operates under its own charter and issues its own debt, and the South Coast British Columbia Transportation Authority, the regional transit agency also known as TransLink, began direct issuance in 2008, rather than using MFABC. Remaining TransLink debt was approximately 4% of outstanding MFABC long-term lending in 2024.

British Columbia Socioeconomic Profile: British Columbia is one of Canada’s four largest provinces by population and GDP, with 14% of Canada’s population in 2024 and 14% of GDP in 2023. Most of the population and economic base is concentrated in the wealthy Lower Mainland region, including the city of Vancouver, and Victoria, the capital on Vancouver Island. Services such as finance, insurance, real estate, professional, scientific and technical services, and education and health services are significant economic drivers, although natural resources, including forestry, natural gas and mining, are important in the province’s interior and northern regions.

Fitch calculates real GDP per capita at 101% of the Canadian average as of 2023. Economic performance is sensitive to national and international trends. Economic weakness in the U.S. or trade disruptions have quick and significant economic implications. A higher share of British Columbia’s trade is with Asia compared to other provinces, although the U.S. was the destination for 53% of goods exports in 2024, compared with 76% for Canada as a whole.

GDP has been variable since the pandemic in 2020, with a sharp rebound, followed by rapid cooling. Real GDP in 2023, at 2.4%, was well ahead of Canada’s 1.5% but below the province’s 2.6% CAGR for the last 20 years. For 2024, the province anticipates only 1.2% growth, with 2025-2029 growth rising slowly from 1.8% to 2.2% under the province’s budget forecast. Given U.S. tariff-related uncertainty, Fitch’s latest Global Economic Outlook forecasts that GDP in Canada will be barely positive at 0.1% in 2025 and 0.5% in 2026. British Columbia is likely to track these trends, despite its lower exposure to U.S. markets.

Housing market strains have been considerable in recent years, with demand far outpacing new supply and severe affordability constraints. Provincial and federal actions in recent years to support new supply, reduce short-term rentals and disincentivize speculation are intended to help address these strains. Recent declines in interest rates also have supported the housing market, while federal immigration restrictions may also help reduce demand. As of the province’s budget for fiscal 2026 (which began on April 1), the province is forecasting higher sales due to lower interest rates and housing starts above historical averages in the near term.

Socioeconomic Indicators

	British Columbia	Canada
Population, 2024 (mil.)	5.7	41.3
GDP per capita, 2023 (CAD)	60,218	59,512
GDP growth, 2023 (%)	2.4	1.5
Inflation, 2024 (%)	2.6	2.4
Unemployment rate, 2024 (%)	5.6	6.3

Source: Fitch Ratings, Statistics Canada

Risk Profile Assessment

Risk Profile: Stronger

Fitch assesses MFABC's risk profile at 'Stronger', reflecting a combination of the following six sub-assessments:

Risk Profile Assessment

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Stronger	Stronger	Stronger	Stronger	Stronger	Stronger	aa	Stronger

Source: Fitch Ratings

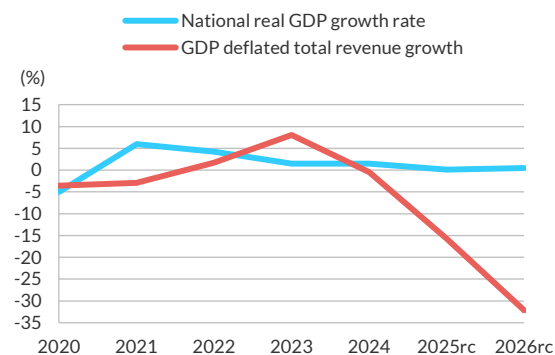
Revenue Robustness: Stronger

MFABC's total revenue stood at CAD496 million in 2024. Its largest revenue source is loan repayments from client governments, which generated CAD289 million; the second largest source is investment income from authority-managed assets, mainly sinking funds, which generated CAD183 million. A small operating levy included in every property owner's annual tax bill province-wide generated CAD637,000 but has grown at a robust 8.8% annually in the five years through 2024. Maintaining the annual levy ensures a functioning mechanism that would allow MFABC to exercise its powers to collect more, if needed, to address a borrower default.

