TORONTO

REPORT FOR ACTION

Authority to Issue a Debenture

Date: June 10, 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 30-year sinking fund conventional debenture in the amount of $300 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 9, 2026, and will be delivered to investors on June 24, 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 to the report (June 10, 2026) through the issuance of a 30-year sinking fund debenture in the amount of $300 million in accordance with the terms and conditions set out in the purchase letter provided by the lead manager BMO, and entered into by the Mayor and the Chief Financial Officer and Treasurer dated June 24, 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 $9.6 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 deposits, interest payments and amortization of the price discount, will be approximately $20.3 million from 2027 to 2055, and $12.8 million in 2056.

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 Nesbit Burns Inc., and the joint-lead managers, CIBC World Markets Inc., National Bank Financial Inc., and RBC Dominion Securities Inc., the syndicate's offer to purchase the City's re-opening of a conventional 30-year sinking fund debenture in the amount of $300 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 June 9, 2026, the City of Toronto successfully priced a $300 million 30-year benchmark debenture maturing on June 24, 2056. This was the City's third transaction of the year since the 30-year Conventional offering on March 31, 2026.

The debenture has a coupon interest rate of 4.80% and a maturity date of June 24, 2056. The debenture was priced to yield 4.838% to investors, with an effective cost to the City of 4.883% (including transaction fees). Delivery of the debenture and receipt of the proceeds will occur on June 24, 2026.

Use of Proceeds:

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

Term:

The debenture has a 30-year term to maturity to align with the estimated remaining useful asset life of the underlying capital projects.

Timing:

Fixed income markets have experienced heightened volatility, driven primarily by geopolitical developments, including the escalation of conflict in the Middle East, as well as ongoing concerns regarding inflation, energy prices, and equity market performance. Despite this volatility, Government of Canada bond yields have retraced much of their recent movement and are currently at levels broadly comparable to those prevailing when the City entered the market on March 31, 2026.

Credit markets have also experienced periods of volatility. Provincial credit spreads, which had previously tightened to multi-year lows, have fluctuated amid broader market uncertainty and the release of provincial budgets indicating larger deficits and borrowing programs. Notwithstanding this volatility, Ontario credit spreads remain modestly tighter than the levels prevailing at the time of the City's previous debenture issuance. Municipal spreads also remain near historically tight levels.

Investor demand for new issuance has remained constructive, although investors have become more selective amid an increasingly uncertain market environment, placing greater emphasis on liquidity, credit quality, and relative value considerations.

Cost:

The City's all-in cost (including transaction fees) was at an interest rate of 4.883% with a credit spread of 94.5 basis points over the Canada benchmark bond (the Government of Canada bond maturing December 1, 2057) and a credit spread of 22 basis points over the Ontario benchmark bond (the Ontario bond maturing December 2, 2056).

The all-in borrowing cost is 6.9 basis points lower than the City's previous 30-year conventional debenture issuance on March 31, 2026. Since that issuance, 30-year Government of Canada bond yields have remained at broadly similar levels. However, the City's spread to the Government of Canada benchmark improved from 101.0 basis points to 94.5 basis points, while the spread relative to Ontario remained unchanged at 22 basis points.

The final credit spreads of 94.5 basis points over the Government of Canada benchmark bond represent the tightest spreads versus the comparable Government of Canada for a 30-year conventional debenture.

The 2026 debt charge associated with this debenture issue is $9.6 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 $20.3 million from 2027 to 2055, and $12.8 million in 2056.

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 9, the transaction saw an oversubscribed order book in excess of $390 million from 26 investors. Demand was strong and well-diversified, led by asset managers (37%), pension funds (31%), insurance companies (26%), bank treasuries (4%), and central banks/government entities (2%). Additionally, 12% 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 2026. With this $300 million debenture being the third issuance of the year, a borrowing authority of $0.9 billion remains for the remainder of 2026.

CONTACT

Flaminio Carelli, Interim Director, Capital Markets and Treasury
Phone: 416-392-6302; E-mail: Flaminio.Carelli@toronto.ca

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 24, 2026

Division	Amount Funded ($ millions)	Percentage of Total
Affordable Housing	160	53%
Solid Waste Management	14	5%
Toronto Transit Commission	126	42%
TOTAL	**300**	**100%**

Affordable Housing - $160 million

- 2 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
TCHC BUILDING REPAIR CAPITAL	159.5	2022	2026	2035
NON_TCA HS THIRD PARTY GRANTS FUNDING	0.5	2024	2026	2029

Solid Waste Management - $14 million

- 12 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
GREEN LANE LANDFILL	5.90	2012	2026	2030
TRANSFER STATION ASSET MANAGEMENT	2.30	2019	2026	2035
OPF EXPANSION	1.20	2020	2026	2030

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
DIVERSION SYSTEMS	1.20	2017	2026	2026
TRANSFER STATION ASSET MANAGEMENT	1.00	2019	2026	2035
TRANSFER STATION ASSET MANAGEMENT	1.00	2019	2026	2035
TRANSFER STATION ASSET MANAGEMENT	1.00	2019	2026	2035
TRANSFER STATION ASSET MANAGEMENT	0.20	2019	2026	2035
TRANSFER STATION ASSET MANAGEMENT	0.10	2019	2026	2035
DUFFERIN WASTE FACILITY SITE IMPROVEMENT	0.07	2018	2026	2029
TRANSFER STATION ASSET MANAGEMENT	0.02	2018	2025	2027
CONSTRUCTION OF BIOGAS UTILIZATION AT DI	0.01	2016	2026	2027

Toronto Transit Commission - $126 million

- 3 projects funded

Project	Amount ($ millions)	Date of Budget (1st Approval)	Date of Budget (Last Approval)	Year Completed (or expected)
PURCHASE OF SUBWAY CARS	100	1999	2026	2035
LINE 2 CAPACITY ENHANCEMENT	14	2021	2026	2035
SPADINA SUBWAY EXTENSION	12	2007	2026	2027