TORONTO

REPORT FOR ACTION

Authority to Issue a Debenture

Date: November 8, 2019
To: Debenture Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report requests that the Debenture Committee approve the issuance of a 30-year sinking fund debenture in the amount of $350 million, and enact the necessary borrowing by-law to give effect to the this debenture issuance. The debenture was syndicated and sold in the domestic and global capital markets on November 7, 2019 and will be delivered to investors on November 22, 2019.

Details of the projects that are financed from the proceeds of this debenture are contained in Attachment A of this report.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. The Debenture Committee approve the provision of long-term financing of the capital projects listed in Attachment A through the issuance of a 30-year sinking fund debenture in the amount of $350 million in accordance with the terms and conditions set out in the purchase letter provided by the lead manager, CIBC Capital Markets, Inc., and entered into by the Mayor and the Chief Financial Officer and Treasurer dated November 7, 2019 (the "Purchase Letter"), and as further described in this report.

2. Authority be granted for the introduction of the necessary Bill to the Debenture Committee to authorize the issuance of debentures.

3. The Debenture Committee authorize the appropriate City of Toronto officials to take the necessary actions to give effect thereto.

FINANCIAL IMPACT

The 2019 debt charges of $3.5 million associated with this debenture issue are included in the City's 2019 Operating Budget in the Non-Program Corporate and Capital Financing account.

Annualized debt charges for 2020 are $8.0 million, including the annual sinking fund deposit and interest payments.

DECISION HISTORY

Chapter 30, Debentures and other Borrowing of the City of Toronto Municipal Code, authorizes the Mayor (or the Deputy Mayor or the Budget Chair) and the Chief Financial Officer and Treasurer ("CFO") to enter into agreements in 2019 for the issue and sale of debentures to an aggregate amount not exceeding $1.0 billion to provide long-term financing for capital works. The terms of any such agreement to issue debentures must be reported by the CFO to the Debenture Committee for approval.
https://www.toronto.ca/legdocs/mmis/2019/ex/bgrd/backgroundfile-123459.pdf

COMMENTS

Syndicate:
Acting in accordance with the aforementioned authorities and the unanimous advice of the City's debt syndicate's lead manager CIBC World Markets Inc., and the co-lead managers RBC Dominion Securities Inc., National Bank Financial Inc., and BMO Capital Markets, the syndicate's offer to purchase the City's debentures, as contained in the Purchase Letter, was accepted on behalf of the City by the Mayor and the Chief Financial Officer and Treasurer.

Transaction:
The City issued a $350 million sinking fund debenture on November 7, 2019. This $350 million issue has a coupon interest rate of 2.80% and maturity date of November 22, 2049. This debenture issue was priced to yield 2.809% to investors with an effective cost of 2.844% to the City when dealer commissions are included. Delivery of the debenture and receipt of the proceeds will occur on November 22, 2019.

Term:
This issue has a 30-year term to maturity to align with the useful asset life of the underlying capital projects.

Timing:
The transaction was timed to take advantage of favourable capital market conditions. The underlying Government of Canada interest rates were attractive (about 15 basis points below the 12-month average). Interest rates for bonds with longer maturities (e.g. 10-, 20-, 30-years) are expected to move slightly higher going forward.

Investor sentiment has improved due to diminishing market uncertainty on factors such as Brexit, US/China trade negotiations, monetary policy, decelerating global economy, and Province of Ontario's Fall Economic Statement. In addition, provincial and other municipal issuance supply is expected to increase in the coming weeks. City of Toronto timed this debenture issue ahead of other competing issuers.

Cost:
The City's all-in costs were at an interest rate of 2.844%, which is the lowest 30-year rate the City has ever achieved. It is also 41 basis points lower than the last 30-year issue in July 2018. The Toronto spread over the Province of Ontario benchmark was 26 basis points. In addition to the favourable market conditions and the timely and opportune access to the capital markets, the attractive financing terms of this debenture can also be attributable to investor confidence in Toronto, and the focus of investor relations work in recent years.