The province's massive property tax assessment base is valued at over CAD2.8 trillion as of the 2025 assessment; for purposes of MFABC's tax levy, the taxable value for hospital purposes totaling almost CAD2.5 trillion is available. Assessments are completed annually by BC Assessment, an independent provincial authority. Assessment trends over time have been strong, with the assessment roll growing at an average of 7% annually over the past 30 years. There have only been three years in the past 30 with declines in assessed values: the pandemic resulted in a 2.9% dip in assessed value in 2020, with a previous decline in 1999 and 2000 of a combined 1.2%.

Fitch does not consider housing market weakness to be a material risk to MFABC's ability to levy sufficient property taxes, given the small size of the MFABC levy that would be necessary to ensure DRF replenishment compared with the value of the provincial assessment roll. Despite near-term housing market strains, long-term property market fundamentals are expected to remain strong, consistent with Fitch's view of British Columbia's economy.

Real Total Revenue and GDP Growth



rc - Fitch's rating case
Source: Fitch Ratings, MFABC

Revenue Breakdown, 2024

	Operating revenue (%)	Total revenue (%)
Property tax	0.2	0.1
Interest from loans	92.3	58.2
Other taxes	6.2	3.9
Transfers	0.0	0.0
Other operating revenue	1.3	0.8
Operating revenue	100.0	63.1
Interest revenue	-	36.9
Capital revenue	-	0.0
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, MFABC

Revenue Adjustability: Stronger

The authority has the ability by a vote of its board of trustees to levy a province-wide property tax base following any draw on its DRF, if it determines that loan repayments will be insufficient to restore the DRF within a reasonable period. If the DRF is drawn down by more than 50% from its required level, MFABC is statutorily required to levy a province-wide tax to restore it. The size of the levy is limited to restoring the DRF to its required level at half of the average annual P&I payments on borrower loans for all regional districts and half of the average annual P&I payments on borrowings by districts' member municipalities. There is no other limitation on the rate, and no additional approvals are necessary from the province or local authorities.

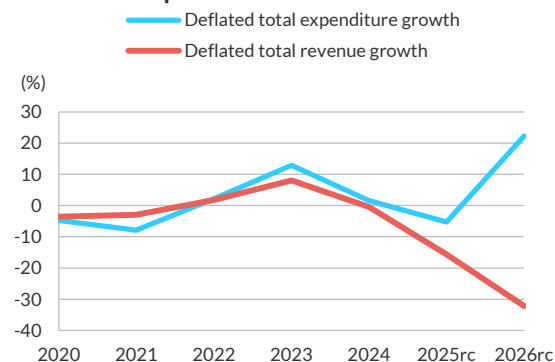
British Columbia's tax base appears exceptionally robust relative to a potential additional tax levy that would be needed to support MFABC. Although actual property tax revenue data are lagged, 2024 total property taxes and charges were CAD13.6 billion, of which variable-rate taxes were CAD11.2 billion. By comparison, in 2024, MFABC's operating levy was CAD637,000, DRF balance was CAD124 million, interest on long-term debt was CAD285 million and loan repayments by clients were CAD581 million, suggesting more than sufficient tax leeway to absorb a higher levy, if triggered. Compared to 2024 household income of CAD380 billion, based on provincial data, interest on long-term debt measures a small 0.08%, implying ample affordability with respect to additional taxation.

Property tax assessments are determined on July 1 and sent to property owners the following January. Tax rates are set in March, bills are mailed in May and payments are due in July. MFABC receives its levy by Aug. 1. Debenture debt service falls either in June and December, or April and October, leaving a maximum gap of nearly one year between a potential missed borrower repayment and levied property tax revenue.

