



**Municipal Finance
Authority of BC**

Investor Presentation
Q2 2021

DISCLAIMER



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



MFA Line of Business	Strategic Fit	Description	Market Positioning
Long-Term Financing	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.
Short-Term Financing	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.
Pooled Investment Products	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



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

- 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

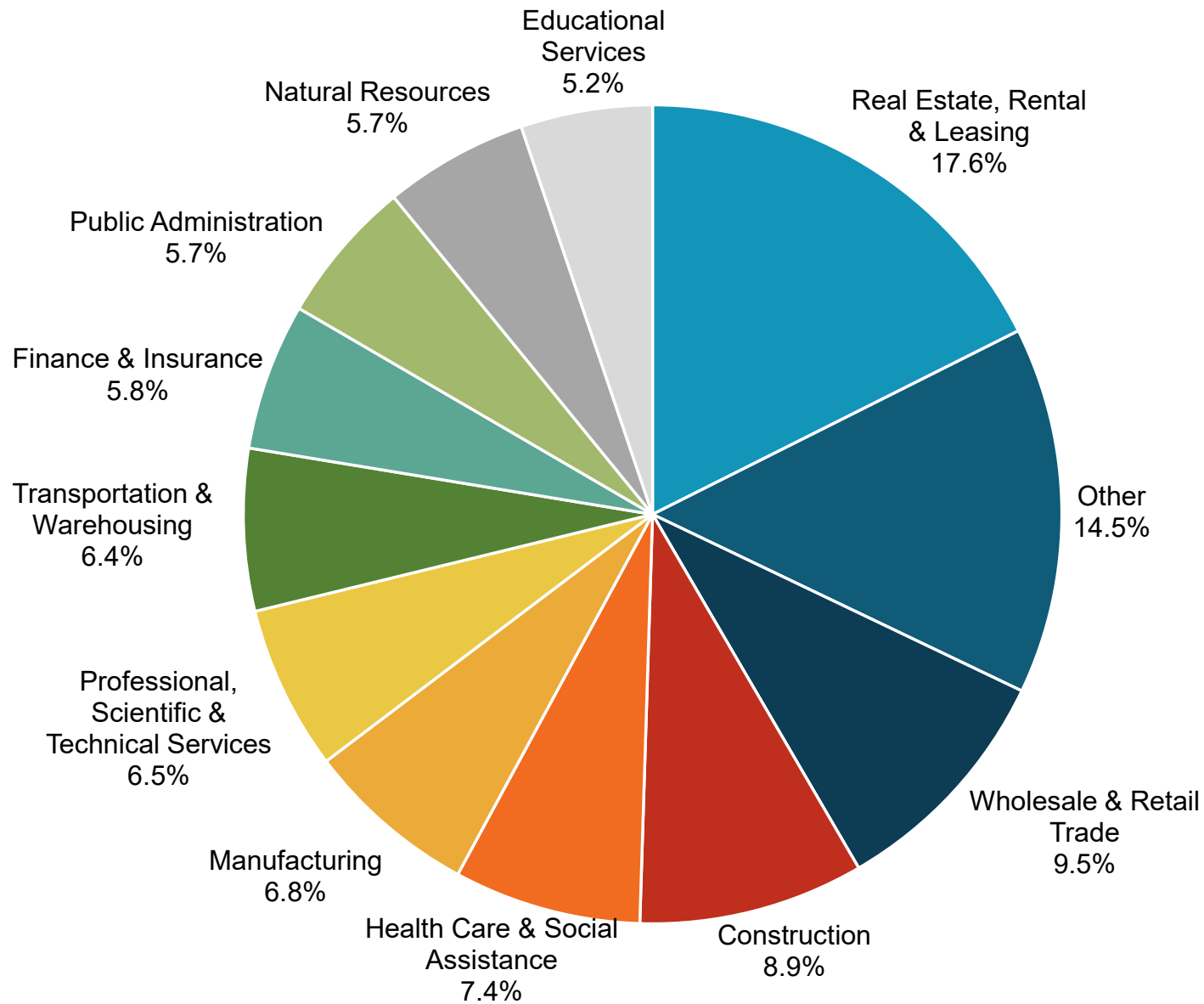
- Five year financial plans - public consultation, by May 15

