



**Municipal Finance
Authority of BC**

MFA Update

Peter Urbanc, CEO

July 2, 2025

**Presentation to the
CRD Finance Committee**

Your Partner in Finance

mfa.bc.ca



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- What is the Municipal Finance Authority of British Columbia (MFA)?
- What does the MFA do?
- What has the MFA accomplished for local governments in BC?



What is the MFA?

What is the MFA of BC and why were we created?



Established: 1970

Purpose: Provide financing, investment, and other treasury related services & support to local governments in BC

Created by: Provincial legislation (Municipal Finance Authority Act)

Headquarters: Saanich, British Columbia

MFA serves:

- Regional districts
- Municipalities
- School districts (indirectly via regional districts)
- Other public sector entities (e.g., health authorities, CREST)

Why?: Pooling the combined financial strength of the local government system leads to better products, lower costs and more reliable access to borrowing and investment options

55 Years of Excellence



1970s

MFA Act Passed in the BC Legislature



MFA issues its 1st Canadian Dollar denominated Euro-bond
MFA offers long-term lending to B.C. local governments

1980s

MFA grew from 1 to 3 full-time staff

Moody's Investors Service assigned AAA rating to MFABC



MFA adds short-term lending and pooled investment funds
(Short Term Bond Fund and Money Market Fund)

1990s

MFA no longer relies on Tax Levy for operations as income
from pooled investment funds and short term lending
increases

Dividend distributed to Members began to exceed Tax Levy
collected

MFA adds a new Pooled Fund (Intermediate Fund), now
known as the Government Focused Ultra-Short Bond Fund

MFA adds a pooled leasing program - Equipment Financing

MFA Education Fund started

MFA has 6 full-time staff

Pooled Investment Funds reach \$1 billion

Great Vancouver Sewerage and Drainage and Water
Districts, E-Comm, Regional Hospital Districts, and
GVTA/Translink become eligible to borrow

2000s

MFA launches the Commercial Paper Program to fund short term
lending



CREST becomes eligible to borrow
MFA has 9 full-time staff

2010s

MFA offers Pooled High-Interest Saving Accounts program

MFA adds the Pooled Mortgage Fund

Outstanding long-term loans of \$4.7billion and outstanding Short-
term and Equipment Financing Loans of \$222 million by year-end
2019

Pooled Funds* reach \$3.2 billion

MFA grows to 13 full-time staff

**2020 to
2024**

MFA adds Fossil Fuel Free Bond Fund, Diversified Multi-Asset Class
Fund, and Fossil Fuel Free Diversified Multi-Asset Class Fund

Outstanding long-term loans of \$5.4billion and Short-term and
Equipment Financing Loans of \$508 million by year-end 2024