Expenditure Sustainability: Stronger

MFABC's operating profile consists primarily of servicing market-issued debt with loan repayments from borrowing governments, managing pools of invested sinking funds and providing secondary financial services to client governments, including asset management. Rising interest rates on debt over time are passed through to borrowers in the form of higher loan repayments, insulating MFABC from interest rate risk. MFABC provides no direct program services to residents and does not perform capital planning or construction services. Within its narrow scope of activity, MFABC regularly runs small annual surpluses, indicating tight control over expenditure growth, and had built up a sizable strategic retention fund (SRF) at CAD129 million as of 2024.

Real Total Expenditure and Revenue Growth



rc - Fitch's rating case
Source: Fitch Ratings, MFABC

Expenditure Breakdown, 2024

	Operating expenditure (%)	Total expenditure (%)
Administration	20.8	1.5
Other operating expenditure	79.2	5.5
Operating expenditure	100.0	7.0
Interest expenditure	-	93.0
Capital expenditure	-	0.0
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, MFABC

Expenditure Adjustability: Stronger

MFABC's primary expenses for interest on debt are matched over time by incoming borrower loan repayments. Secondary services for client governments, such as pooled fund offerings and management and financial risk training, including cyber risk, are demand-based and impose limited additional operating costs on the authority. There is a small staff of 19.

Liabilities and Liquidity Robustness: Stronger

MFABC's debt is issued at fixed rates and benefits from excellent access to capital markets, as demonstrated by favorable spreads for five- and 10-year issuance in Canada's highly liquid domestic market. The weighted average maturity calculated by Fitch is about 4.6 years. Long-term debt outstanding in 2024 totaled CAD9.3 billion in debentures with bullet maturities typically at five, 10 and 20 years. In 2024, MFABC issued CAD1.3 billion in long-term debt.

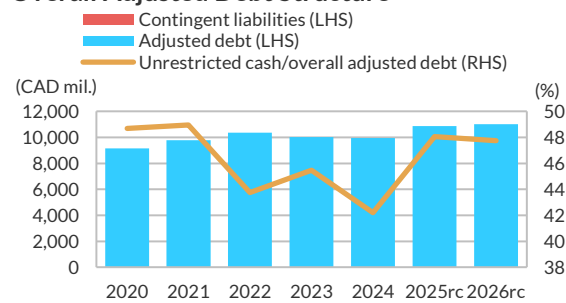
Commercial paper (CP) notes (not rated by Fitch) with maturities of one, three and six months have an active program target of CAD700 million, with the outstanding balance at CAD598 million in 2024. The authorized limit was increased to CAD1.25 billion during the pandemic to address possible liquidity needs, and that authorization remains in place in the event loan growth necessitates expansion beyond the CAD700 million active program. CP notes are backstopped by three general corporate purpose facilities totaling CAD350 million with three Canadian chartered banks.

CP note proceeds are used to provide liquidity to MFABC and interim financing for local governments, including for initial capital project financing, until refunded by long-term MFABC debentures. MFABC retains strong market access for the CP note program, implying limited rollover risk.

The authority's loan assets are matched with its debenture liabilities such that interest payments from client governments meet annual interest obligations on debentures. Loans are fully amortized with principal payments deposited in dedicated sinking funds invested by MFABC and used to retire debentures upon maturity. Loan maturities tied to capital projects are not always matched to the corresponding debt maturities, although the loan rates reset to reflect the rate on refunding debt.

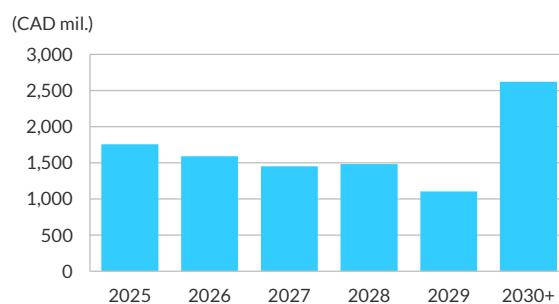
Borrowers are compensated for sinking funds accumulated and invested before the associated debenture matures, with the application of an actuarial reduction applied to each principal payment. The discount is covered through earnings on sinking fund investments. The authority sets actuarial rates (between 1.75% and 5%) at the commencement of each loan and reviews them against actual investment performance. The authority retains the right to adjust the actuarial assumption and has done so regularly. Earnings in excess of the actuarial rate are recorded as a surplus and are available to MFABC as liquidity until the associated debenture maturity, when the authority distributes them to participating borrowers.