BC LOCAL GOVERNMENT BORROWING FRAMEWORK



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

BRITISH COLUMBIA'S DIVERSE ECONOMY



Note: 2019 figures shown

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

MFA'S ESG APPROACH

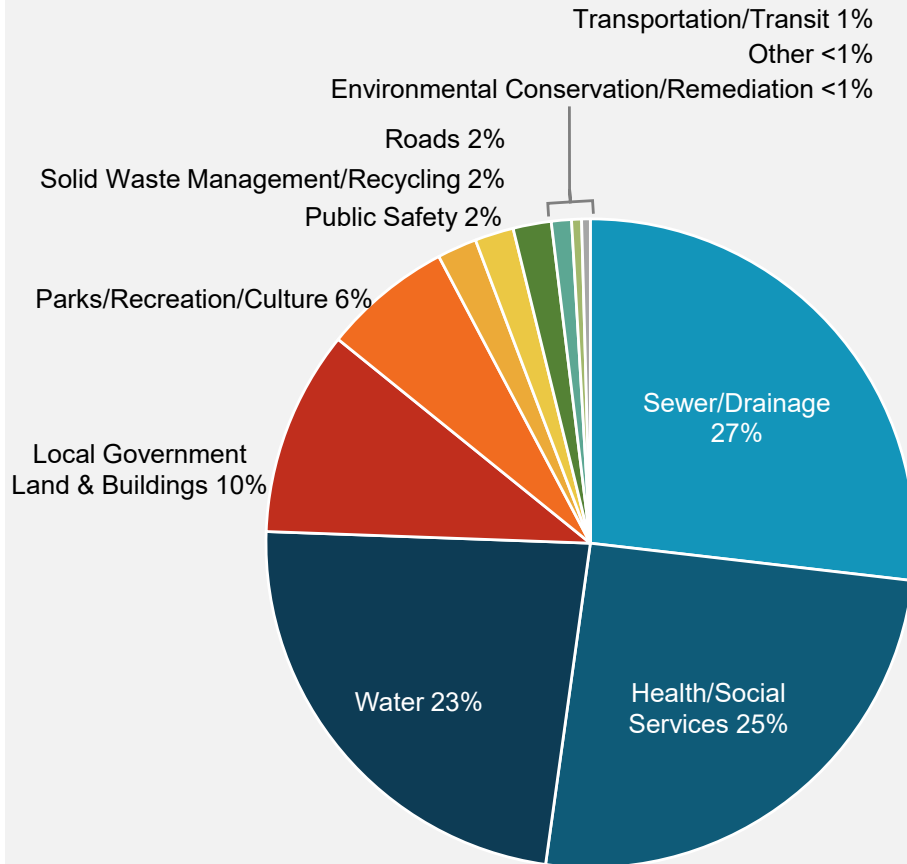


- Since inception in 1970, MFA's main mandate of providing low-cost lending for local government capital projects has provided tremendous benefits to communities and citizens all across British Columbia
 - MFA has recently committed to increasing its efforts on collecting, standardizing and disseminating 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. Given our unique model, and until ESG reporting methodologies and standards improve, we believe our efforts should be focused on being a thought leader and promoter of the adoption of common and comparable ESG reporting data by our Members

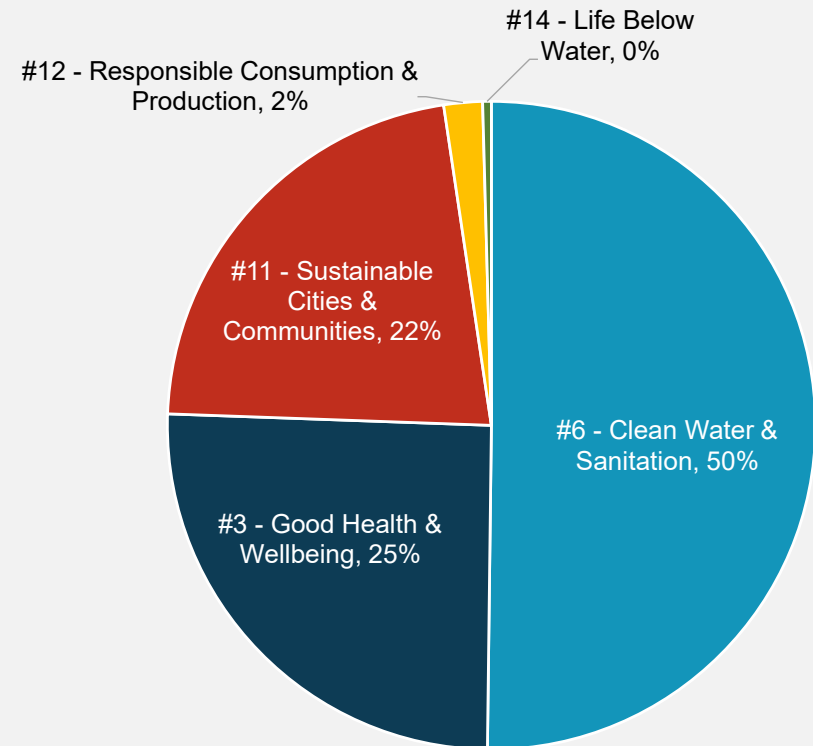
MFA'S LENDING MEETS ESG CRITERIA



2020 Issuance Split by Purpose (\$1.02bn)



2020 Issuance Split by UN SDG (\$1.02bn)



- 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
- The majority of the proceeds from MFA's 2020 borrowing program were used to support regional water related and public health related infrastructure

RECENT LONG-TERM DEBT ISSUANCE



C\$mm	Date	Term
\$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
\$35	Sep 27, 2017	7
\$160	Sep 27, 2017	10
\$200	Mar 31, 2017	10

- 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



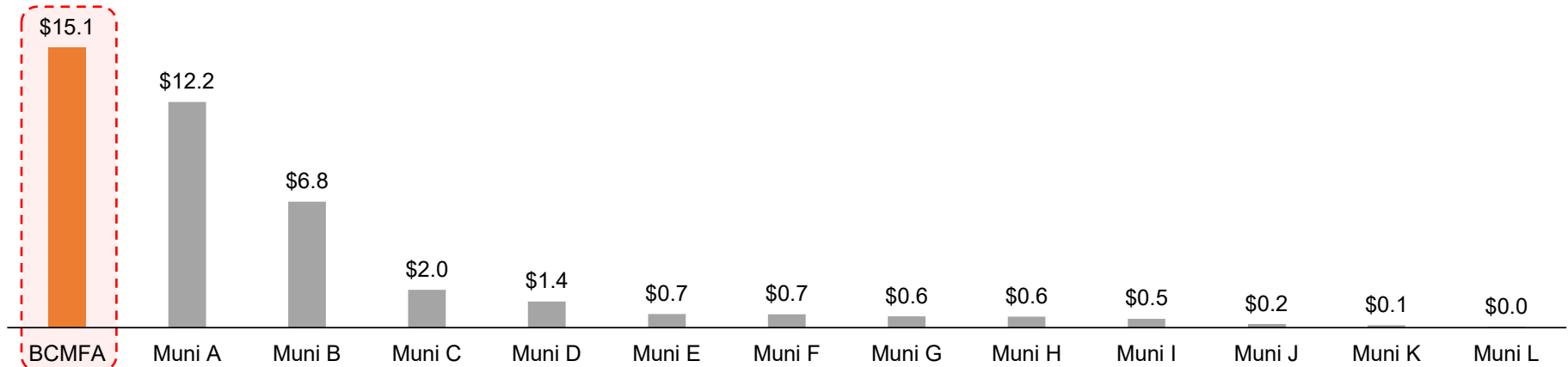
Year	2022	2021
5 Year (\$mm)	\$650	\$950
10 Year (\$mm)	\$675 to \$1,125	\$800 to \$1,200
Total (\$mm)	\$1,325 to \$1,775	\$1,750 to \$2,150