Pooled Funds* reach \$6.4 billion

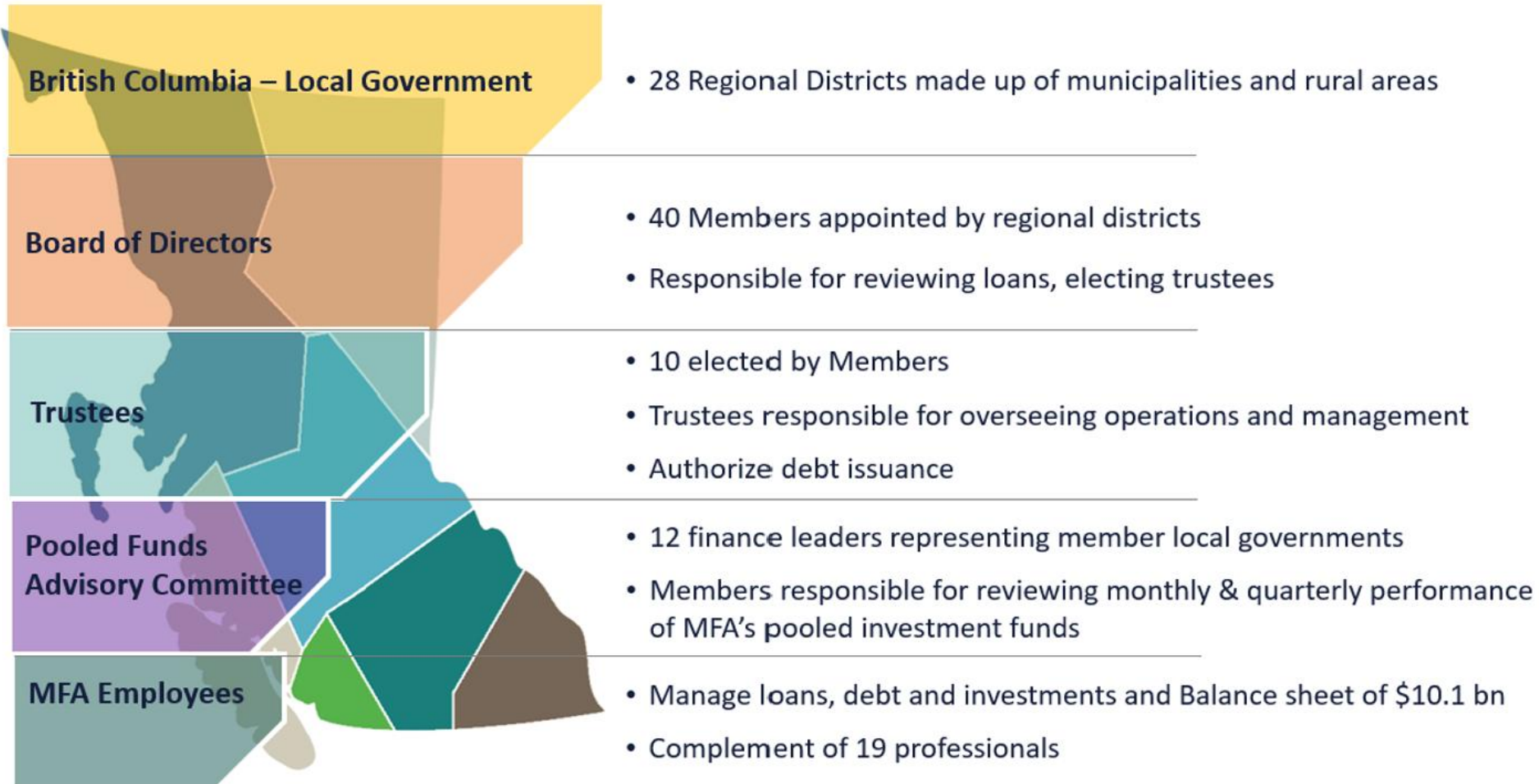
MFA staff complement reaches 19

**2025
(YTD)**

MFA adds Pooled High-Interest Notice Accounts program

MFA has maintained its AAA credit ratings

*Include both Pooled Investment Funds and Pooled High-Interest Savings and Notice Accounts program





**Peter Urbanc,
Chief Executive Officer**



**Matt O'Rae,
Chief Financial Officer**



**Betsy Yeung,
Chief Services Officer**



**Allison Ashcroft,
Director of Sustainability**



**Renata Hale,
Director of Technology & Strategy**



What does the MFA do?



We aim to offer municipalities the most **cost-effective, transparent, and relevant products** while continuously evolving and improving our operations with a focus on reducing risks, enhancing our stability, and better serving our clients.