Overall Adjusted Debt Structure



rc - Fitch's rating case
Source: Fitch Ratings, MFABC

Debt Maturity Profile



Source: Fitch Ratings, MFABC

Liabilities and Liquidity Flexibility: Stronger

MFABC has considerable flexibility in managing its liquidity, with recourse to a range of internal and external sources if needed. In the unexpected event of a borrower's failure to pay, the authority would cover interest first by drawing on the CAD124 million DRF balance. If the DRF is drawn, the MFABC can unilaterally impose a property tax to restore the draw; a tax must be imposed if the DRF balance is drawn to less than 50% of the required level.

Beyond the DRF balance, additional liquidity sources include the SRF, which held CAD129 million in 2024, and a CAD100 million revolving line of credit with Canadian Imperial Bank of Commerce (AA-/Stable). Finally, MFABC can draw on its sinking fund balance, which stood at CAD3.9 billion in 2024, equal to 42% of outstanding long-term debt.

Sinking fund assets are invested under statutory requirements that limit holdings to Canadian or provincial securities or those guaranteed by them; securities of a local, municipal or regional government in Canada; investments guaranteed by a chartered bank; or deposits in a savings institution or non-equity or membership shares of a credit union. Statutory restrictions on the DRF are similar, except that those cannot be invested in securities of Canadian local, municipal or regional governments. MFABC has developed investment policies to provide further guidance in managing DRF and SRF assets.

Maximum annual interest obligations on debentures have been less than CAD300 million for many years, indicating that MFABC's resources are ample relative to potential interest demands. Short-term CP notes outstanding in 2024 were CAD598 million; CAD4.1 billion refinanced during the year. The active CP note program is CAD700 million. To backstop the CP note program, MFABC has three dedicated lines of credit: CAD130 million with CIBC (AA-/Stable), CAD120 million with National Bank of Canada (A+/Stable) and CAD100 million with Bank of Montreal (AA-/Stable).

Debt Analysis

	2024
Fixed rate (% of direct debt)	100
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	3.14
Weighted average life of debt (years)	4.6

Source: Fitch Ratings, MFABC

Liquidity

(CAD mil.)	2024
Total cash, liquid deposits and sinking funds	4,195
Restricted cash	0
Cash available for debt service	4,195
Undrawn committed credit lines	450

Source: Fitch Ratings, MFABC

Financial Profile Assessment

Financial Profile: aaa category

Financial Profile Score Summary

	Primary metric	Secondary metrics	
	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 25$	$X < 1$	$X > 250$

Note: Yellow highlights show metric ranges applicable to issuer.
Source: Fitch Ratings

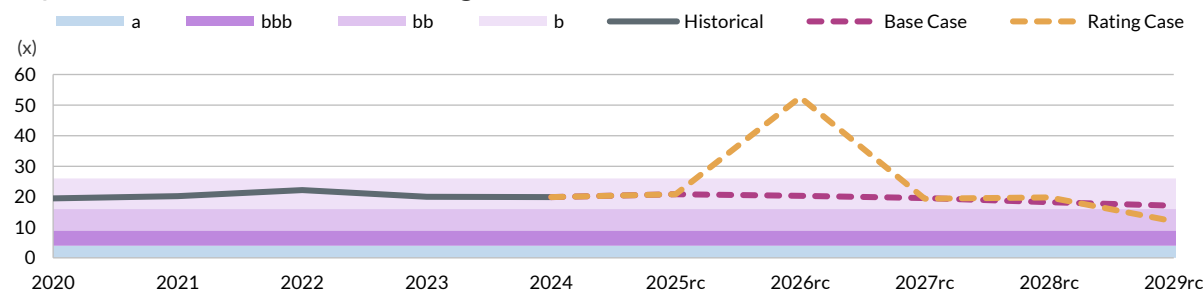
The 'aaa' category financial profile assessment is based on a criteria variation, under which the unlimited taxing power of MFABC provides protection against potential downside risks captured under a rating case scenario. Features supporting MFABC's credit strength, including its unrestricted authority to tax the province's massive assessment base and substantial liquid resources, provide multiples of coverage for interest and scheduled maturities during an unprecedented disruption in borrower repayments. The scenario envisions a widespread borrower failure to pay interest resulting in a greater than 50% draw on the DRF, automatically triggering the province-wide property tax to replenish the DRF. Ample liquidity covers authority obligations until property taxes are collected.

