TORONTO

REPORT FOR ACTION

Authority to Issue a Debenture

Date: June 11, 2025
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 conventional debenture in the amount of $350 million and enact the necessary borrowing by-law to give effect to this debenture issuance. The debenture was syndicated and sold in the domestic and global capital markets on June 11, 2025, and will be delivered to investors on June 27, 2025.

All costs related to this debenture issue are budgeted for in the 2025 Tax-Supported Operating Budget.

Details of the projects that are financed from the proceeds of this debenture are contained in Attachment 1 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 1 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 World Markets Inc., and entered into by the Mayor and the Chief Financial Officer and Treasurer dated June 11, 2025 (the "Purchase Letter"), and as further described in this report.

2. The Debenture Committee authorize the introduction of the necessary Bill 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 2025 debt charge associated with this debenture issue is $10.5 million is included in the City's 2025 Tax-Supported Operating Budget in the Non-Program Corporate and Capital Financing account.

The annual debt charge, which includes sinking fund deposit, interest payments and amortization of price discount, will be approximately $23.0 million from 2026 to 2054, and $10.3 million in 2055.

DECISION HISTORY

On November 23 and 24, 2022, City Council authorized amendment to Chapter 30, Debentures and other Borrowing of the City of Toronto Municipal Code, which authorizes the Mayor (or the Deputy Mayor or the Budget Chair as alternates) and the Chief Financial Officer and Treasurer ("CFO"), during each of the years of the 2022 to 2026 Council term to enter into agreements for the issue and sale of debentures to an aggregate amount not exceeding $2.0 billion to provide long-term financing for capital works.
[Agenda Item History - 2023.CC1.3 (toronto.ca)]

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 joint-lead managers, National Bank Financial Inc., RBC Dominion Securities Inc., and BMO Nesbitt Burns Inc., the syndicate's offer to purchase the City's reopening of a conventional 30-year sinking fund debenture in the amount of $350 million, as contained in the Purchase Letter, was accepted on behalf of the City by the Mayor and Chief Financial Officer and Treasurer.

Transaction:

On Wednesday, June 11, 2025, the City of Toronto successfully priced a $350 million 30-year benchmark debenture maturing on March 11, 2055. This was the City's second transaction of the year since the 30-year Conventional Bond offering on February 20, 2025.

The debenture has a coupon interest rate of 4.50% and a maturity date of March 11, 2055. The transaction is a reopening of a debenture originally issued in March 2025. This additional issuance now brings the total outstanding to $800 million. By re-opening this debenture and increasing the total outstanding amount, it helped to enhance the bond liquidity in the secondary market and increase investor demand, which is ultimately beneficial for the City. The debenture was priced to yield 4.733% to investors with an effective cost to the City of 4.779% (when transaction fees are included). Delivery of the debenture and receipt of the proceeds will occur on June 27, 2025.

Use of Proceeds:

Proceeds will be used for Council approved capital projects already completed, in progress, and committed such as Affordable Housing, Corporate Initiatives, Facilities Management, Real Estate & Environment, Parks, Forestry & Recreation, Shelter, Support & Housing Administration, Solid Waste Management Services, Sony Centre (Hummingbird), Toronto & Region Conservation Authority, Toronto Public Library, Toronto Transit Commission, Toronto Zoo, Transportation Services, and Waterfront Revitalization Initiatives detailed in Attachment 1 to this report.

Term:

This reopening of the debenture with a 30-year original term has a remaining term to maturity of 29.7 years to align with the estimated remaining useful asset life of the underlying capital projects.

Timing:

Conditions in the public bond markets have remained volatile over the first five months of 2025, driven by persistent geopolitical tensions, the ongoing threat of tariffs, and increased uncertainty surrounding the economic outlook. While both Canada and the United States have shown signs of easing headline inflation, core inflation measures remain elevated. The impact of tariff-related pressures on inflation has been more limited to date, though they have contributed to heightened market caution. As a result, expectations for interest rate cuts have been revised with fewer cuts now anticipated. These dynamics have contributed to a modest increase in borrowing costs since our last debenture issue.