The 2019 debt charges associated with this debenture issue are $3.5 million and the annualized debt charges for 2020 are $8.0 million (including the annual sinking fund deposit and interest payments). The annual debt charges are included in the approved 2019 budget and future forecasts. In addition, the total annual debt charges of all outstanding debentures that are supported by the City's property tax levy are within 15% of such tax levy as required by the City's policy.

The structure and pricing of this transaction achieved the lowest cost of funds available relative to other potential structures, markets, and currencies as permitted by the *City of Toronto Act, 2006.*

Distribution:
This issue achieved excellent reception with wide placement distribution of debentures to 41 institutional accounts located across Canada and the United States.

Use of Proceeds:
This debenture is within approved authority for 2019 borrowing. The proceeds will finance previously approved capital expenditures from the following programs: City Clerk's Office, Economic Development and Culture, Emergency Medical Services, Fire Services, Long Term Care Homes & Services, Transportation Services, TTC, Facilities Management, Shelter, Support & Housing Administration, Toronto Public Library, and Toronto Zoo as detailed in Attachment A to this report.

Other:
Council authority has been delegated to the Mayor and the CFO and Treasurer to issue an annual amount not to exceed $1.0 billion in new debt during each of the years 2019, 2020, 2021 and 2022. The planned 2019 borrowing program is $950 million. This $350 million debenture issue follows a $200 million 20-year Green debenture in September 2019 and a $300 million 10-year debenture issued in April 2019. This leaves up to $150 million of debt issuance authority remaining for the balance of this year.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Attachment A: City of Toronto 2019 Debenture Issue Summary – Project List

ATTACHMENT "A"

City of Toronto
30-year Debenture Issue Summary
Project List
November 7, 2019

Divisions		Amount Funded (millions $)	Percentage of Total
City Clerk's Office	$	1.6	0.5%
Economic Development and Culture	$	8.8	2.5%
Emergency Medical Services	$	0.8	0.2%
Facilities Management	$	28.9	8.2%
Fire Services	$	2.0	0.6%
Long-term Care Homes & Services	$	5.8	1.7%
Shelter, Support & Housing Administration	$	9.4	2.7%
Toronto Public Library	$	7.5	2.1%
Toronto Transit Commission	$	115.1	32.9%
Toronto Zoo	$	2.0	0.6%
Transportation Services	$	168.1	48.0%
Total to Date	**$**	**350.0**	**100.0%**

City Clerk's Office - $1.6 million

- 3 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Archives Research Hall Renovation	0.2	2012	2017	2014
Archives Ground Floor Renovation	0.8	2015	2017	2017
Mail Security & Mail Room Upgrades	0.6	2010	2014	2014

Economic Development and Culture - $8.8 million

- 18 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Casa Loma Exterior Restoration - 2012	0.9	2012	2013	2015
Casa Loma Exterior Restoration -2016	0.4	2016	2018	2018
Casa Loma Exterior Restoration - 2011	1.2	2011	2012	2014
Fort York Barracks Restoration - 2010	0.2	2010	2012	2013
Fort York Restoration - 2014	0.2	2014	2016	2016
Fort York Visitors Centre Restoration - 2012	0.3	2012	2014	2015
Montgomery's Inn Circulation-2017	0.8	2017	2018	2018
Montgomery's Inn Circulation-2016	0.6	2016	2018	2018
Montgomery's Inn Interiors - 2016	0.1	2016	2018	2018
Montgomery's Inn Restoration - 2014	0.3	2014	2015	2016
Public Art Development	0.1	2014	2016	2016
The Guild Revitalization - 2014	1.0	2014	2016	In Progress
The Guild Revitalize Project	0.2	2011	2011	2013
The Guild Revitalize Project - 2011	0.8	2011	2011	2013
The Guild Revitalize Project	0.5	2016	2017	2018
Todmorden Mills Brewery Papermill	0.6	2016	2017	2018
Todmorden Mills Centre	0.4	2014	2016	2016
Todmorden Mills Museum Brewery	0.2	2015	2015	2016

Emergency Medical Services - $0.8 million

- 1 project funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Toronto Paramedic Services 40-Bay Multi-Function Ambulance Station #2 - Preparation	0.8	2017	2018	In Progress

