



MFABC

Municipal Finance Authority of BC

MAY 8, 2019

Long-Term Borrowing Framework

RD Service Areas

- Established by bylaw
 - Maximum requisition limit
- Separate financial records for each service
- Balanced, annual 5-year financial plan
 - Expenditures must be authorized by plan
 - Must include debt servicing costs as an expense, with off-setting revenue source

Long-Term Borrowing - Approval Process

1. Loan Authorization (LA)
Bylaw –
3rd reading

2. Apply for Statutory
Approval

LA Bylaw - Review Process

- Statutory requirements met (CC/LGA)
- Project included in financial plan
- Contingency costs have been considered
- Funding sources/cost recovery mechanism (property tax, parcel tax, fees and charges, DCC's etc.)
- Background reports/information
- Method of elector approval

LA Bylaw – Review Process

- Impact to average tax payer, as well as impact to other property classes evaluated
- For municipal borrowing: liability servicing limit information reviewed
- For RD borrowing: service requisition limit reviewed

Long-Term Borrowing - Approval Process

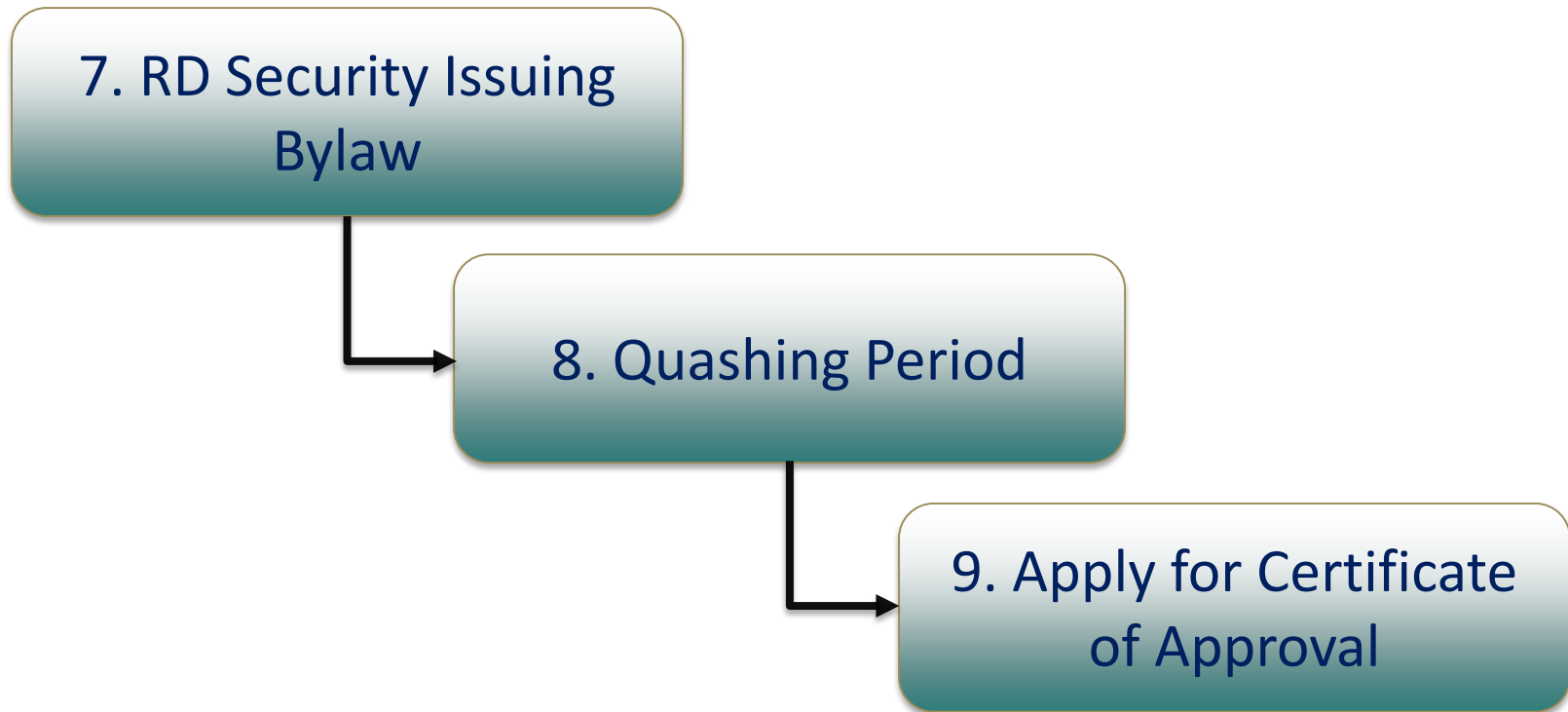
3. Elector Approval
Process

4. Adopt LA Bylaw

5. Quashing Period

6. Apply for
Certificate of
Approval

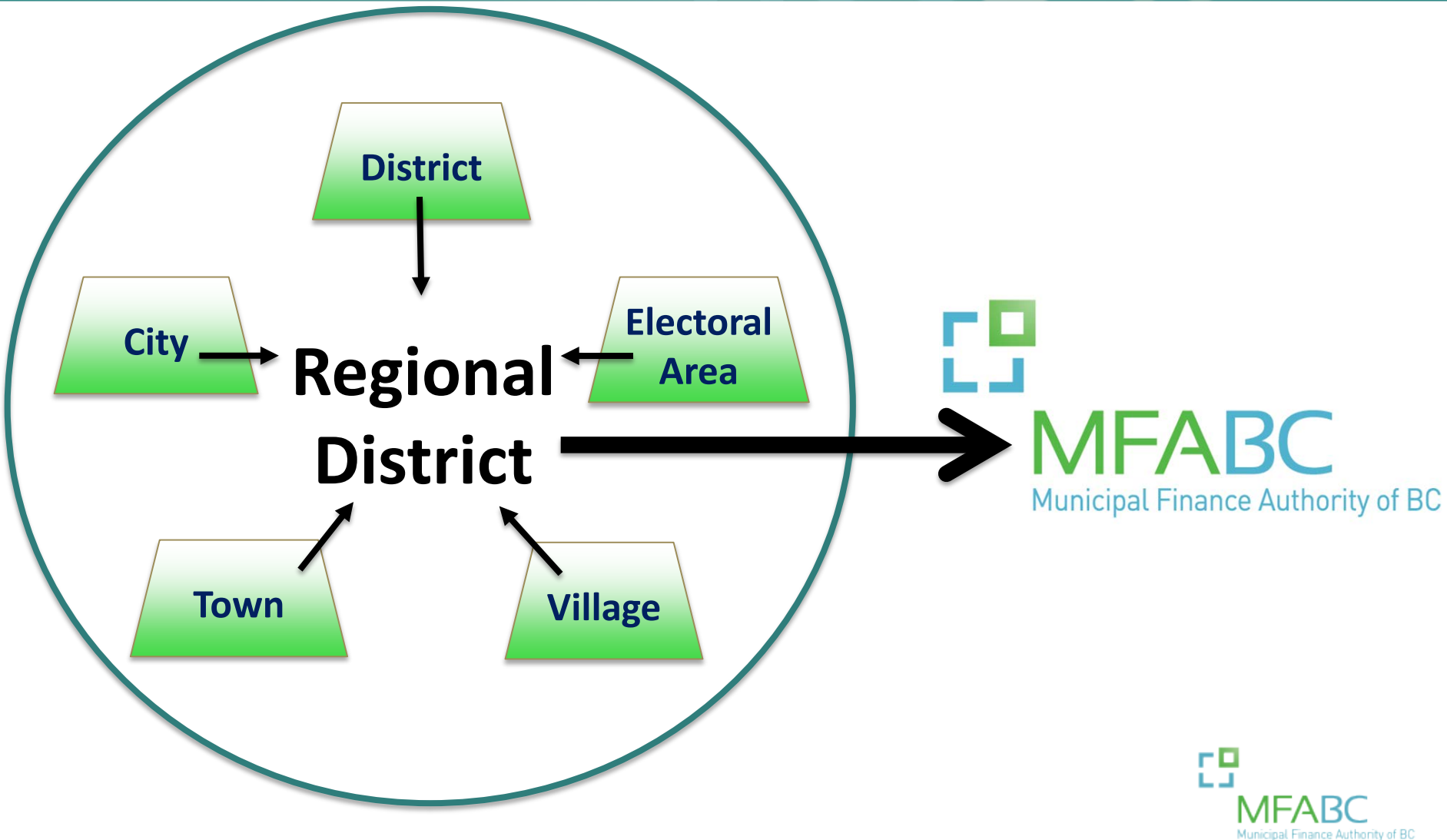
Long-Term Borrowing - Security Issuing Process