Financing

- Long-term
- Short-term
 - Temporary borrowing
 - Short-term Capital
 - Revenue Anticipation
- Equipment Financing

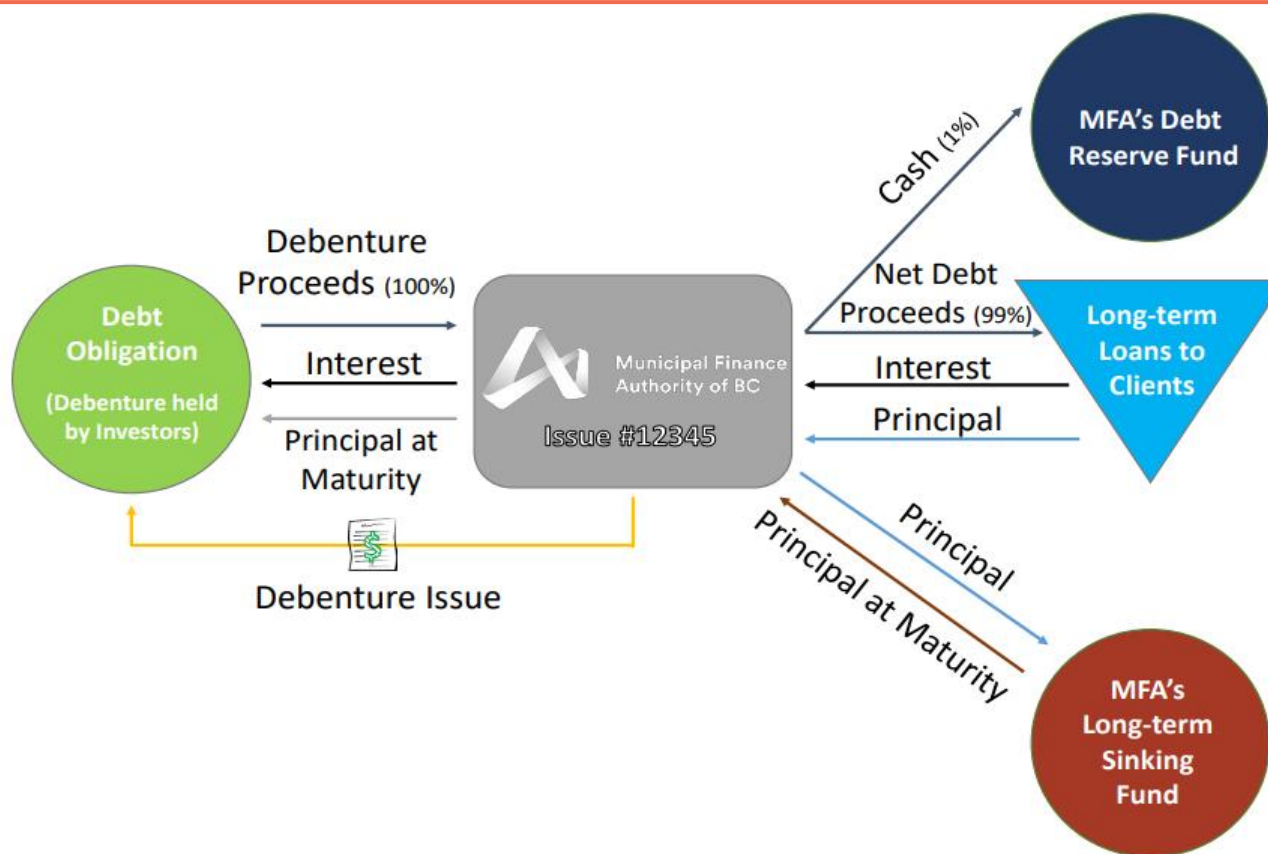
Investing

- Fixed Income
- High Interest Savings Accounts
- Investment Policy assistance
- Portfolio guidance
- New asset classes, including equities and alternative assets

Education

- Financial Education & Training
- Sponsorship & Support of the BC Local Government Community

Long-Term Financing and On-Lending Explained



Taxation Authority

- Taxable land and improvements to restore Debt Reserve Fund (DRF)
- Senior-level government approval not required
 - Property values assessed at \$2.5 trillion
 - Never been used for the DRF, tested every year via operational levy

Joint Liability

- Borrowers' long-term debt with MFA is a Regional District liability
- Borrowers guarantee each other's debt in event of default
 - Joint and several guarantees never been applied