- \$450mm completed in March 2021.
- Expect additional ~\$450mm new 5 year to be issued as early as late May 2021 to meet refinancing needs of MFA 4.15% June 1, 2021 bonds coming due.
- New \$200mm 10 year completed in March 2021.
- Intention is to re-open the MFA 2.30% April 15, 2031 bonds throughout the year for an additional \$800mm to \$950mm

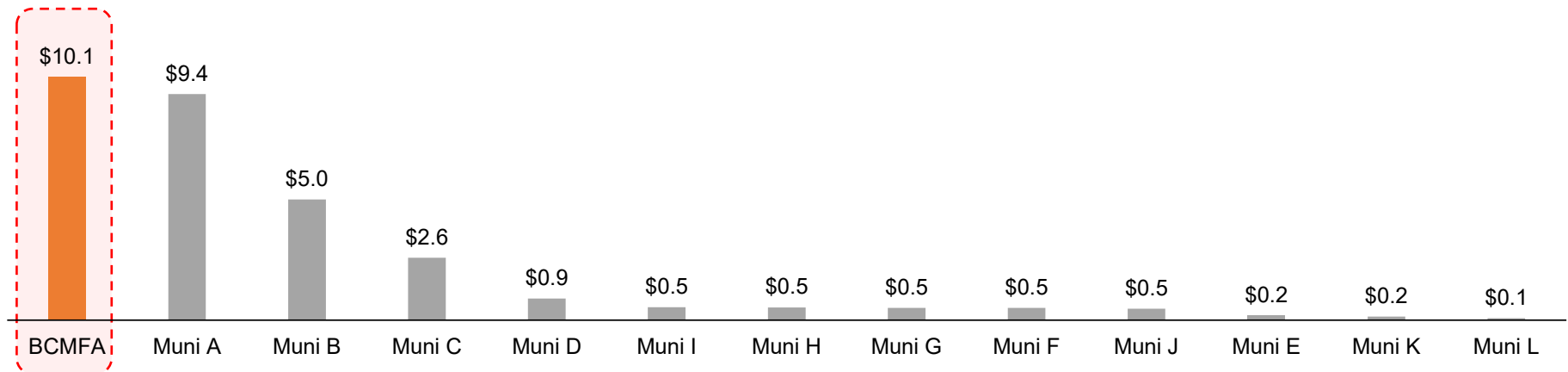
MUNICIPAL BOND SECONDARY TRADING VOLUME



2020 MUNICIPAL SECONDARY TRADING VOLUME (\$ billions)



2019 MUNICIPAL SECONDARY TRADING VOLUME (\$ billions)



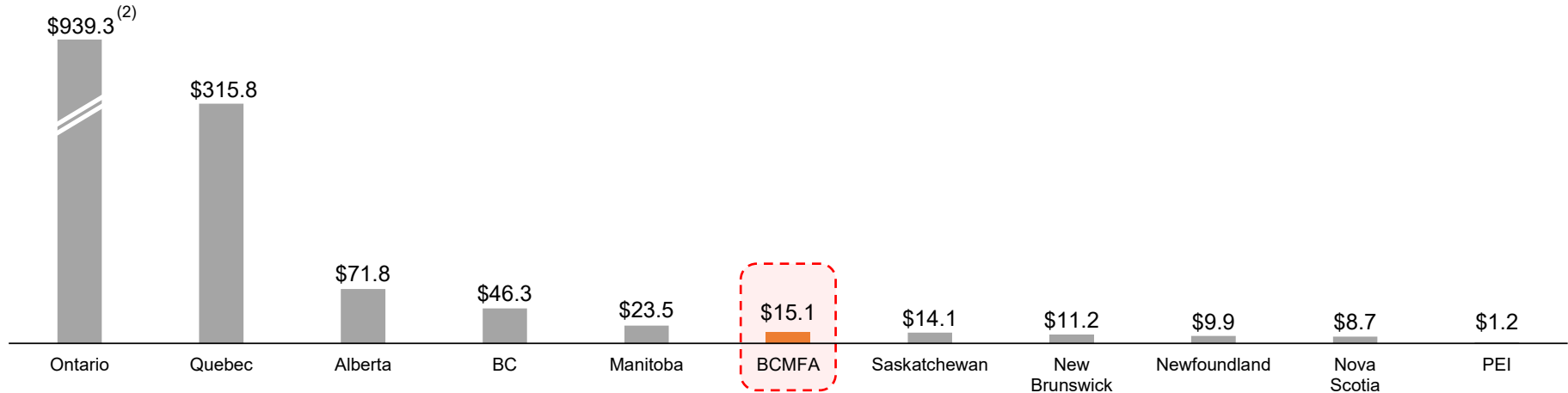
Note: The 12 unnamed municipalities shown above include: First Nations Finance Authority, Halton, Montreal, Ottawa, Peel, Quebec, TransLink, Toronto, Vancouver, Winnipeg, Waterloo and York, with combined trading volume of \$31.1bn in 2019 and \$41.1bn in 2020. Total Canadian municipal trading volume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