In the scenario, the payback ratio (net adjusted debt/operating balance) gradually falls to 12x through 2029, versus 17x in the base case, as the tax levy generates additional receipts. The synthetic debt service coverage ratio (operating balance to a 15-year mortgage-like payoff of debt service) rises to 1x, versus 0.7x in the base case, given the levy of additional property tax. The fiscal debt burden (net adjusted debt/operating revenue) remains weak through the period, although is not as relevant to the overall assessment, given the matched nature of MFABC's liabilities and assets over time.

Although this combination of financial profile metrics suggests an assessment at the 'a' category level, the triggering of MFABC's taxation powers in a stress scenario generates an improvement of metrics relative to the base case and historical experience, when taxation powers beyond the small operating level remain unused. The essentially unlimited nature of the property tax relative to authority obligations and high liquid balances offsets the potential impacts of any reasonable stress that the rating case is intended to capture.

Fitch views MFABC as a Type B LRG under its criteria, with the obligation to cover debt service from cash flows on an annual basis, consistent with most local governments in Canada and globally. The primary financial profile metric for Type B LRGs in a rating case projection is the payback ratio.

Payback Ratio - Fitch's Base and Rating Case Scenarios



rc - Fitch's rating case
Source: Fitch Ratings, MFABC

Scenario Assumptions

Fitch designates MFABC as a Type B LRG under the LRG criteria because it repays debt service from cash flow on an annual basis. Long-term debt in both the base and rating cases remains the same, using the MFABC forecast to 2027, trended forward to 2029. While the financial profile analysis focuses primarily on the effects of economic cycles on

an LRG's revenue, expense and liquidity trends, for MFABC, the cyclical stress would manifest through a severe recession or other event severe enough to create multiple borrower defaults, a particularly severe stress.

Despite the magnitude of the stresses, unusually strong features including the required increase in property taxes sufficient to refill DRF draws and the matched nature of loan repayments with interest on debt cushion potential weakness and are the basis of the criteria variation. The most notable risk remains the time lag between multiple borrower defaults and the collection of property taxes. During this potential time lag, the SRF, credit facility, general purpose backstop facilities, and sinking fund provide many multiples of coverage for interest expenditure and scheduled debt maturities, before considering MFABC's solid market access.

Scenario Assumptions: Long-term debt in both the base and rating cases remains the same, relying on near-term MFABC expectations for borrowing, trended forward through 2029. Stresses in the rating case are intended to pressure operations to assess the impact on P&I repayments. Despite stresses, the requirement to levy a property tax to refill the DRF and the matched nature of loan repayments with interest on debt are unusually strong features that cushion weakness and form the basis of the criteria variation.

The rating case assumes modifications to loan repayments in 2026, 2027 and 2028, representing a widespread and extended failure to pay, equal to half of the combined projected DRF and SRF balances in 2026, one-third in 2027 and one-quarter in 2028. The draw from the DRF in 2026 triggers the province-wide property tax to replenish the DRF, with receipt of the levy lagged by one year; the rating case assumes the levy stays in place in 2028 and 2029 to cover subsequent draws and rebuild the balance. The lag in receipt of the tax levy is reflected in the one-year deterioration of the payback ratio, to 52.5x in 2026, followed by rapid improvement to a level in 2029 stronger than historical experience, given the magnitude of revenue generated.