Short-Term (under 1 year to under 2.5 years)

 Pooled High-Interest Savings Accounts

Money Market Fund

  Government Focused Ultra-Short Bond Fund

Medium-Term (2.5 years to under 10 years)

 Short-term Bond Fund

  Fossil Fuel Free Short-term Bond Fund

  Pooled Mortgage Fund

Long-Term (10 years+)

  Diversified Multi-Asset Class Fund

  Fossil Fuel Free Diversified Multi-Asset Class Fund



refers to **Fossil Fuel Free** defined here as (1) Funds which exclude investments issued by companies directly involved in extracting, processing, or transporting coal, oil or natural gas; and (2) Savings Accounts offered by financial institutions.



refers to Funds managed by signatories to the UN Principles of Responsible Investment. “Carbon Light” refers to strategies that minimize a portfolio’s carbon impact, including up to ~40% FFF.



**What has the MFA accomplished for
BC local governments?**



- Pooled approach has allowed BC's LGs to access borrowing efficiently through large bond issues by a AAA-rated MFA sold to global investors:
 - We benefit from the lowest borrowing rate compared to other LGs
 - We also have negotiated the lowest placement fees for our bonds
 - We can amortize high fixed issuance costs (legal, rating agency fees, investor relations, etc) over large borrowing program of \$1.5 billion
 - We have supported hundreds of infrastructure projects across B.C.
- Recently, MFA has maintained its AAA credit ratings - even as many government issuers have come under fiscal and ratings pressure
 - Lowest borrowing cost from amongst all Canadian local governments has been maintained
 - We have lower borrowing cost than some smaller provinces (PEI, NF&L)
- Anticipated long-term borrowing for 2025: \$1.8 billion
- We have been preparing our operational footprint diligently to accommodate expectations of increased borrowing needs in the next decade



MFA provides stable and reliable access to funding to help build communities – offering tremendous cost and time savings for local governments.

	MFABC	AAA Municipality
Annual Borrowing Amount	\$1,500,000,000	\$25,000,000
Interest rate (bond coupon)	4.00%	4.10%
Annual Interest Cost per \$25mm	\$1,000,000	\$1,025,000
Annualized Fees*	\$12,750	\$100,000
Annual Cost per \$25mm Borrowed	\$1,012,750	\$1,125,000

* Underwriting, legal, rating agency and other fees

Centralizing borrowing via MFABC achieves \$112,000 in ANNUAL savings to borrow \$25 million, about 10% in savings!