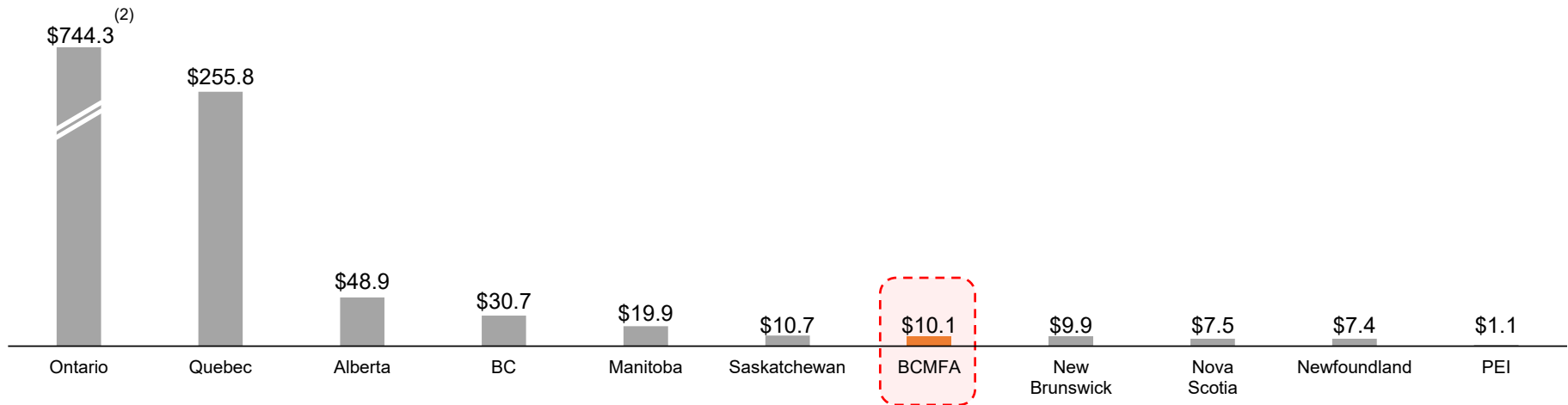
IMPLIED PROVINCIAL BOND SECONDARY TRADING VOLUME



2020 PROVINCIAL SECONDARY TRADING VOLUME (\$ billions)⁽¹⁾



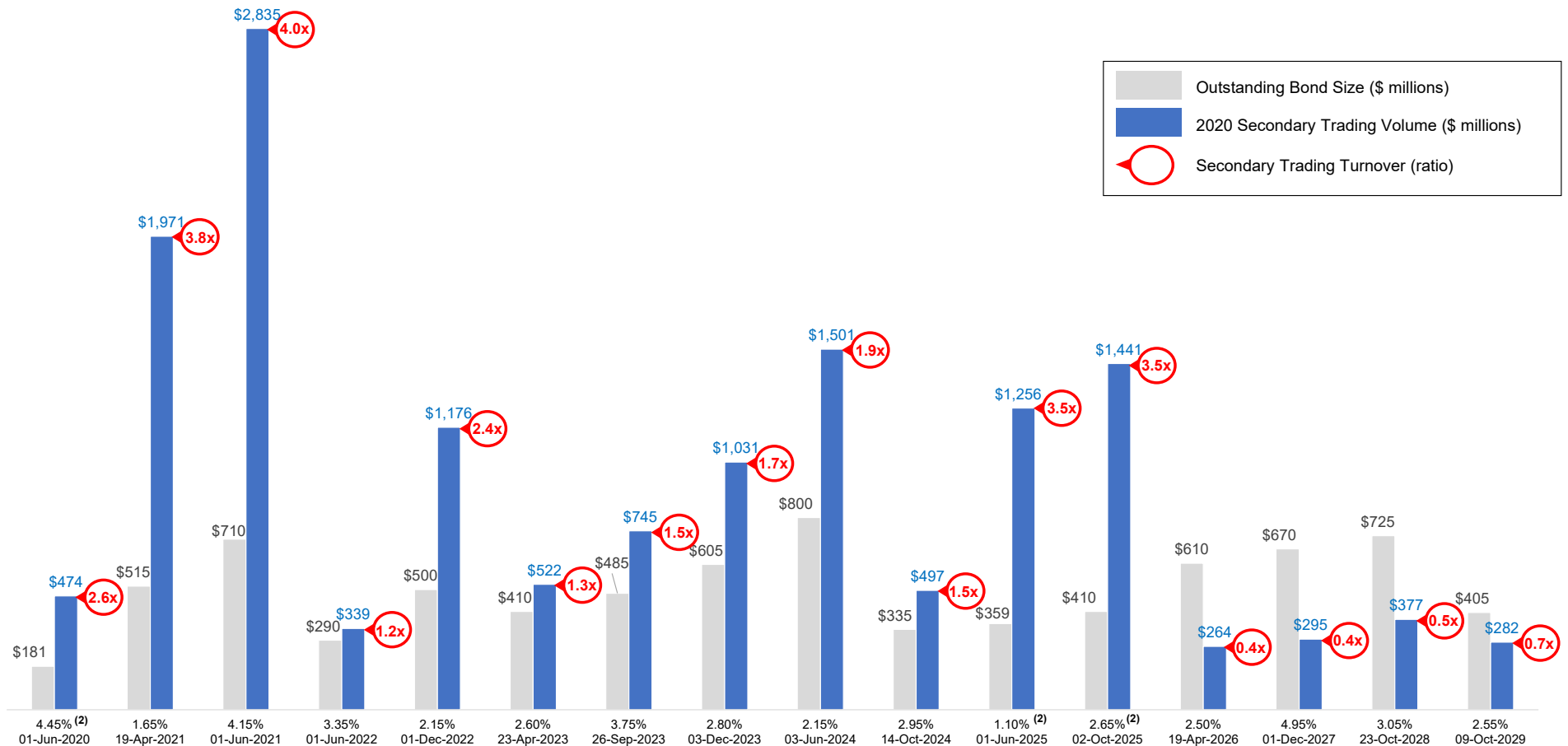
2019 PROVINCIAL SECONDARY TRADING VOLUME (\$ billions)⁽¹⁾



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 ⁽¹⁾



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.

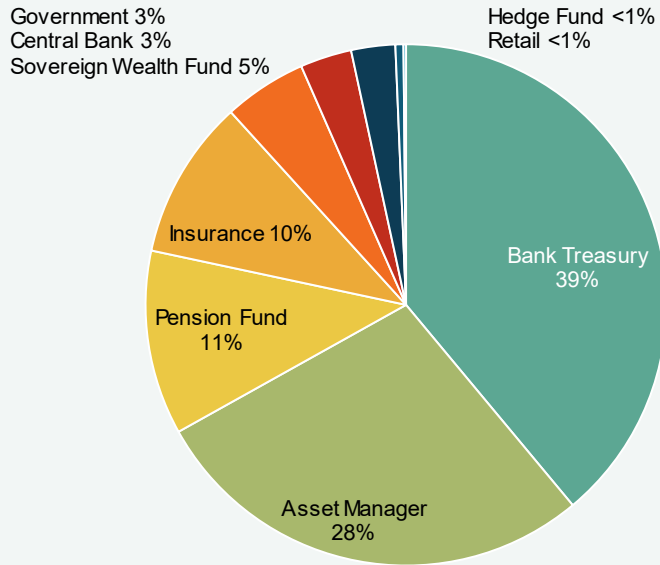
Source: BMO Capital Markets, Scotia Capital, Casgrain Capital Markets, CIBC World Markets, Laurentian Bank Securities, National Bank Financial, RBC Capital Markets, and TD Securities.

