

Chairman's Report 1995

*To the members of the
Municipal Finance Authority
of British Columbia.*

*This annual report celebrates
the 25th year of operation of the
Municipal Finance Authority of
British Columbia. Our incorporation
occurred in 1970.*



CUMMING

It is interesting to note that a recent study from 1986 to 1995 indicates that at the municipal and regional level, reserves and accumulated surpluses have steadily increased and currently total in excess of \$3 billion which, as I never tire of repeating, exceeds the expected peak of borrowing. In addition to this strong fiscal position, the Municipal Finance Authority's Debt Reserve Fund totals \$77 million. (Figure 4)

Our investors are also aware of our very strong legislation which allows the trustees to levy a tax across the entire province's municipalities to replenish the Debt Reserve Fund if it is ever drawn down. At this date, 25 years into our operation, the Debt Reserve Fund has never been needed. But certainly, the joint and several nature of the credit, combined with the power to tax is a formidable enhancement to the Authority's credit.

In the spring of 1995, we launched a \$47 million, five-year 8.20% debenture extendible at 8.50% to April 12, 2005. In October we began to monitor the capital markets and immediately after the Quebec referendum launched a \$250 million issue on November 8th. This issue combined requirements of the municipalities and regional districts of B.C. including a U.S. pay rollover,

plus the requirements of the two Utilities of the Lower Mainland. It was the largest issue ever in the Authority's history. It was our first issue on a book-entry basis (no physical bonds), and it was our first issue to include a Canadian dollar fixed rate swap. The size of the issue enabled us to pay lower commissions, equivalent to that paid by provincial borrowers. The issue received an excellent reception from investors and was institutionally placed very quickly. Distribution was widespread with sales in Vancouver, Toronto, New York and London. There was a gratifyingly large amount of secondary trading and spreads continued to narrow on the issue. This was the goal of the Authority because it set

During 1995 we forgave current and future payments of principal and interest on issues 18 and 19 (20-year borrowers), 20 and 21 (25-year borrowers). Debenture issue 28 participants have had their interest rates lowered to 8% for the next five years from the previous rates of 13.80% and 13.82%. As well during 1995 surpluses started to be repaid on issues 17, 18 and 19, and were repaid in full on issue 16.

New economies of scale caused by larger amounts of funding coming from the Utilities over the next five years will have a very beneficial effect on our cost of funds. We also intend to access the Euro bond market in the near future as well as the Canadian domestic market.