Scenario Assumptions Summary

Assumptions	Five-year historical average	2025 - 2029 average	
		Base case	Rating case
Operating revenue growth (%)	3.2	1.6	9.0
Tax revenue growth (%)	8.4	3.2	162.1
Current transfers received growth (%)	-	-	-
Operating expenditure growth (%)	13.2	5.0	5.0
Net capital expenditure (CAD mil.)	0	0	0
Apparent cost of debt (%)	2.85	2.90	3.38

Outcomes	2024	2029	
		Base case	Rating case
Payback ratio (x)	19.9	17.0	12.0
Actual coverage ratio (x)	0.2	0.2	0.3
Synthetic coverage ratio (x)	0.6	0.7	1.0
Fiscal debt burden (%)	1,837.2	1,553.1	1,126.8

Source: Fitch Ratings, MFABC

Net Adjusted Debt: Direct debt was CAD9.9 billion in 2024, comprising CAD9.3 billion in long-term debentures and CAD598 million in short-term CP notes. Net adjusted debt is CAD5.7 billion, after netting CAD4.2 billion in cash, cash equivalents and investments (chiefly sinking funds). MFABC has no contingent liabilities. MFABC's direct debt is used solely to fund loans to borrower governments. Loans outstanding, both long- and short-term, represent 55%–58% of outstanding debt, with the rest consisting of investments, mostly accumulated sinking fund deposits and earnings. Loan terms often exceed the maturity of associated debt, with loan repayments subject to reset when maturing debt is refunded.

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk profile	Financial profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

MFABC has no directly comparable Fitch-rated peers. One similar entity is a government-related entity, the New Zealand Local Government Funding Agency Limited (AA+/Stable). Although LGFA provides financing to local governments, it does not have independent, unlimited taxing authority and borrowing supported by a joint and several pledge of local borrowers. Instead, it has access to support from the sovereign. Fitch rates it under its “[Government-Related Entities Rating Criteria](#)” and equalizes the rating with its supporting government, rather than determining an SCP.

Less comparable LRGs include French intermunicipal groupings such as Aix-Marseille-Provence Metropolis (AA-/Stable) and Eurometropole Strasbourg (AA-/Stable), which directly deliver public services across multiple municipalities, such as transit and wastewater, and have tax and borrowing powers necessary to fund services. Because they deliver direct services, they have more expansive operating revenue and operating expenditures. By contrast, MFABC does not provide direct services and has only limited operations.

Peer Comparison

	Risk profile	Financial profile score	SCP	Extraordinary support	Sovereign rating	LT IDR	National rating
Municipal Finance Authority of British Columbia	Stronger	aaa	aaa	N.A.	AA+	AAA/Stable	N.A.
Aix-Marseille-Provence Metropolis	High Midrange	aa	aa-	N.A.	AA-	AA-/Negative	N.A.
Strasbourg, Eurometropole	High Midrange	aa	aa	N.A.	AA-	AA-/Negative	N.A.

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support				Leeway above sovereign (notches)	LT FC IDR
		Intergovern. financing	Ad-hoc support	Floor	Rating cap		
aaa	AA+	-	-	-	-	1	AAA

Source: Fitch Ratings

The ‘AAA’ IDR is based on a ‘aaa’ SCP, reflecting both the ‘Stronger’ risk profile and a ‘aaa’ debt sustainability assessment. Fitch does not cap the IDR of MFABC at the ‘AA+’ IDRs of Canada or British Columbia. The province has responsibility for local governments under its institutional framework, shielding MFABC from federal interference, in Fitch’s view. Additionally, the province has statutorily delegated broad financial autonomy and taxing powers to the authority. The ability of MFABC to be rated above the province and the sovereign is tempered by the likelihood that factors affecting provincial or sovereign credit quality, ultimately, would affect the authority’s operating environment.