MFABC LONG-TERM DEBT DISTRIBUTION

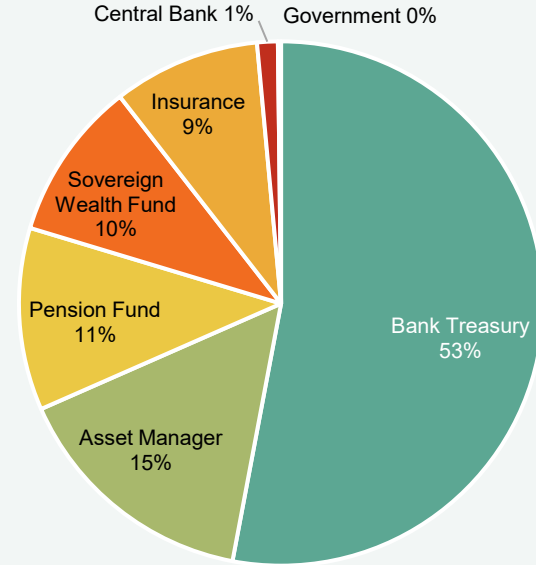


By Investor Type:

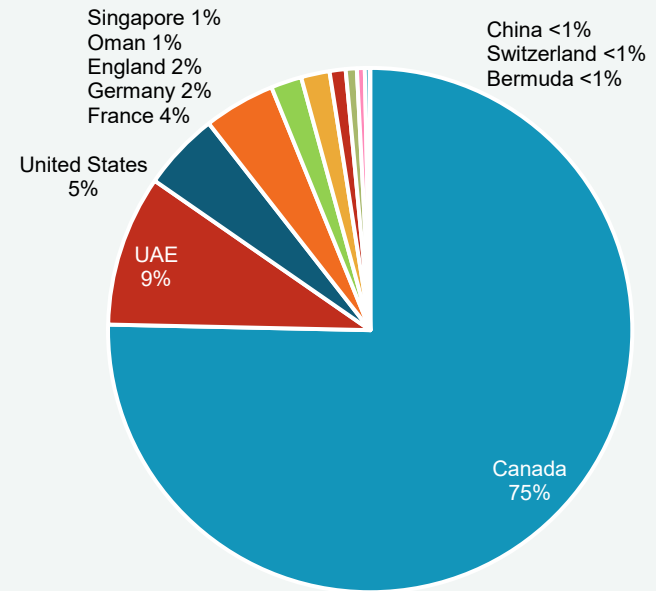
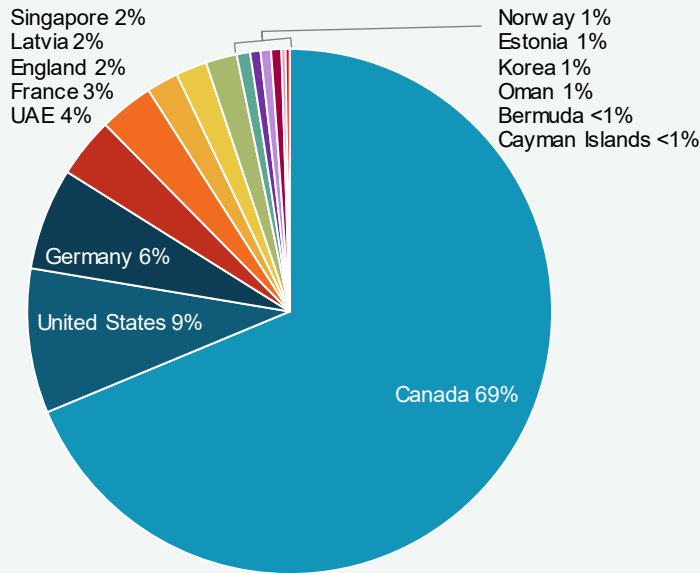
2019



2020



By Geography:



COMMERCIAL PAPER ACTIVITY

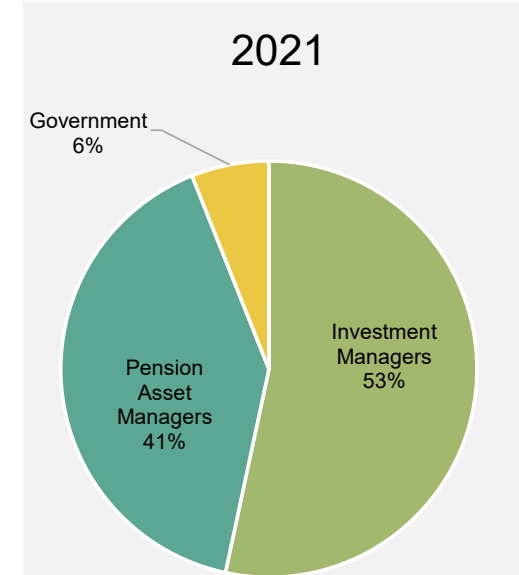
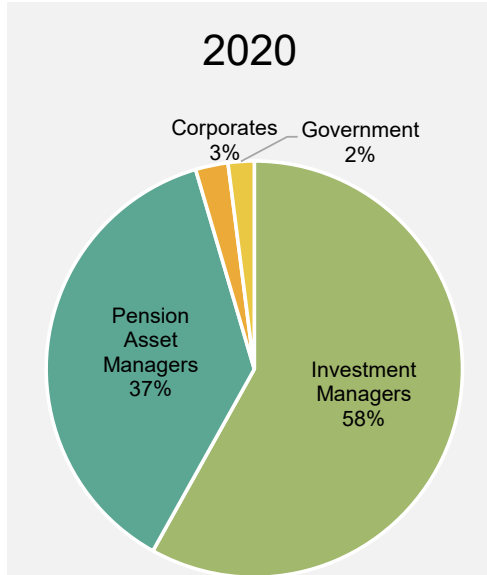
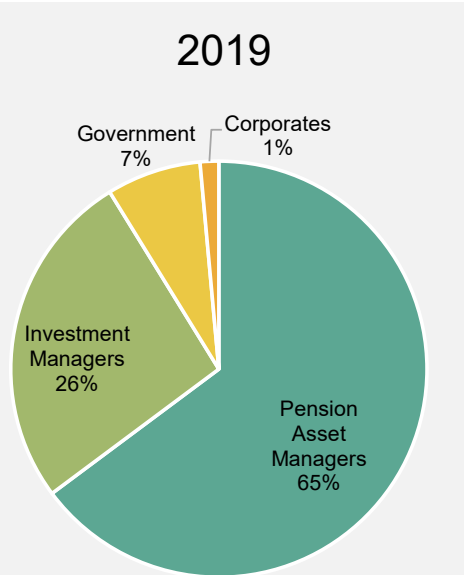


