



MFAABC

Municipal Finance Authority of BC

MFA 101

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1. Brief Background

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The Municipal Finance Authority of British Columbia (MFA) was created in 1970

The MFA uses a collective structure to pool the borrowing and investment needs of BC's communities

The bargaining power of the collective structure allows the MFA to provide a range of low cost and flexible services to its clients – regardless of community size



Our Mission is to Provide Clients with:

- Access to stable and low cost borrowing
- Competitive investment alternatives
- High quality financial education

2018 Key Initiatives:

- Greater connectivity and communication with related agencies and clients
- Onboarding new Director of Finance, adding new roles, restructuring existing roles for improved functionality & effectiveness
- Incorporation of digital solutions, both internal and external facing
- Cybersecurity and business continuity planning and preparedness
- Increase in oversight of broker-dealer relationships
- Expansion of education support

2019 Priorities:

- Complete cybersecurity & business continuity plan projects
- Finalize new website
- Cultivate a formal communication plan
- Expand our portfolio of investment products for clients
- Enhance & upgrade internal processes and reporting for efficiency
- Develop a robust service provider review process

Members:

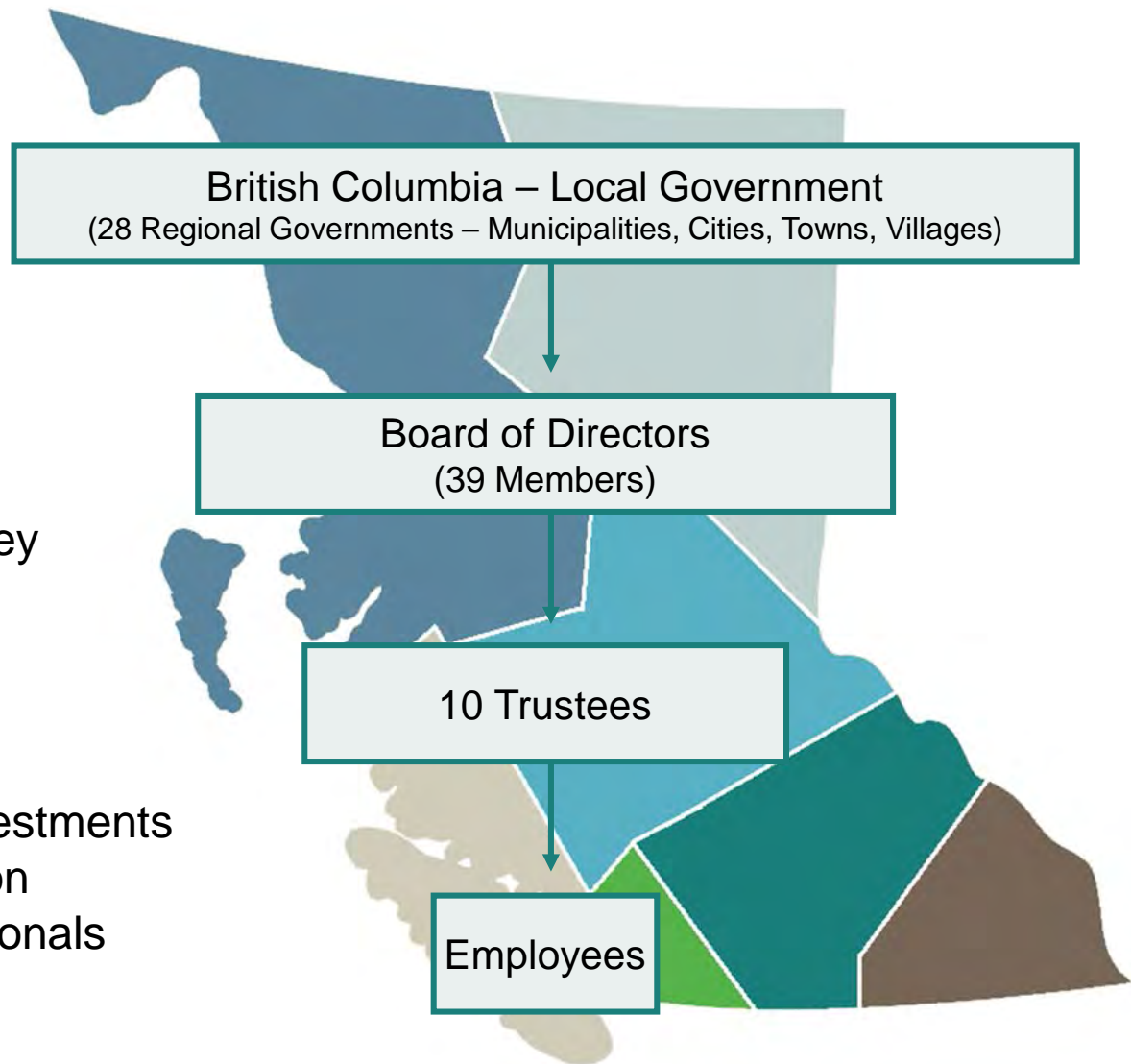
- Review Loans
- Elect Trustees

Trustees:

- Authorize Debentures
- Set Strategic Direction & Key Policy
- Appoint Auditors

Employees:

- Manage Loans, Debt & Investments
- Balance Sheet of \$8.1 Billion
- Complement of 14 Professionals



MOODY'S
INVESTORS SERVICE

Fitch Ratings

S&P Global
Ratings



MFABC
Municipal Finance Authority of BC



"MFABC receives the highest credit rating achievable from the major rating firms."

Taxation Authority 

Retained Capital & Debt Reserve Fund 

Joint Liability Protections




Sinking Fund Methodology


Municipal Balanced Budgets 

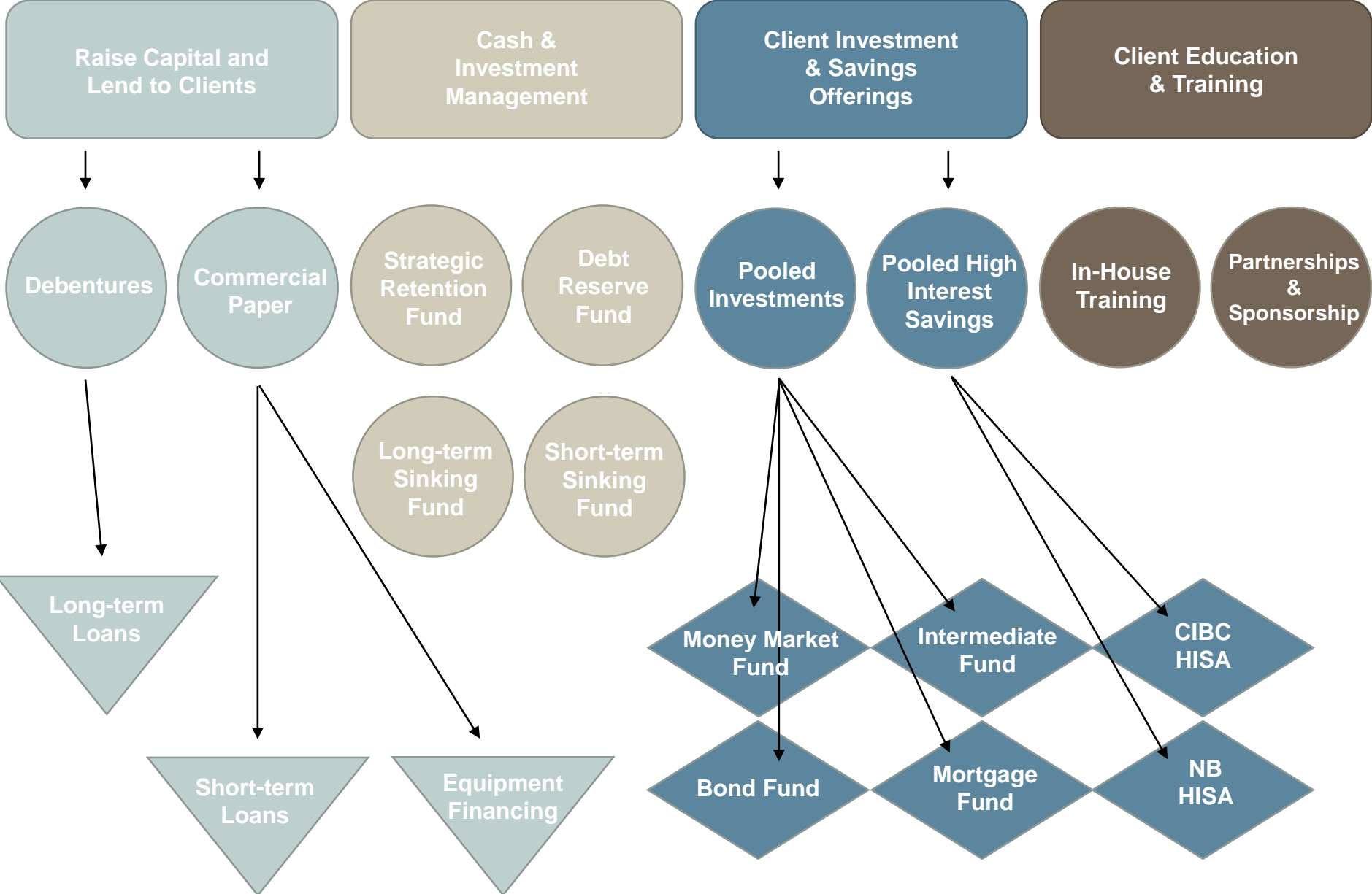
- MFA provides quick and easy access to funding to help build your community – at tremendous cost savings.