Short Term Rating Derivation

Fitch does not rate the short-term debt of MFABC.

Criteria Variation

The analysis supporting MFABC's 'AAA' rating includes a variation from the international LRG rating criteria. A variation was made to the debt sustainability because of the statutory requirement to levy an unlimited property tax on a broad economic base to restore draws on the authority's DRF, as well as the matched nature of MFABC's long-term debentures by loans made to borrower governments. These factors result in MFABC adjusting its financial performance in a manner that fully offsets potential stresses imposed by Fitch under the rating case, a situation that is not anticipated in determining the rating case scenario. The variation provides a means to assess the broad ability of the entity to respond to these stresses and the likely trajectory of financial metrics under these scenarios.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Appendix A: Financial Data

MFABC

(CAD mil.)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal performance										
Taxes	0	0	1	1	1	1	1	136	93	74
Transfers received	0	0	0	0	0	0	0	0	0	0
Fees, fines and other operating revenues	256	255	269	290	312	295	135	185	221	407
Operating revenue	256	255	269	291	313	296	136	321	314	481
Operating expenditure	-15	-8	-6	-19	-24	-25	-26	-27	-29	-30
Operating balance	241	247	263	272	289	271	110	294	285	451
Interest revenue	141	144	164	195	183	132	161	165	173	182
Interest expenditure	-251	-246	-270	-306	-314	-302	-383	-390	-403	-422
Current balance	132	146	157	162	159	101	-112	69	55	211
Capital revenue	0	0	0	0	0	0	0	0	0	0
Capital expenditure	0	0	0	0	0	0	0	0	0	0
Capital balance	0	0	0	0	0	0	0	0	0	0
Total revenue	398	399	433	486	496	428	297	486	487	663
Total expenditure	-266	-253	-276	-324	-337	-327	-409	-417	-432	-452
Surplus (deficit) before net financing	132	146	157	162	159	101	-112	69	55	211
New direct debt borrowing	1,041	2,010	1,292	1,102	1,235	2,089	1,745	1,683	2,010	1,661
Direct debt repayment	-643	-1,245	-811	-1,523	-1,205	-1,160	-1,593	-1,452	-1,482	-1,107
Net direct debt movement	398	765	482	-421	29	929	152	231	528	554
Overall results	530	911	639	-259	188	1,030	40	300	583	765
Debt and liquidity										
Short-term debt	610	500	598	696	598	700	700	700	700	700
Long-term debt	8,535	9,284	9,753	9,322	9,344	10,171	10,323	10,554	11,082	11,636
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	9,145	9,784	10,350	10,018	9,942	10,871	11,023	11,254	11,782	12,336
Other Fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	9,145	9,784	10,350	10,018	9,942	10,871	11,023	11,254	11,782	12,336
Guarantees issued (excluding adjusted debt portion)	0	0	0	0	0	0	0	0	0	0
Majority-owned GRE debt and other contingent liabilities	0	0	0	0	0	0	0	0	0	0
Overall adjusted debt	9,145	9,784	10,350	10,018	9,942	10,871	11,023	11,254	11,782	12,336
Total cash, liquid deposits and sinking funds	4,453	4,790	4,528	4,555	4,195	5,225	5,264	5,564	6,146	6,911
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	4,453	4,790	4,528	4,555	4,195	5,225	5,264	5,564	6,146	6,911
Net adjusted debt	4,692	4,994	5,822	5,463	5,747	5,646	5,759	5,690	5,636	5,425
Net overall debt	4,692	4,994	5,822	5,463	5,747	5,646	5,759	5,690	5,636	5,425
Enhanced net adjusted debt	4,692	4,994	5,822	5,463	5,747	5,646	5,759	5,690	5,636	5,425
Enhanced net overall debt	4,692	4,994	5,822	5,463	5,747	5,646	5,759	5,690	5,636	5,425
Memo: (%)										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	100	100	100	100	100	-	-	-	-	-
Floating interest rate debt/direct debt (%)	0	0	0	0	0	-	-	-	-	-