- \$700 million approved program size
- Rated A-1+ / P-1 by S&P/Moody's
- Strong dealer network of 7 banks
- Typically priced around 4 to 6 basis points back of provincial issuance levels
- Issued every Wednesday in 1-month and 3-month terms

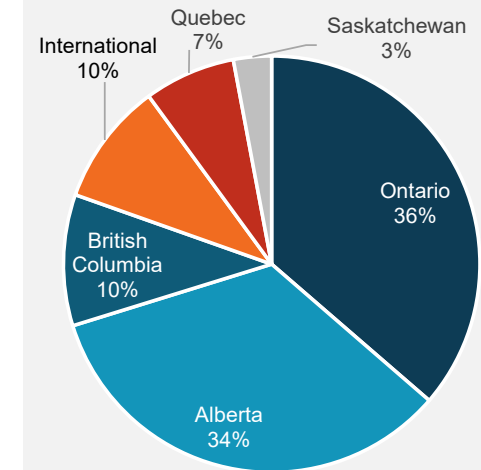
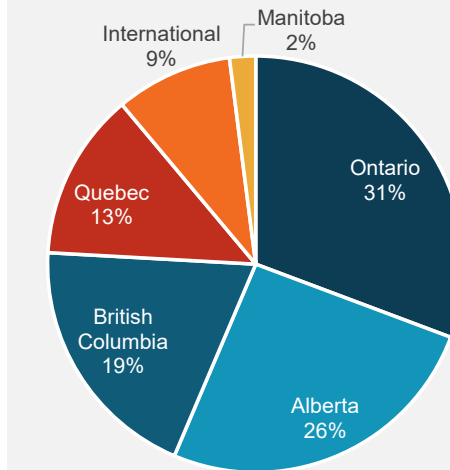
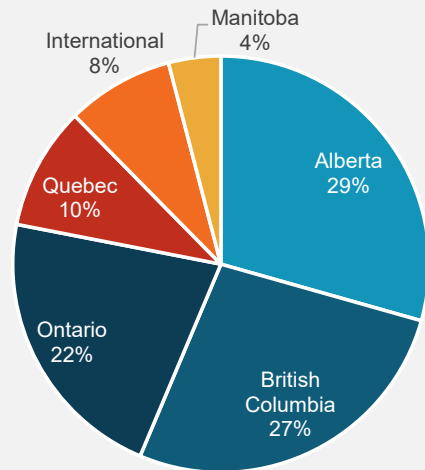
COMMERCIAL PAPER DISTRIBUTION



By Investor Type:

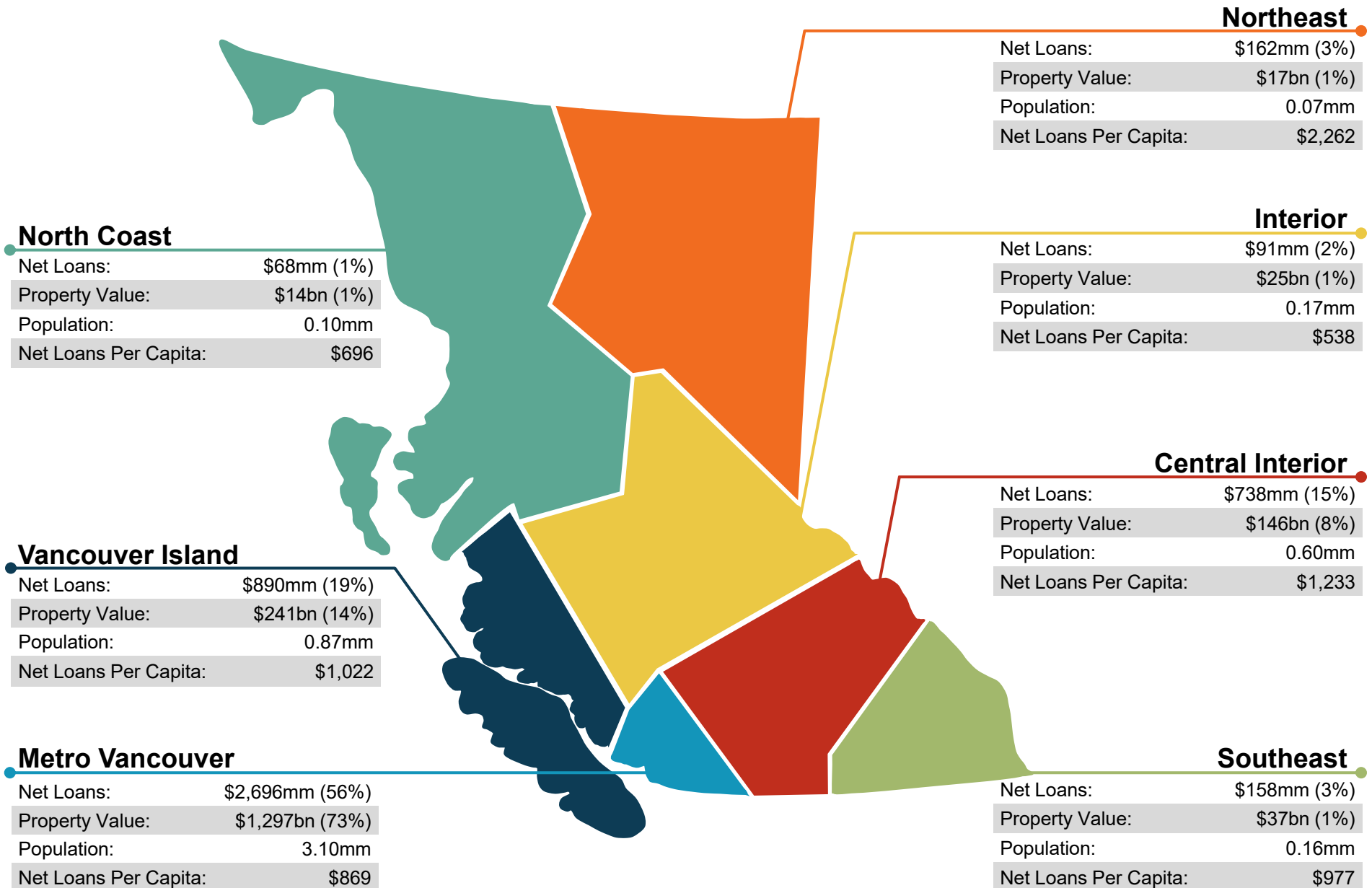


By Geography:



Note: All figures shown as at February 28

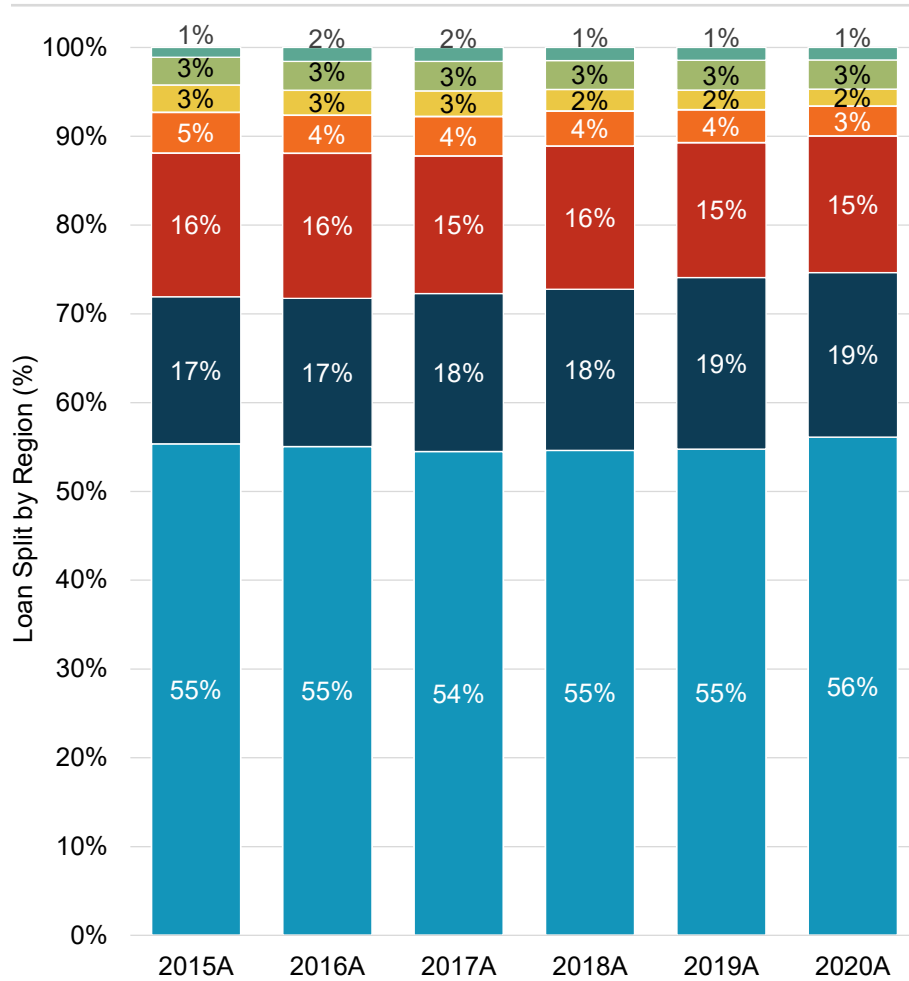
LONG-TERM LOAN PORTFOLIO DIVERSIFICATION



