TORONTO

REPORT FOR ACTION

Authority to Issue a Debenture

Date: November 19, 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 social debenture in the amount of $200 million and enact the necessary borrowing by-law to give effect to this debenture issuance. A social debenture is a type of fixed-income security where the proceeds are earmarked to finance projects that generate positive social outcomes. The debenture was syndicated and sold in the domestic and global capital markets on November 18, 2025, and will be delivered to investors on December 4, 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 $200 million in accordance with the terms and conditions set out in the purchase letter provided by the lead manager BMO Nesbitt Burns Inc., and entered into by the Mayor and the Chief Financial Officer and Treasurer dated December 4, 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 $2.1 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, which includes sinking fund deposit, interest payments and amortization of price discount, will be approximately $13.3 million from 2026 to 2053, and $12.7 million in 2054.

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, BMO Nesbitt Burns Inc., and the joint-lead managers, RBC Dominion Securities Inc, National Bank Financial Inc., and CIBC World Markets Inc., the syndicate's offer to purchase the City's re-opening of a social 30-year sinking fund debenture in the amount of $200 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 November 18, 2025, the City of Toronto successfully priced a $200 million 30-year benchmark debenture maturing on October 29, 2054. This was the City's fourth transaction of the year since the 10-year Green Bond offering on September 9, 2025.

The debenture has a coupon interest rate of 4.55% and a maturity date of October 29, 2054. The transaction is a reopening of a debenture originally issued on October 9, 2024. This additional issuance now brings the total outstanding to $400 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 4.666% to investors with an effective cost to the City of 4.711% (when transaction fees are included). Delivery of the debenture and receipt of the proceeds will occur on December 4, 2025.

Use of Proceeds:

Proceeds will be used for Council approved capital projects already completed, in progress, and committed such as Toronto Transit Commission, and Toronto Community Housing Corporation as listed in Attachment 1.

Term:

This reopening of the debenture with a 30-year original term has a remaining term to maturity of 28.11 years to align with the estimated remaining useful asset life of the underlying capital projects.

Timing:

Public bond market conditions have remained volatile throughout 2025, driven by geopolitical tensions and tariff-related announcements that have disrupted the gradual easing of inflation. This environment has contributed to meaningful fluctuations in Government of Canada bond yields. Since the City’s initial issuance on October 9, 2024, thirty-year Government of Canada yields have risen by approximately 33 basis points, underscoring the more challenging rate backdrop for long-dated issuance.

Cost:

The City's all-in cost (including transaction fees) was at an interest rate of 4.711% with a credit spread of 96.5 basis points over the Canada benchmark bond (the Government of Canada bond maturing December 1, 2055) and a credit spread of 18.5 over the Ontario benchmark bond (the Ontario bond maturing December 2, 2054).

The all-in cost is 10.6 basis points higher than the debenture initially issued on October 29, 2024. Since that original issuance, Government of Canada 30-year bond yields have increased by approximately 33 basis points. This move was largely offset by a tightening of credit spreads. The spread above the Government of Canada benchmark improved from 119.5 basis points to 96.5 basis points, and the spread versus Ontario tightened from 27.0 basis points to 18.5 basis points.

The final credit spreads of 96.5 basis points over the Canada benchmark bond and 18.5 basis points over the Ontario benchmark bond represent the tightest spreads to both Canada and Ontario for a 30-year issue in approximately 25 years.

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 $2.1 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 $13.3 million from 2026 to 2053, and $12.7 million in 2054.

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 November 18, the transaction saw an oversubscribed order book of approximately $336 million from 22 investors, allowing the City to achieve an optimal pricing balance for a large municipal sector financing. Demand was strong and well-diversified, led by asset managers (48%), pension funds (33%), insurance companies (9%), central banks/government entities (8%), and bank treasuries (2%). Additionally, 12% of the issuance was placed internationally across the U.S., and Europe 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 $200 million debenture being the fourth issuance of the year, a borrowing authority of $800 million 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

December 4, 2025

Division	**Amount Funded ($ millions)**	**Percentage of Total**
Toronto Transit Commission	73.8	37%
Toronto Community Housing Corporation	126.2	63%
TOTAL	**$ 200.0**	**100%**

Toronto Transit Commission - $73.8 million

- 1 projects funded

Project	**Amount ($ millions)**	**Date of Budget (1st Approval)**	**Date of Budget (Last Approval)**	**Year Completed (or expected)**
Easier Access-Phase II-2000 & Prior-Orig	73.8	1999	1999	2028

Toronto Community Housing Corporation - $126.2 million

- 1 project funded

Project	**Amount ($ millions)**	**Date of Budget (1st Approval)**	**Date of Budget (Last Approval)**	**Year Completed (or expected)**
TCHC Building Repair Capital	126.2	2022	2022	2034