Long-Term Borrowing - Approval Process



Joint & Several Liability



Joint & Several Liability

- RD borrows from MFA
- RD on-lends to members
- RD collects payments from members
- MFA collects payments from RD
- If a member has cash flow problem, RD still must pay MFA
- If RD can't pay, then looks to its members
- If not able to cover than use Debt Reserve Fund

Debt Reserve Fund

- MFA retains 1% of all long-term debt proceeds (currently +\$108M)
- Returned to borrower at the end of the loan
- MFA taxation authority on all taxable land and improvements in B.C. to replenish the fund

Summary

- Robust, legislated financial planning, reporting and debt approval process
- Requisition and/or liability limits
- Joint and several liability
- Debt Reserve Fund (+ tax authority)

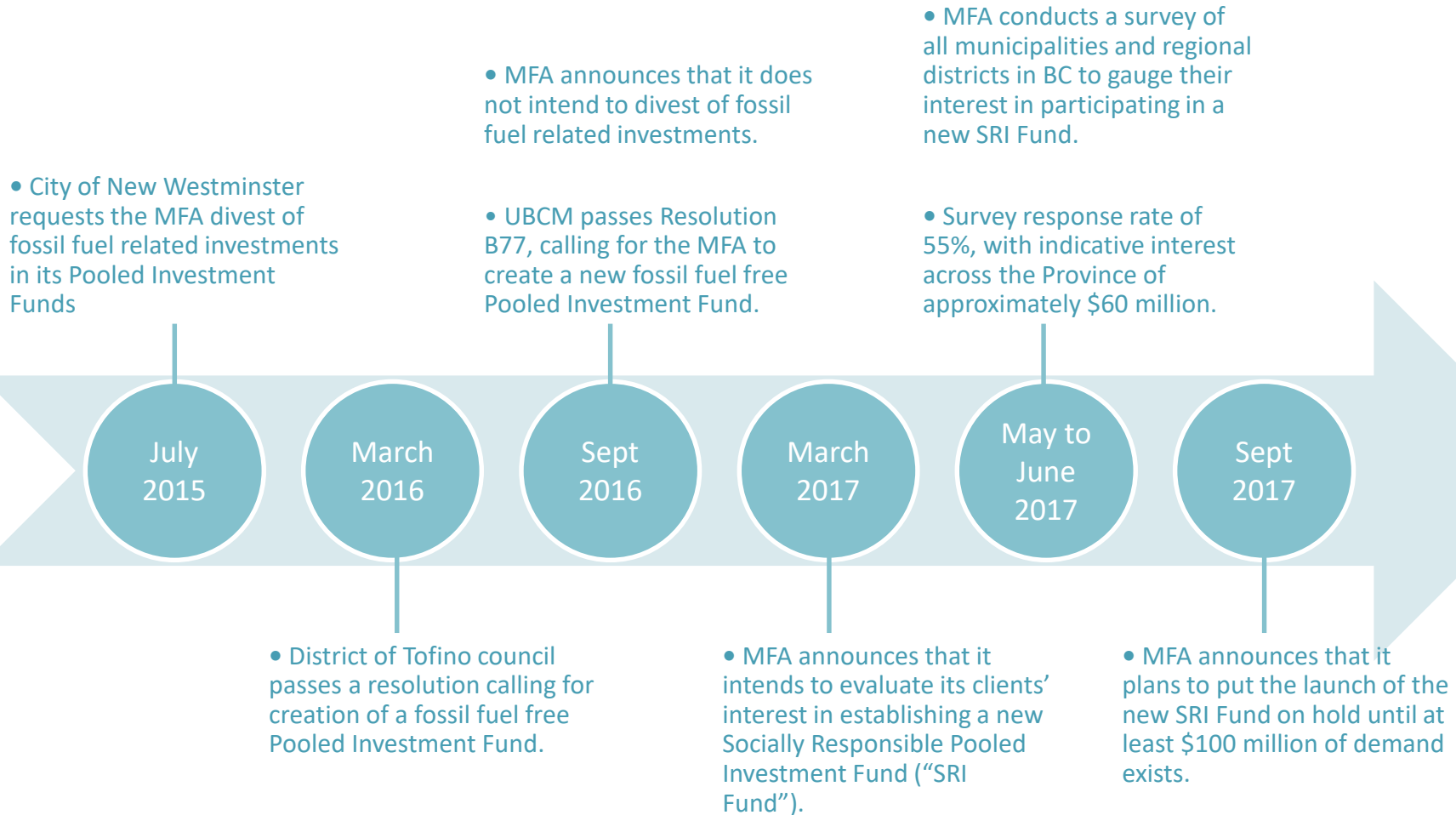


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MFA Pooled Funds Socially Responsible Investing An Update – May 2019

TIMELINE



POTENTIAL NEW MFABC POOLED FUND: SOCIALLY RESPONSIBLE INVESTING FUND

- Over the last several years, many public institutions, including the MFA, have been pressured by certain groups to divest of fossil-fuel related investments.
 - the MFA is opposed to the narrow approach of fossil-fuel divestment, but is supportive of a broader Socially Responsible Investing (SRI) approach.
- From May to June 2017, the MFA surveyed its members to gauge their interest in establishing a new SRI-based pooled investment fund.
 - In order for a new SRI-based fund to be viable, several matters would need to be addressed:
 - a resolution of the investing body (City Council, Regional District, etc.) demonstrating an understanding of the potential increased risk and higher fees;
 - a commitment to invest a minimum amount of capital for a period of no less than three years; and