Cost:

The City's all-in cost (including transaction fees) was at an interest rate of 4.779% with a credit spread of 109 basis points over the Canada benchmark bond (the Government of Canada bond maturing December 1, 2055) and a credit spread of 23 over the Ontario benchmark bond (the Ontario bond maturing December 2, 2055). The all-in cost is 14.5 basis points higher than the conventional debenture issued on February 20, 2025, as the Government of Canada bond interest rates have increased from the prior 30 year issue. The Toronto credit spread is approximately 7.5 basis points tighter relative to the Canada benchmark bond and 3.5 basis points tighter relative to the Ontario benchmark bond compared to the deal priced on February 20, 2025.

Through the investor relations efforts by staff, many investors have expressed that a larger debenture size helps to enhance liquidity in the secondary market. It has been the City's strategy to reopen existing debentures, whenever feasible, to increase the total outstanding balance to enhance investor demand and in turn lead to lower borrowing costs. The book building of this issue was strong resulting especially considering the market volatility experienced since the last issue.

The 2025 debt charge associated with this debenture issue is $10.5 million and is included in the City's 2025 Tax-supported Operating Budget in the Non-Program Corporate and Capital Financing account. The annual debt charge (includes sinking fund deposit, interest payments, and amortization of price discount) is approximately $23.0 million from 2026 to 2054, and $10.3 million in 2055.

At the time of issuance, 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:

Officially launched on the morning of June 11, the transaction saw an oversubscribed order book of approximately $1.242 billion from 40 investors, allowing the City to achieve an optimal pricing balance for a large municipal sector financing. Demand exceeded that of our largest ever order book by over $400 million and was the largest municipal sector order book for a 30 year deal. Demand was strong and well-diversified, led by asset managers (48%), pension funds (24%), insurance companies (20%), central banks/government entities (7%), and bank treasuries (1%). Additionally, 6.5% of the issuance was placed internationally across the U.S., Europe, and Asia, highlighting the global appeal of the City's credit.

The debt syndicate managers ensured that none of these institutional investor accounts are held in Russia or with other sanctioned nations. Also, all City of Toronto bonds are issued through the Canadian Depository for Securities which provides clearing, depository and settlement services and does not currently have a direct link (flow of payments) with Russia or other sanctioned nations.

Other:

Council authority has been delegated to the Mayor (or the Deputy Mayor or the Budget Chair as alternates) and the Chief Financial Officer and Treasurer to issue new debt in an annual amount not to exceed $2 billion in 2025. With this $350 million debenture being the second issuance of the year, a borrowing authority of $1.2 billion remains for the remainder of 2025.

CONTACT

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Attachment 1: Debenture Issue - Use of Proceeds Summary – Project List

ATTACHMENT 1
Debenture Issue Summary - Project List
June 27, 2025

Division	**Amount Funded ($ millions)**	**Percentage of Total**
Affordable Housing	7.0	2.0%
Corporate Initiatives	119.3	34.1%
Facilities Management, Real Estate & Environment	44.7	12.7%
Parks, Forestry & Recreation	22.0	6.2%
Shelter, Support & Housing Administration	18.5	5.3%
Solid Waste Management Services	4.3	1.2%
Sony Centre (Hummingbird)	7.6	2.2%
Toronto & Region Conservation Authority	1.6	0.5%
Toronto Public Library	12.8	3.7%
Toronto Transit Commission	50.7	14.5%
Toronto Zoo	9.4	2.7%
Transportation Services	37.7	10.8%
Waterfront Revitalization Initiative	14.4	4.1%
TOTAL	**$ 350.0**	**100%**

Affordable Housing - $7.0 million

- 1 project funded

Project	**Amount ($ millions)**	**Date of Budget (1st Approval)**	**Date of Budget (Last Approval)**	**Year Completed (or expected)**
EHI Construction	7.0	2021	2021	2029

Corporate Initiatives - $119.3 million

- 1 project funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
SMART Track Stations	119.3	2018	2018	2031

Facilities Management, Real Estate & Environment - $44.7 million

- 9 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
1050 Ellesmere Building Enhancements	15.8	2017	2017	2025
ModernTO Workplace Modernization	9.2	2021	2021	2028
IRSS Legacy Project - SOGR	9.2	2019	2019	2025
71 Front W - Union Station Various SOGR - Security	3.2	2021	2021	2027
Various Locations - BAS & Component Renewals 2022	1.8	2022	2022	2026
Various Locations SOGR Building Envelope 2021	1.8	2021	2021	2025
ModernTO Unlocking 8 Sites	1.4	2021	2021	2028
Deep Energy Retrofits - Pilot	0.5	2022	2022	2028
AODA Initiative - Phase 1 2016	1.7	2016	2016	2026

