



MEMO / NOTE DE SERVICE

To / Destinataire Mayor and Members of Council File/N° de fichier: _____

From / Expéditeur Wendy Stephanson
Chief Financial Officer

Subject / Objet Debenture By-law (2020-110) Date: 08 May 2020

The purpose of this memo is to provide information detailing the issuance of Debenture By-law (2020-110), as required by report *City Debenture Issuance* ([ACS2020-FSD-FIN-0006](#)) approved by Council at its meeting of April 8, 2020.

Each year, Council approves a capital budget which includes specific projects that are funded from several sources including the use of long-term debt financing. These capital budgets constitute the appropriate authority for the use and issuance of long-term debt. Debt funding for a project must be established before the actual implementation of the project begins.

Through the Delegation of Authority By-law (2019-280), Council authorized the Chief Financial Officer to proceed with one or more debt issues at any time during a calendar year throughout the term of Council, provided that:

- a. The actual debt charges in the calendar year are within the Council approved operating budget for that year;
- b. Council has been advised of any resulting impact on budgets in future years; and
- c. The project debt authority has been previously approved by Council.

The normal process for issuing debentures requires a report requesting Council to enact a by-law to authorize the issuance of the debentures. As a result of the COVID-19 pandemic, the state of the Capital Markets is considered fragile and complex, and the City needed to be nimble in order take advantage of optimal market timing, get the best interest rate for taxpayers, and fulfill the budget mandate approved by Council. For this reason, Council provided the Mayor the delegated authority to enact the necessary by-laws to enable the Chief Financial Officer to launch a debenture during these difficult times, without having to wait for the next Council meeting.

Therefore, on May 4, 2020, City staff, under the direction of the Chief Financial Officer and delegated authority of the Mayor, issued a \$300 million Sinking Fund Debenture maturing on May 11, 2051 with a yield to investors of 2.525%. The debenture priced at Government of Canada bond levels plus 141 basis points was well received by investors and considered good value when compared to peer issuance levels. Prior to the enactment of the Debenture By-law (2020-110), written notice was provided by email to all Members of Council on May 5, 2020 in accordance with the direction to staff provided by Council on April 8, 2020. Debt financing for

each project associated with this debenture issuance was previously approved by Council, as well as the debt servicing as part of the 2020 Budget. Details are provided in Schedule "A" of the attached by-law.

The project funded by the debentures meets the standards of the City's Green Bond Framework, allowing staff to launch the debenture as a Green Debenture. The issue was 1.7 times over subscribed by investors. The strength of the issue was attributed to the continued strong demand for Green Debentures and the City's ability to respond quickly in times of challenging markets.

In this case, the project is the Stage 2 LRT Project. On February 27, 2019, Council approved the report *Contract Award of Ottawa's Stage 2 Light Rail Transit Projects and Related Matters* ([ACS2019-TSD-OTP-0001](#)) detailing the project budget, funding sources and debt funding associated with this project.

If you require further information with respect to the information in this memorandum, please feel free to contact me.

Wendy Stephanson
Chief Financial Officer

cc: Senior Leadership Team
Mark Martin, Manager, Treasury
Caitlin Salter-MacDonald, Manager, Committee and Council Services

Encl.: Debenture By-law (2020-110)