rc - rating case

Source: Fitch Ratings, MFABC

Appendix B: Financial Ratios

MFABC

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal performance ratios (%)										
Operating balance/operating revenue	94.2	97.1	97.6	93.6	92.5	91.6	80.9	91.6	90.8	93.8
Current balance/current revenue	33.1	36.5	36.3	33.3	32.0	23.6	-37.7	14.2	11.3	31.8
Operating revenue annual growth	-4.4	-0.5	5.6	8.0	7.6	-5.4	-54.1	136.0	-2.2	53.2
Operating expenditure annual growth	16.5	-49.3	-14.7	189.1	27.6	5.9	4.0	3.9	7.4	3.5
Surplus (deficit) before net financing/total revenue	33.1	36.5	36.3	33.3	32.0	23.6	-37.7	14.2	11.3	31.8
Surplus (deficit) before net financing/GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue annual growth	-2.8	0.3	8.7	12.2	2.0	-13.7	-30.6	63.6	0.2	36.1
Total expenditure annual growth	-4.0	-4.8	9.1	17.3	4.0	-3.0	25.1	2.0	3.6	4.6
Debt ratios										
Primary metrics										
Payback ratio (x) (net adjusted debt to operating balance)	19.4	20.2	22.2	20.1	19.9	20.8	52.4	19.4	19.8	12.0
Enhanced payback ratio (x)	19.4	20.2	22.2	20.1	19.9	20.8	52.4	19.4	19.8	12.0
Overall payback ratio (x)	19.4	20.2	22.2	20.1	19.9	20.8	52.4	19.4	19.8	12.0
Enhanced overall payback ratio (x)	19.4	20.2	22.2	20.1	19.9	20.8	52.4	19.4	19.8	12.0
Secondary metrics										
Fiscal debt burden (%) (net debt-to-operating revenue)	1832.1	1959.3	2162.7	1878.5	1837.2	1907.4	4234.6	1772.6	1794.9	1127.9
Synthetic debt service coverage ratio (x)	0.6	0.6	0.6	0.6	0.6	0.0	0.2	0.6	0.6	1.0
Actual debt service coverage ratio (x)	0.3	0.2	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.3
Other debt ratios										
Liquidity coverage ratio (x)	4.6	3.2	4.7	2.6	3.2	3.1	2.7	3.0	3.1	4.3
Direct debt maturing in one year/total direct debt (%)	20.3	13.4	20.5	19.0	17.7	6.4	6.4	6.2	5.9	5.7
Direct debt (annual % change)	4.9	7.0	5.8	-3.2	-0.8	9.4	1.4	2.1	4.7	4.7
Apparent cost of direct debt (interest paid/direct debt) (%)	2.8	2.6	2.7	3.0	3.1	2.9	3.5	3.5	3.5	3.5
Revenue ratios (%)										
Tax revenue/total revenue	0.1	0.1	0.1	0.1	0.1	0.2	0.3	28.0	19.1	11.2
Current transfers received/total revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest revenue/total revenue	35.6	36.1	37.9	40.2	36.9	30.8	54.2	34.0	35.5	27.5
Capital revenue/total revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure ratios (%)										
Staff expenditure/total expenditure										
Current transfers made/total expenditure										
Interest expenditure/total expenditure	94.4	97.0	97.7	94.3	93.0	92.4	93.6	93.5	93.3	93.4
Capital expenditure/total expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

rc - rating case

Source: Fitch Ratings, MFABC

Appendix C: Data Adjustments

Specific Adjustments

Adjustments have been made to MFABC's public account data and projections to calculate historical, base and rating case metrics under Fitch's LRG criteria, and to facilitate comparisons across Canadian and international LRGs. Reported consolidated data are modified to reflect operating and interest revenue and expenditures; there are no capital transactions. The debt data reflect calculations of direct debt and unrestricted liquidity as defined in Fitch criteria and detailed above.

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