TORONTO

REPORT FOR ACTION

Authority to Issue a Debenture

Date: February 26, 2026
To: Debenture Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report requests that the Debenture Committee approve the issuance of a 10-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 February 25, 2026, and will be delivered to investors on March 11, 2026.

All costs related to this debenture issue are budgeted for in the 2026 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 10-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 National Bank, and entered into by the Mayor and the Chief Financial Officer and Treasurer dated March 11, 2026 (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 2026 debt charge associated with this debenture issue is $6.3 million is included in the City's 2026 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 $45 million from 2027 to 2035, and $37.6 million in 2036.

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, National Bank Financial Inc, and the joint-lead managers, BMO Nesbit Burns Inc., CIBC World Markets Inc., and RBC Dominion Securities Inc, the syndicate's offer to purchase the City's re-opening of a conventional 10-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 February 25, 2026, the City of Toronto successfully priced a $350 million 10-year benchmark debenture maturing on June 2, 2036. This was the City's first transaction of the year since the 30-year Social Bond offering on November 18, 2025.

The debenture has a coupon interest rate of 3.50% and a maturity date of June 2, 2036. The transaction is a reopening of a debenture originally issued on March 29, 2016 as a 20-year debenture in the amount of $200 million. It was subsequently reopened on August 18, 2017 for an additional $200 million and again on September 21, 2018 for a further $350 million, bringing the current outstanding amount to $750 million. The proposed reopening of $350 million would increase the total outstanding amount of this bond from $750 million to approximately $1.1 billion.

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 3.765% to investors with an effective cost to the City of 3.837% (when transaction fees are included). Delivery of the debenture and receipt of the proceeds will occur on March 11, 2026.

Use of Proceeds:

Proceeds will be used for Council approved capital projects already completed, in progress, and committed such as Shelter, Support and Housing Administration, Toronto Parking Authority, Toronto Transit Commission, and Transportation Services, as listed in Attachment 1.

Term:

This reopening of the debenture with a 20-year original term has a remaining term to maturity of 10.2 years to align with the estimated remaining useful asset life of the underlying capital projects.

Timing:

Recent volatility has been driven by U.S. tariff developments, economic data, central bank decisions, and geopolitical factors. Despite this, borrowing conditions have improved relative to the end of 2025. Credit spreads remain attractive, and underlying Government of Canada bond yields have trended lower which provided an opportunity to issue at an attractive cost.

Cost:

The City's all-in cost (including transaction fees) was at an interest rate of 3.837% with a credit spread of 58 basis points over the Canada benchmark bond (the Government of Canada bond maturing December 1, 2035) and a credit spread of 9.5 basis points over the Ontario benchmark bond (the Ontario bond maturing June 2, 2036).

The all-in cost is 3.6 basis points lower than the last 10-year debenture issued on September 9, 2025. Since that original issuance, Government of Canada 10-year bond yields have decreased by approximately 1.0 basis point. The spread above the Government of Canada benchmark improved from 60 basis points to 58 basis points, and the spread versus Ontario widened from 8 basis points to 9.5 basis points.

The final credit spread of 58 basis points over the Canada benchmark bond represents the tightest spreads versus the comparable Government of Canada bond for a 10-year debenture in approximately 18 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 strong investor demand and distribution was expressed in the order book for this issue.

The 2026 debt charge associated with this debenture issue is $6.3 million and is included in the City's 2026 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 $45 million from 2027 to 2035, and $37.6 million in 2036.

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 February 24, the transaction saw an oversubscribed order book in excess of $570 million from 40 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 (50%), pension funds (23%), central banks/government entities (18%), bank treasuries (8%), and insurance companies (1%). Additionally, 16% 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 2026. With this $350 million debenture being the first issuance of the year, a borrowing authority of $1.65 billion remains for the remainder of 2026.

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

March 11, 2026

Division	**Amount Funded ($ millions)**	**Percentage of Total**
Shelter, Support & Housing Administration	16.9	5%
Toronto Parking Authority	12.1	4%
Toronto Transit Commission	292	83%
Transportation Services	29	8%
TOTAL	**$ 350**	**100%**

Shelter, Support & Housing Administration - $16.9 million

- 1 project funded

Project	**Amount ($ millions)**	**Date of Budget (1st Approval)**	**Date of Budget (Last Approval)**	**Year Completed (or expected)**
GSR-Transition	16.9	2017	2017	2026

Toronto Parking Authority - $12.1 million

- 1 project funded

Project	**Amount ($ millions)**	**Date of Budget (1st Approval)**	**Date of Budget (Last Approval)**	**Year Completed (or expected)**
Bike Share Equipment Purchase	12.1	2023	2023	2033

Toronto Transit Commission - $292 million

- 6 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
BUS HEAVY REBUILD PROGRAM -18YR-2000&PRI	64	2000	2000	2034
REPLCM OF 40'S DIESEL BUSES OR EQUI-2000	134	2000	2000	2033
127 WHEEL TRANS VEH (ORION 2)REPLACE	30	1999	1999	2030
STREETCAR OVERHAUL	38	1999	1999	2029
SUBWAY CAR OVERHAUL	18	1999	1999	2033
ATC RESIGNALLING	8	2010	2010	2034

Transportation Services - $29 million

- 2 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
MOVE TO	15	2021	2021	2028
LOCAL GEOMETRIC TRAFFIC SAFETY IMPROVEME	14	2017	2017	2034