Facilities Management - $28.9 million

- 8 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
3111 Lake Shore W - Renovations & Site work	1.0	2014	2016	2017
55 John St. - Metro Hall Upgrades	1.2	2014	2016	2015
St. Lawrence Market-South Renovations	0.8	2014	2016	In Progress
Union Station Revitalization: Other Professional Services	13.8	2011	2018	In Progress
Union Station Revitalization: Phase 2 – Construction	11.4	2011	2019	In Progress
Union Station Revitalization: Phase 3 - Professional Services	0.2	2014	2017	In Progress
Union Station Revitalization: Phase 4 - Professional Services	0.4	2011	2016	In Progress
Union Station Revitalization: Phase 5 - Professional Services	0.1	2011	2016	In Progress

Fire Services - $2.0 million

- 2 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Construction Of Station D (#221)	0.9	2010	2010	2014
Restoration Of Heritage Fire Hall (#227)	1.1	2010	2010	2011

Long-term Care Homes & Services - $5.8 million

- 5 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Kipling Acres Redevelopment Project - Demolition Costs	2.0	2010	2014	2017
Kipling Acres Redevelopment Project - Adult Day Program/CS Centre Construction	0.5	2012	2012	2017
Kipling Acres Redevelopment Project - Landscaping	1.0	2011	2014	2017
Kipling Acres Redevelopment Project - Site 2 (Phase 3) - Construction	0.3	2012	2017	2017
Kipling Acres Redevelopment Project - Site 2 (Phase 3) - Professional Services	2.0	2011	2015	2017

Shelter, Support & Housing Administration - $9.4 million

- 3 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
George Street Revitalization Project Redevelopment - Phase 2	8.4	2016	2019	In Progress
Mass Care Response Vehicle	0.4	2011	2012	2012
George Street Revitalization Project Shelter Development	0.6	2016	2016	2016

Toronto Public Library - $7.5 million

- 10 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Albion District Library Renovation	1.1	2012	2016	2019
Bayview Relocation	2.1	2014	2016	In Progress
Malvern District Library Expansion Youth	0.7	2009	2012	2013
MB 2016-2018 Lillian H. Smith Library CI	0.2	2016	2018	2018
MB 2016-2018 Richview Library CIP 150	0.2	2016	2018	2018
Multi-Branch Renovation	0.6	2013	2014	2014
Multi-Branch Renovation Accessibility	0.9	2015	2016	2018
North York Central Library Renovation	1.0	2011	2016	2018
Virtual Branch Services (2013-2015)	0.1	2013	2015	2015
Virtual Branch Services (2011-2014)	0.6	2013	2014	2014

Toronto Transit Commission - $115.1 million

- 1 project funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Other Buildings & Structures Projects	115.1	2018	2019	In Progress

Toronto Zoo - $2.0 million

- 1 project funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Eurasia Construction	2.0	2011	2012	2013

<u>Transportation Services - $168.1 million</u>

- 17 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed
Bathurst Street Bridge Rehabilitation	0.8	2015	2019	In Progress
City Bridge Rehabilitation	2.9	2010	2014	2014
City Bridge Rehabilitation	2.6	2012	2018	2018
City Bridge Rehabilitation	1.0	2014	2019	In Progress
City Bridge Rehabilitation	38.8	2015	2019	In Progress
F.G. Gardiner - Program Management	4.0	2014	2016	2018
Facility Improvements	1.1	2018	2019	In Progress
Gardiner York Bay Yonge Reconfiguration	1.0	2015	2019	In Progress
Laneways	0.7	2013	2016	2016
Laneways	2.5	2014	2017	2017
Laneways	2.8	2015	2019	In Progress
Local Road Reconstruction	0.8	2013	2014	In Progress
Local Road Rehabilitation	99.9	2015	2019	In Progress
Major Road Reconstruction	0.9	2011	2012	2014
Major Road Reconstruction	0.9	2013	2014	In Progress
Six Points Interchange Redevelopment	6.6	2011	2019	In Progress
Yonge Street Revitalization	0.8	2016	2017	In Progress