	MFA	AAA Municipality
Annual Borrowing Amount	\$1,500,000,000	\$25,000,000
Interest rate (bond coupon)	3.00%	3.15%
Annual Interest Cost per \$25mm	\$750,000	\$787,500
Annualized Fees*	\$12,750	\$75,000
Annual Cost per \$25mm Borrowed	\$762,750	\$862,500

* Underwriting, legal, rating agency and other fees

Centralized borrowing via MFA achieves close to \$100,000 in ANNUAL savings to borrow \$25 million, about 12% cheaper!

OPERATIONS & PRODUCT OFFERINGS



Section 9 of the *Municipal Finance Authority Act*

- Review requests for financing
- Consider market and economic conditions
- Authorize issue and sale of securities to fund requests
 - Completed through 'Authority Borrowing Resolution'

Section 10 of the *Municipal Finance Authority Act*

Trustees set the parameters for the securities to be issued and delegate staff to issue the debt

This process is completed through the 'Trustee Borrowing Resolution'

What reviews or approvals do long-term borrowing requests require before being funded by the MFA?

Local Government



Adopted
LA Bylaw



Cert. of
Approval

Ministry



Servicing
Limit



Statutory
Approval



Cert. of
Approval

Electors



Approval

Regional Districts



Adopted
SI Bylaw



Cert. of
Approval



Staff Review



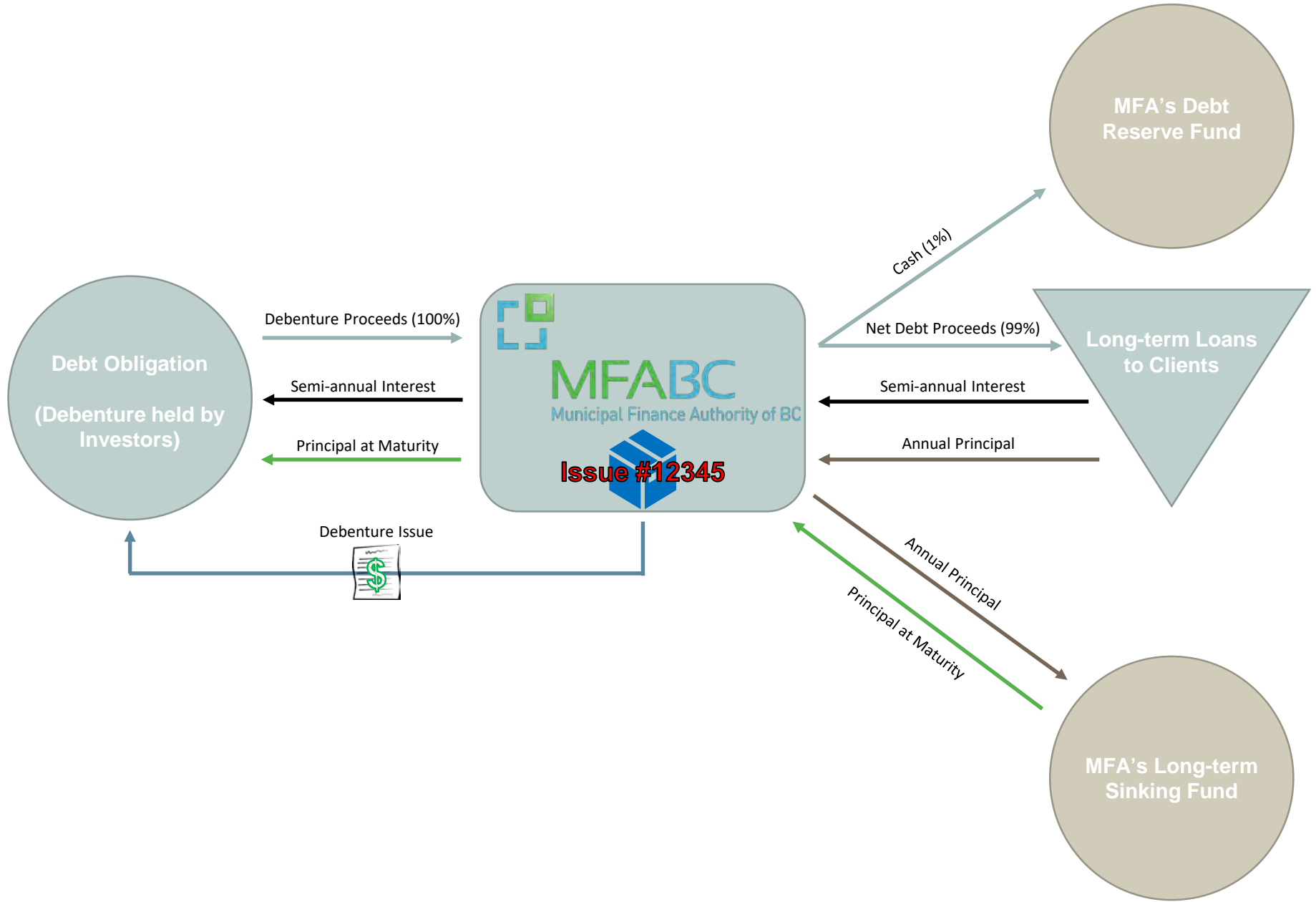
Trustee Review



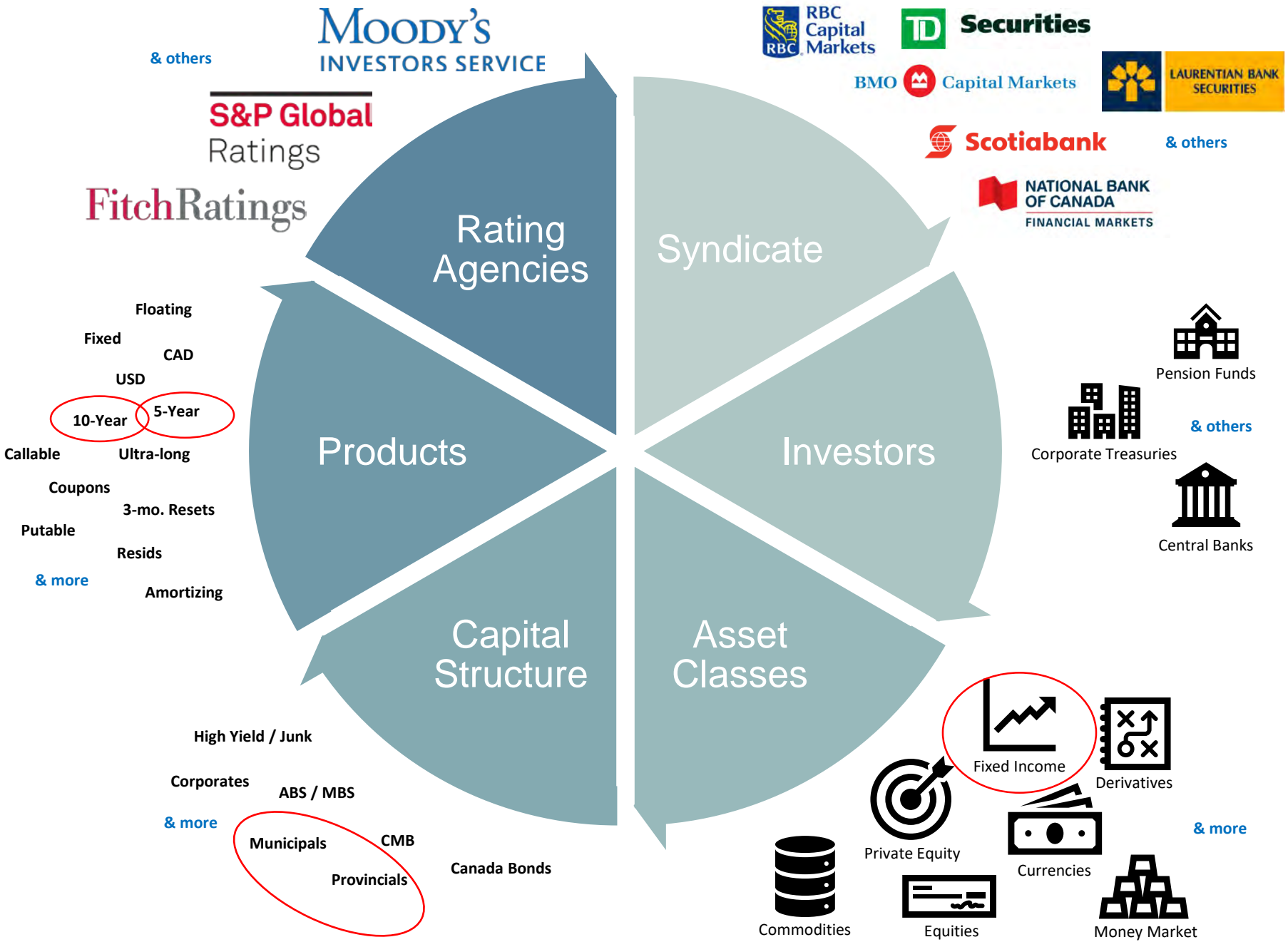
Authorization to Issue
Debenture



Approximate Timeframe, 6 months



KEY COMPONENTS OF THE MARKET



MUNICIPAL FINANCE AUTHORITY**Consolidated Statement of Financial Position****DECEMBER 31, 2018**

MILLIONS OF DOLLARS

	2018
ASSETS	
Cash and cash equivalents	\$ 592
Investments	3,600
Short-term loans to clients	258
Long-term loans to clients	4,715
Other	79
Total Assets	\$ 9,244
LIABILITIES	
Bank and short-term indebtedness	\$ 674
Due to clients	107
Other	36
Long-term debt	8,136
Total Liabilities	8,954
EQUITY	
Accumulated and other comprehensive income	\$ 242
Retained earnings	48
Total Equity	290
Total Liabilities and Net Assets	\$ 9,244

Strategic Retention Fund, Debt Reserve Fund, ST Fund & LT Sinking Fund

Short-term, Equipment Financing & Long-term Loans

Debt: Commercial Paper & Debentures

Fair Market Value Fluctuations on Investment Holdings

MUNICIPAL FINANCE AUTHORITY	
Consolidated Statement of Comprehensive Income	
FOR THE YEARS ENDED DECEMBER 31	
MILLIONS OF DOLLARS	
	2018
REVENUE	
Interest from loans to clients	\$ 253
Investment income	140
Other	24
Total Revenue	\$ 417
EXPENSE	
Interest on long-term debt	\$ 264
Interest on bank and short-term indebtedness	10
Other	4
Total Expenditure	\$ 278
Profit for year	\$ 139
Other Comprehensive Income for the year	
Financial instruments at FVOCI:	
Net change in fair value	(63)
Reclassified to profit or loss	(11)
Net remeasurement in loss allowance	(0)
Other Comprehensive Income for the year	(74)
Total Comprehensive (Loss) Income for the year, end of the year	\$ 65

Interest Paid on Loans by Clients

Interest Earned on Investment Holdings

Interest Paid on Debt

Fair Market Value Fluctuations on Investment Holdings

Members' responsibilities:

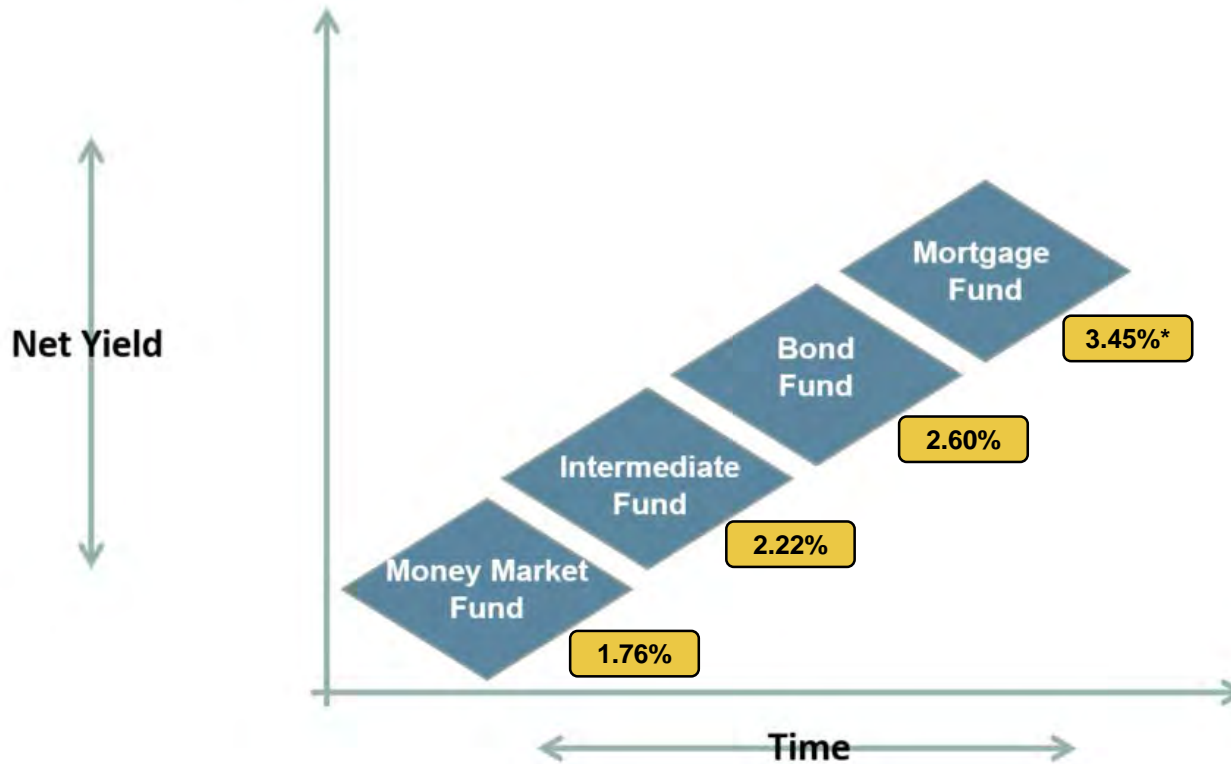
Section 16(5) – *Municipal Finance Authority Act:*

At the first meeting of the authority in each year, the trustees must present a report respecting the previous year to the authority, stating all of the following:

- (a) the pooled investment funds established;
- (b) the public institutions investing in each fund;
- (c) the volume of investments made in respect of each fund

Trustees' responsibilities:

As the Investment Advisory Committee, Trustees work with staff and PH&N to monitor performance of the funds, vet and approve recommendations for changes, and approve new funds



	Money Market Fund	Intermediate Fund	Bond Fund	Mortgage Fund
Benchmark	30-Day T-Bills	1-Year T-Bills	FTSE TMX CAD ST Bond Index	FTSE TMX CAD ST Bond Index
Guidelines	<ul style="list-style-type: none"> High Quality Max. 366-Day Maturity 	<ul style="list-style-type: none"> High Quality Max. 2-Year Maturity 	<ul style="list-style-type: none"> High Quality Max. 7.25-Year Maturity 	<ul style="list-style-type: none"> CAD Income Producing Properties Max. 11-Year Maturity
Investment Horizon	0-9 months	9-24 months	2-5+ years	5+ years

*Yields presented annualized as at Feb.28/19; Mortgage Fund's Yield is an estimate only

- A combination of competitive pressures from bank GICs and Client demand for greater alternatives spurred the creation of the Mortgage Fund
- Invests in first mortgages on Canadian income-producing commercial and multi-residential properties in core markets
- Provides a new strategy to diversify local governments portfolios
- Hybrid product that combines a ‘traditional’ mortgage fund and a short-term bond fund
- Hybrid construct provides greater liquidity and safety to make the fund appropriate for many local government customers
- However, the Fund is less liquid than other MFA Pooled Funds calling for a longer holding period



Mortgage
Fund

Client Education and Training:

- Local Government Management Training
 - Debt Financing
 - Fiscal Health
 - Investments
- Local Government Elected Official Training
 - Newly Elected Seminar
 - Economic Data and Updates
 - Customized Council/Board Presentations

MFA is a Major Sponsor of:



We'd be pleased to answer your questions