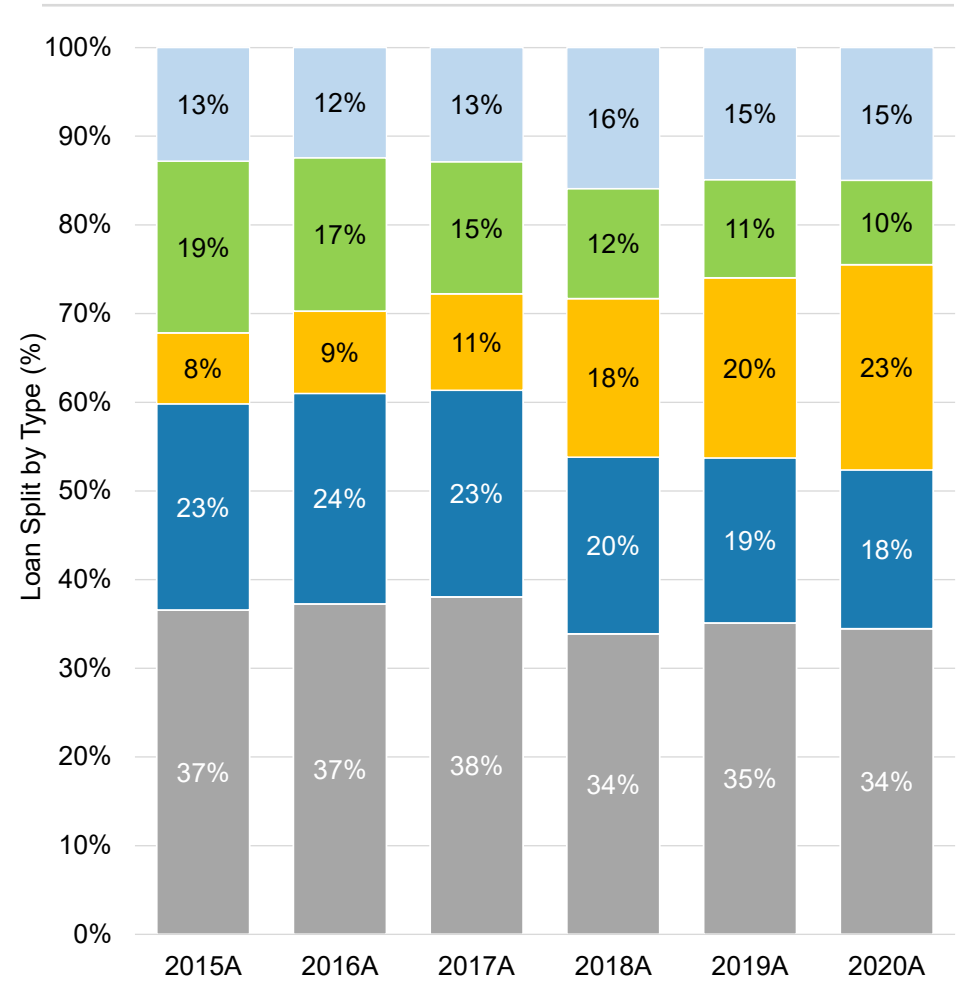
LONG-TERM LOAN PORTFOLIO COMPOSITION



LOAN SPLIT BY REGION



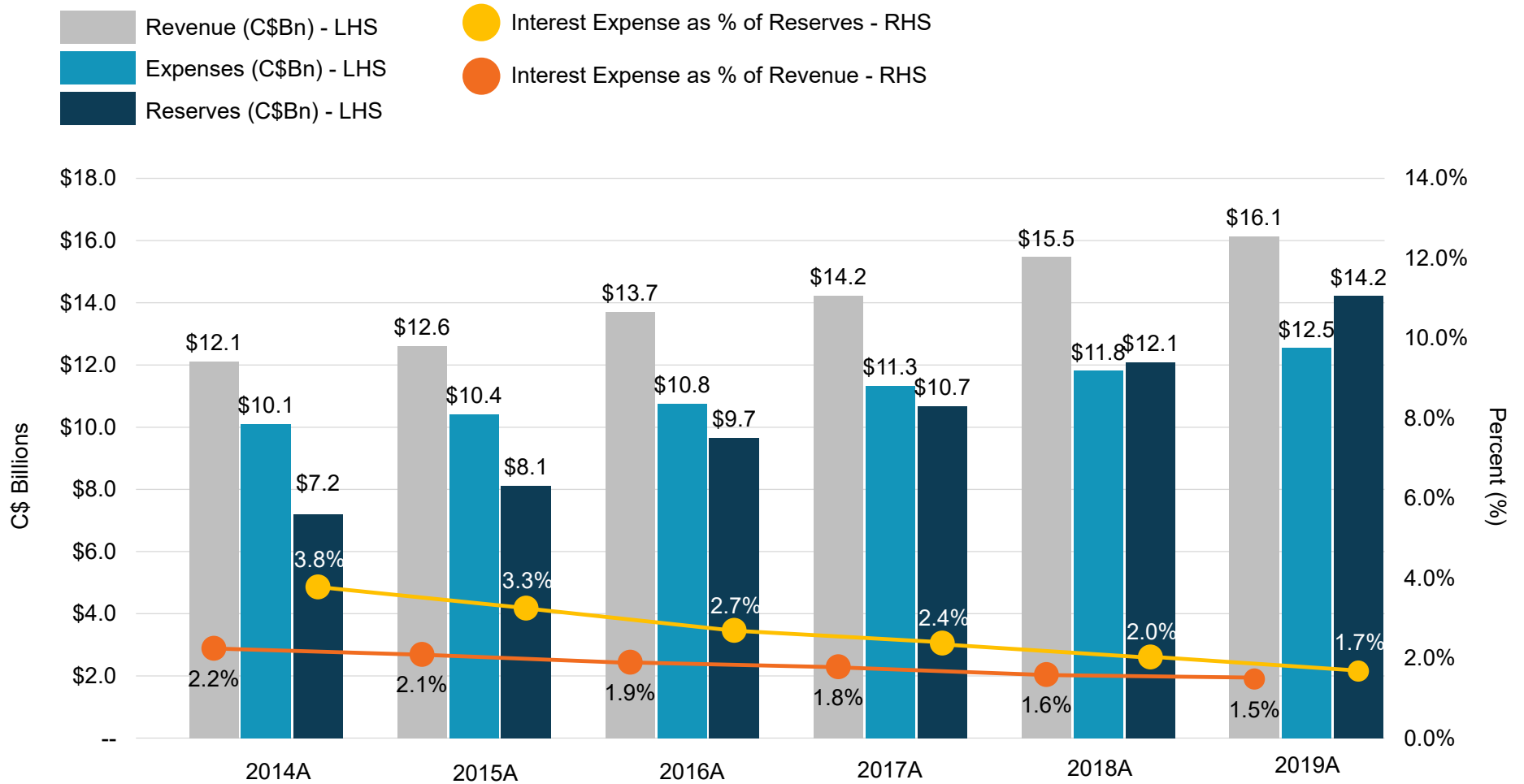
LOAN SPLIT BY BORROWING TYPE



- 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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