MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

CHAIR'S REMARKS
Semi-Annual Meeting of the Members
Fairmont Waterfront Hotel, Malaspina Room
September 29th, 2009, 4:30 p.m.

GOVERNANCE

Representation from every community in British Columbia through our 38 Members from 28 regional districts and our 10 member Board of Trustees provide stable governance and oversight.

Our Trustees have held several meetings since their election at the Annual General meeting of Members on March 26th 2009. Meetings have also included the Finance and Audit Committee and the Human Resources Committee, comprised of:

Finance and Audit	**Human Resources**
Malcolm Brodie, Chair	Frank Leonard, Chair
Derek Corrigan	Dan Ashton
Gerry Furney	Malcolm Brodie
Robert Hobson	Al Richmond
Richard Walton	Wayne Wright

As in the past, all Trustees also sit on the **Investment Advisory Committee**.

FINANCIAL RESULTS

The annual budget was approved by the Members at the Annual General Meeting on March 26th, 2009. The annual budgeted operating revenue is $3.8 million and expenditures are $3.1 million for a projected surplus of $0.7 million prior to declaration/payment of rebates. After dividend/rebate payments annual net income is budgeted at $12,500.

The results for the first half of 2009 are favourable to budget by $400,621 primarily due to higher than expected volumes in the Pooled Investment Funds resulting in increased management fee revenue.

DISTRIBUTIONS TO MEMBERS

Dividends/rebates of $350,000 for the Pooled Investment program were paid on June 17th, 2009. The remaining anticipated dividends/rebates (Capital borrowing $200,000, Tax Levy $100,000, Leasing & Interim Financing $50,000) will be recorded in the final 2009 operating results pending Trustee approval in early 2010.

CREDIT RATINGS

Annual presentations to our three agencies, Standard and Poor's, Moody's and Fitch are scheduled for October 28th and 29th. The Chair and Vice-Chair will be in attendance with the Chief Administrative Officer, Director of Business Services and Director of Finance.

We continue to enjoy the highest ratings attainable at triple A for all three agencies.

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OUR FINANCING PROGRAMS

We have observed a significant easing in credit conditions and a steady improvement in market liquidity since March. Massive stimulus initiatives by global governments and their respective central banks in 2008 and the first half of 2009 are gradually working their way through the banking system and into the real economy.

As a result of these easing credit conditions, MFABC's cost of financing in the bond markets has improved significantly from the spring debenture issue. MFABC's cost of financing is sensitive to the underlying Government of Canada yield. Since April, the Canada benchmark 10-year yield has traded as low as 2.77% and as high as 3.65%.

We have made several presentations to current and potential investors of MFA bonds and MFA commercial paper.

As we witnessed with the spring new issues and continue to experience through secondary market trading, investor demand remains very strong for the MFABC name.

1. **Spring Debenture Issue**
   The MFA successfully issued April 21, 2009 a $340 million debenture at a yield of 4.903% to investors. The underlying Canada bond was yielding 2.923% at the time of the launch.

2. **Refinancing of Issue 70**
   On May 13th we successfully issued a $440 million 5 year debenture at a yield of 3.108% to investors. The underlying Canada bond was yielding 2.108% at the time.

3. **Pooled Investment Program**
   More than 217 public institutions in BC are using the Pooled Investment Funds for cash management purposes.
   The Pooled Funds peaked at their highest ever value of $2.535 billion on August 19th, 2009.

   Twelve month return as at August 31st, 2009 were:

	2009
Bond	9.29%
Intermediate	4.69%
Money Market	1.99%

4. **Commercial Paper Program**
   The MFA's Commercial Paper Program was well positioned to weather the latest economic storm. We currently have an A-1 rating with both Moody's and S&P, these are the highest short term ratings obtainable. As with the MFA's long term program, credit conditions have eased and we continued to benefit from favourable funding rates. As at the end of September, the MFA will have issued and refinanced $1.955 billion of commercial paper this year. Proceeds are used to fund our Interim Financing and Leasing Programs.

SINKING FUND SUPLUSES

All MFA issues continue to meet or exceed budgeted targets. Year to date, excess earnings on certain sinking fund investments and their related issues have allowed for cash repayments to members of $3.8 million and a further suspension of $1.2 million on future loan collections.

Again, the benefit of a co-operative borrowing model translates into low borrowing rates and high returns on investments which equates to surplus returns for our Members.

LEN TRABOULAY EDUCATION FUND

The Board of Trustees is reviewing the mandate of the Len Traboulay Education Fund and is currently working with staff on guiding principles that will include an allocation of the fund 50 / 50 for the education of elected officials and employees of local government in BC. And also ease the administration burden. I would like to personally extend my thanks to Mayor Christopher Causton, Oak Bay, Mayor and Chair of the Len Traboulay Education Fund and Committee Members for all their considerable time and effort.

OUR COMMUNITY

The MFA continues to sponsor, present and attend local government courses, programs, workshops and conferences throughout the province. I refer you to the report from the Chair and CAO to members for greater detail.

MFA FINANCIAL FORUM & AGM

2010 will mark a special 40 year anniversary for the MFA.
The 2010 MFA Financial Forum and Annual General Meeting will be held at the Hotel Grand Pacific in Victoria on March 24th and 25th.

CONCLUSION

MFA Staff welcome you to drop by the MFA booth located in the **Vancouver Trade and Convention Centre, booth no. 201.**

We will have a photo op, for the MFA 2009 Annual Report after this meeting concludes.
After the photo, Trustees will gather to discuss the Fall Debenture Issue details.