 - a commitment to participation in the development of SRI-based screening criteria and various policies to set up and administer the proposed fund.

POTENTIAL ESG FACTOR SCREENS



Environment

- Greenhouse gas emissions
- Climate change impacts
- Renewable energy
- Energy efficiency
- Resource depletion
- Chemical pollution
- Waste management



Social

- Fair trade products
- Workplace health and safety
- Labour standards
- Child labour
- Employee relations
- Diversity
- Freedom of association



Governance

- Executive compensation
- Bribery and corruption
- Shareholder rights
- Business ethics
- Board structure
- Risk management

Source: PRI Association



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Green Bond Financing

Green Bonds

Debt financing used by private or government entities for an environmentally friendly project or initiative

Would the MFA ever do a Green Bond?

- could not be done as a regular issue – with economies of scale

What would the process be?

1. Same bylaw approval process as regular borrowing
2. LG would develop Green Bond Framework



3. LG would contract for second party opinion – credibility



4. LG would work with MFA on Offering Circulars



Additional Requirements & Costs

Green Bond Framework - LG or consultant – (~\$20,000)

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of the proceeds
4. Reporting – annual over life of the bond

Contract third party – verification - (~\$15,000)

MFA – additional legal and disclosures – (~\$10,000)

Borrowing \geq \$100 million

Green Bond - Summary

- MFA would issue a Green Bond – appropriate size and capacity
- Local government – additional expenses
- Local government – strict reporting requirements
- MFA additional legal and disclosure requirements
- Would the local government do the “green project” anyway?
- Other less costly ways to draw attention to the project
 - Investor awareness vs. community awareness