

RATING ACTION COMMENTARY

Fitch Affirms Municipal Finance Authority of British Columbia, Canada at 'AAA'; Outlook Stable

Mon 26 Apr, 2021 - 11:35 AM ET

Fitch Ratings - San Francisco - 26 Apr 2021: Fitch Ratings has affirmed the Municipal Finance Authority of British Columbia, Canada's (MFABC) Issuer Default Rating (IDR) at 'AAA'/Outlook Stable. The ratings for approximately CAD8.5 billion in outstanding senior unsecured debentures have also been affirmed at 'AAA'. The Rating Outlook is Stable.

Fitch assesses MFABC's stand-alone credit profile (SCP) at 'aaa' reflecting both a stronger risk profile and 'aaa' debt sustainability score based on payback ratios as adjusted per a criteria variation.

KEY RATING DRIVERS

MFABC's IDR reflects its high degree of financial autonomy under provincial statutes. There are no explicit links to the provincial or sovereign ratings.

Further details are available in Fitch's April 28, 2020 rating action commentary, "Fitch Affirms Municipal Finance Authority of British Columbia, Canada at 'AAA'; Outlook Stable."

Fitch expects to review the rating again in the near future after financial and management information has been updated by the issuer in its normal budgetary and disclosure cycle.

RATING SENSITIVITIES

Please refer to Fitch's April 28, 2020 rating action commentary.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

CRITERIA VARIATION

The analysis supporting the MFABC's 'AAA' rating includes a variation from the International Local and Regional Governments Rating Criteria dated Oct. 27, 2020. A variation was made to the debt sustainability and scenario analysis because of the statutory requirement to levy an unlimited property tax on a broad economic base to restore draws on the MFABC's debt reserve fund, and the matched nature of the MFABC's long-term debentures with loans made to borrower governments. The MFABC's taxing power and matched debt provide a mechanism to adjust its financial performance in Fitch's rating case that is not currently anticipated in determining debt sustainability and scenarios. The variation provides a means to assess the likely trajectory of financial metrics given these factors.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR	
Municipal Finance Authority of British Columbia	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
● senior unsecured	LT	AAA	Affirmed	

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[International Local and Regional Governments Rating Criteria \(pub. 27 Oct 2020\)](#)
(including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

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Municipal Finance Authority of British Columbia

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