MFA Pooled Funds – Reduce risks while enhancing returns



as of April 30, 2025

\$4,511,222,412

■ TOTAL PIF

\$6,286,823,813

■ TOTAL PIF & PHISA

190

MFA PIF Clients

Approx
80% of
LGs use
MFA PIFs

Approx 55%
of LGs use
MFA
PHISA/
PHINA

\$1,806
million

MONEY
MARKET

\$419
million

GOV'T FOCUSED
ULTRA-SHORT
BOND FUND

\$890
million

BOND
FUND

\$243
million

FOSSIL FUEL FREE
BOND FUND

\$320
million

MORTGAGE
FUND

\$707
million

DIVERSIFIED
MULTI-ASSET
CLASS FUND

\$125
million

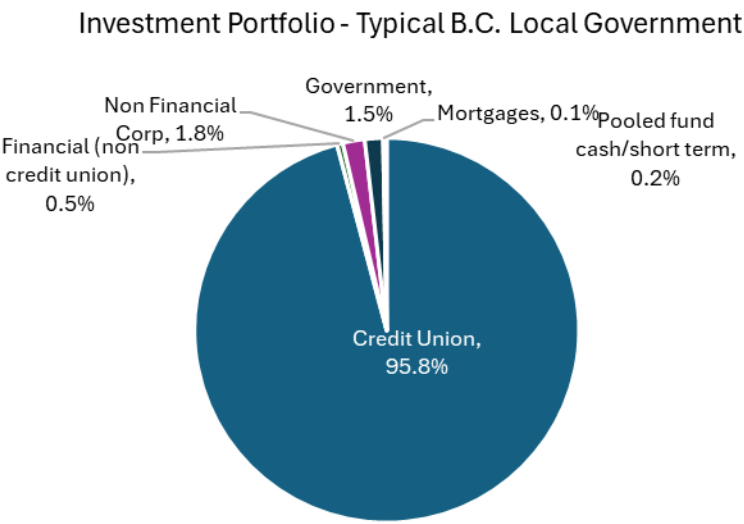
FOSSIL FUEL FREE
DIVERSIFIED
MULTI-ASSET
CLASS FUND

\$1,776
million

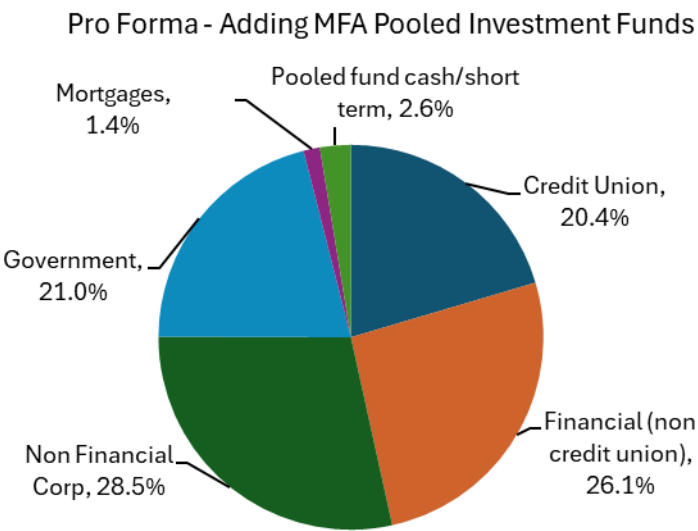
PHISA/PHINA
(Scotia, CIBC, NBC)



Investment portfolio: Undiversified B.C. Local Government



Pro Forma Investment portfolio: Using MFA Pooled Investment Funds





Strong Investment Performance as of April 30, 2025

Total Net of Fees Return	1 Year	3 year	Since Inception
MFA Money Market Fund	4.14%	4.25%	3.62%
MFA Government Focused Ultra-Short Bond Fund	5.38%	4.08%	3.28%
MFA Short-term Bond Fund	7.60%	4.25%	5.31%
MFA FFF Short-term Bond Fund	7.47%	4.11%	2.01%
MFA Mortgage Fund	8.71%	4.91%	2.93%
MFA DMAC Fund	12.14%	8.34%	5.76%
MFA FFF DMAC Fund	13.92%	NA	15.29%

Inception dates: Money Market Fund – May 1, 1989; Government Focused Ultra-Short Bond Fund – May 18, 2020 (previously Intermediate Fund - March 30, 1994); Bond Fund – May 1, 1989, Fossil Fuel Free Bond Fund – May 5, 2020; Mortgage Fund – January 29, 2020; DMAC Fund – January 19, 2022; FFF DMAC Fund – September 22, 2023.

Adding a growth portfolio into a LG's investment can have many benefits



MFA's Diversified Multi Asset Class introduced in 2022 and 2023 funds can significantly enhance a LG's portfolio returns – as long as reserves will not be needed for 10 years or longer.