Parks, Forestry & Recreation - $22.0 million

- 7 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
CAMP (SGR) SF Building & Structures FY20	8.0	2019	2019	2026
CAMP (SGR) Pools FY2021	5.1	2019	2019	2026
CAMP (SGR) Arenas FY2021	4.8	2019	2019	2027
CAMP (SGR) Pools FY2018-2020	1.5	2018	2018	2024
CAMP (SGR) Community Centres FY2018-2020	1.5	2018	2018	2024
CAMP (SGR) Community Centres FY2021	1.1	2019	2019	2027
Various Buildings & Parks Accessibility	0.1	2020	2020	2024

Shelter, Support & Housing Administration - $18.5 million

- 5 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
HSCIS - Expansion Site - 2 Buttonwood	4.4	2024	2024	2025
Office Modernization - General	0.9	2020	2020	2025
HSCIS - Site 7	0.2	2024	2024	2027
AODA	2.1	2019	2019	2025

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
GSR Phase III - Construction	10.9	2019	2019	2030

Solid Waste Management Services - $4.3 million

- 7 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Victoria Park TS	1.1	2019	2019	2034
Ingram TS	1.0	2019	2019	2034
Bermondsey TS	0.9	2019	2019	2034
Disco TS	0.7	2019	2019	2034
Dufferin TS	0.6	2019	2019	2034
Dufferin SSO Facility	0.03	2011	2011	2026
Biogas Utilization - Dufferin	0.02	2016	2016	2026

Sony Centre (Hummingbird) - $7.6 million

- 5 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
STLC - Studies & Redevelopment Planning	4.1	2021	2021	2025

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
MAC - AODA Compliance Projects Current	0.1	2022	2022	2025
MAC - AODA Projects - Work Package 8 VE	2.6	2024	2024	2028
MAC - AODA Projects - Work Package 7 BAC	0.5	2023	2023	2025
MH - AODA Projects - Work Package 6 VEN	0.3	2024	2024	2027

Toronto & Regional Conservation Authority - $1.6 million

- 1 project funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Long Term Accommodation - 5 Shoreham	1.6	2017	2017	2025

Toronto Public Library - $12.8 million

- 4 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Bridlewood Relocation & Expansion	1.3	2020	2020	2024
Toronto Reference Library Renovation	2.5	2020	2020	2029
Multi-Branch SOGR	7.5	2018	2018	2029
Centennial Renovation & Expansion	1.5	2022	2022	2027

Toronto Transit Commission - $50.7 million

- 6 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Other Buildings & Structures Projects - 2000	14.5	2000	2000	2032
TR Yard & Trail Track Accommodation	1.7	2010	2010	2030
Bridges & Tunnels - Various - Original I/O	14.4	1999	1999	2027
Line 2 Capacity Enhancement	2.2	2022	2022	2033
Purchase of 372 T1 Subway Cars	1.1	1999	1999	2034
Easier Access - Phase II - 2000 & Prior - Orig	16.8	2000	2000	2028

Toronto Zoo - $9.4 million

- 1 project funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Welcome Area - Phase A Construction	9.4	2020	2026	2026

Transportation Services - $37.7 million

- 9 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
City Bridge Rehabilitation Critical	4.8	2019	2019	2026

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Major Road Rehabilitation	8.1	2015	2015	2030
Sidewalks	2.5	2015	2015	2028
Major SOGR Pooled Contingency	9.5	2015	2015	2034
Critical Interim Road Rehabilitation	2.9	2017	2017	2027
Laneways	3.5	2015	2015	2029
Eglinton Connects (Detailed Design)	2.5	2022	2022	2026
West Toronto Rail Path Extension	2.3	2021	2021	2027
Accessible Pedestrian Signals (Audible)	1.6	2016	2016	2029

Waterfront Revitalization Initiative - $14.4 million

- 3 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
Precinct Implementation Projects	4.1	2005	2005	2026
Keating Channel Dredging	6.1	2024	2024	2026
Port Lands Flood Protection	4.2	2017	2017	2024