Asset Class/Strategy	Asset Class/Strategy Characteristics	DMAC Strategy Implement	FFDMAC Strategy Implement
Short & Universe Bonds	<ul style="list-style-type: none"> Key source of stability and modest income Tactical management of multi-sector-credit and illiquidity 	PH&N Short Core Plus Bond Fund	N/A
		N/A	RBC Vision Fossil Fuel Free Short Term Bond Fund
Multi-asset Global Credit	<ul style="list-style-type: none"> Diversified global exposure to investment grade and sub-investment grade credit Not benchmark driven, providing more flexible approach to credit markets 	BlueBay Total Return Credit Fund	N/A
Canadian & Global Equities	<ul style="list-style-type: none"> Actively managed fundamental equities Significant component of portfolio return Large global component reduces exposure to concentrated Canadian markets 	PH&N Canadian Equity Fund	N/A
		RBC Vision Fossil Fuel Free Global Equity LP	RBC Vision Fossil Fuel Free Global Equity LP
Low Volatility Equities	<ul style="list-style-type: none"> Reduce risk embedded in traditional equity allocations <u>Typically</u> resilient in drawdowns but trail in strong up-markets 	RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund	RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund
		RBC Vision QUBE Low Volatility Global Equity Fund	N/A
Emerging Market Equities	<ul style="list-style-type: none"> Exposure to faster growing emerging markets Increases portfolio expected return 	RBC Vision Fossil Fuel Free Emerging Market Equity Fund	RBC Vision Fossil Fuel Free Emerging Market Equity Fund
Alternatives	<ul style="list-style-type: none"> Strong risk-adjusted returns that are less correlated with equities and low volatility 	PH&N High Yield Mortgages	PH&N High Yield Mortgages
		RBC Canadian Core Real Estate Fund	RBC Canadian Core Real Estate Fund
		RBC Global Infrastructure Fund LP	N/A

Education promotes long-term sustainability of our sector

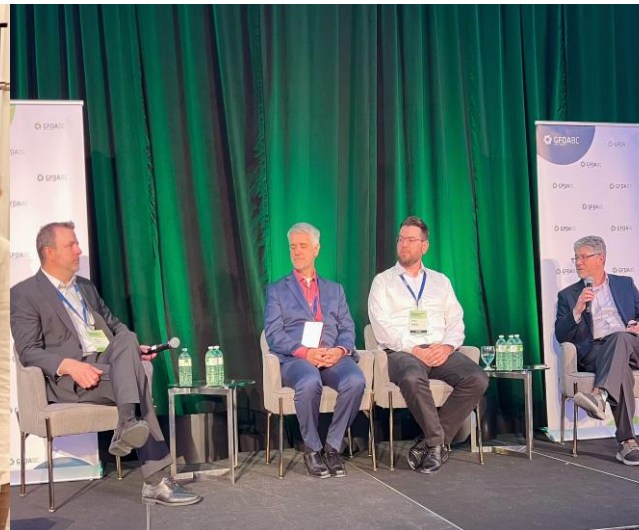


- We provide funding and training on various topics relating to finance and risk management.
- In 2024, we approved a doubling of our annual commitment to our closest LG educational partners via our Sustaining Education Alliance program
- We provide reviews and guidance on investment policies and portfolios.

Funding the Future of BC's Local Governments

OUR SUSTAINING EDUCATION ALLIANCE WITH GFOABC PROVIDES FUNDING FOR:

- Boot Camp
- Regional District Days
- Investment & Finance Webinars
- Strategic Financial Leadership Program
- Competency Framework for Finance Professionals
- Debt Financing course
- Introduction to Financial Indicators course
- Treasury Investment Management course





- The MFA is a critical component of the BC local government sector – think of us as an extension of your Treasury team
- Why MFA Matters
 - The pooled approach improves access to the absolute lowest cost of borrowing and ultra low professional investment management fees
 - Saves LGs significant time, effort and staffing needs
 - Enables reliable and affordable infrastructure financing
 - Promotes financial sustainability for communities
 - Helps ensure consistent standards and creditworthiness across the local government sector
- MFA continues to evolve in response to fast-changing financial market conditions and increasing LG infrastructure and financial needs in BC

“MFABC’s cooperative financing model has showcased BC’s ingenuity and collaborative spirit, empowering our diverse municipalities, districts, and civil institutions to make the most of their distinct resources and meet the unique needs of people across regions. “

*The Honourable John Horgan,
Former Premier of British
Columbia*