

Report to Infrastructure and Corporate Services Committee

To: Chair and Members
Infrastructure and Corporate Services Committee

From: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Subject: 2026 Debenture Issuance

Date: March 23, 2026

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken with respect to the staff report dated March 23, 2026, related to 2026 Debenture Issuance:

- a) the Civic Administration **BE AUTHORIZED** to proceed with the issuance of debentures in the capital markets upon suitable market conditions to provide permanent financing for capital works in an amount not to exceed \$20,000,000;
- b) the City Clerk and City Treasurer **BE AUTHORIZED** to execute all 2026 debenture issuance documents not requiring Council approval upon successful placement of the City's debt in the capital markets; and,
- c) the Civic Administration **BE INSTRUCTED** to convene an appropriately timed special meeting of the Infrastructure and Corporate Services Committee upon successful placement of the City's debt in the capital markets, to ensure adequate time for Council approval of the associated debenture by-law and execution of the debenture while adhering to the necessary financial settlement requirements, it being noted a placeholder for such meeting has been currently scheduled for April 27, 2026.

Executive Summary

The City typically issues debentures, with the support of a fiscal agent, in the capital markets for complete projects, substantially complete projects or projects for which a significant milestone has been achieved and which have authorized debt as an element of their capital financing. Civic Administration is recommending a 10-year serial debenture issuance in the amount of \$20,000,000 representing the City's 2026 issuance. This amount is after application of debt substitution in the amount of approximately \$4.8M. The purpose of this report is to obtain authorization to proceed with the issuance and authorize execution of the debenture documents upon successful placement in the capital markets; a second report will follow to enact the issuance of the debenture and associated by-law. Once the City's debentures have been placed, they have been effectively sold/issued. Formal debenture by-law approval and execution of the debenture will follow to formalize and complete the settlement of the City's debt placement. This authorization effectively commits the City to the issuance of its debentures if successfully placed upon pricing in the capital markets.

Linkage to the Corporate Strategic Plan

Council's 2023-2027 Strategic Plan for the City of London identifies 'Londoners experience good stewardship, exceptional and valued service' as an outcome of the strategic area of focus "Well Run City". Adhering to the City of London's limit on authorized debt contributes to maintaining London's finances in a transparent, sustainable, and well-planned manner while incorporating intergenerational equity and affordability over the long term. The 2026 Debenture Issuance report ensures that the proper mechanisms are in place to fund major capital projects while supporting intergenerational equity.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Infrastructure and Corporate Services Committee, October 6, 2025, Agenda Item 2.1, City of London's Credit Rating

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=119086>

1.2 Context

As prescribed within the *Municipal Act*, a municipality may issue debt for long-term borrowing to provide financing for capital works. Municipalities may fund current operating expenses with temporary borrowing until taxes are collected and other revenues are received but may not fund operating expenditures through debt issuance in the same way that the federal and provincial governments do.

The Debt Management Policy (<https://london.ca/council-policies/debt-management-policy>) is the foundation of the City of London's borrowing program. The City typically issues debentures on projects that are complete, substantially complete or projects for which a significant milestone has been achieved. All projects included in the debt issuance have debt previously authorized as a capital financing source, typically through the budget process. The City reviews capital project status reports regularly and this analysis along with cash flow requirements, budget considerations and market conditions determine the amount and timing of debentures issued each year.

The City typically performs only one debt issuance per year. Debt issuances of the City of London are denominated in Canadian dollars. As outlined in the City's Debt Management Policy, the 2026 proposed debt issuance is aligned with a term preference of 10 years to minimize the cost of borrowing while balancing intergenerational equity. The City's Aaa credit rating (maintained for 49 consecutive years) enables the City to issue debentures at the lowest rate possible based on the City's credit profile.

2.0 Discussion and Considerations

A review of approved capital projects indicates that projects meeting the required criteria for long-term debenture financing total \$20,000,000 in 2026. The details of these projects are listed in **Appendix A and B**. In preparing the 2026 debenture issuance projects and amount, the issuance amount has been reduced by the application of debt substitution in the amounts of approximately \$4.7M for general property tax supported debt and \$0.1M for wastewater rate supported debt.

Over the past five years, the City has issued a total of approximately \$143.4 million in long-term debt as follows:

Issuance Settlement Date	Amount of Issuance (\$)	Term (years)	All in Rate of Borrowing*
17-October-2025	21,671,000	20	4.33%
20-May-2025	26,200,000	10	3.76%
29-April-2024	30,000,000	10	4.43%
1-May-2023	21,500,000	10	3.88%
9-May-2022	21,000,000	10	3.56%
16-April-2021	23,000,000	10	1.82%
Total	143,371,000		

*All-in rate includes fees

As part of the debenture issuance process, the City's fiscal agents provide advice on the form and timing of the issuance. The three main types of debenture issuances are:

1. Serial debentures - debt instrument that matures in approximate equal installments over a period of time, with unique coupon (interest) rates for each year.
2. Amortizing debentures - debt instrument where the principal is paid down over the life of the debenture according to an amortization schedule, typically through equal payments and one coupon rate.
3. Bullet debentures - debt instruments whose entire principal value is paid all at once on the maturity date, as opposed to periodic principal payments over the life of the debenture. These types of debentures are best suited for municipalities issuing greater than \$75 million and are structured so that a sinking fund is established to cover the principal value upon maturity.

Upon authorization to proceed with the issuance of debentures in the capital markets, CIBC Capital Markets (as the lead on the City's 2026 debenture issuance) will launch and market the City's debenture issuance deal in the capital markets upon suitable market conditions. Once successfully placed with investors, the debt is formally priced and effectively sold/considered issued. Settlement of the trade (i.e. the exchange of funds) is executed subsequently. This debenture issuance approval by Council is committing the City to issuing debt if successfully placed and priced within the capital markets.

The approval of the associated debenture by-law and authorization for the debenture execution is completed by Council. This is a formal step to facilitate the registration and settlement of the associated debentures. In addition to the debenture by-law and debentures, several registration forms, letters and certificates are required for execution by either the City Clerk, City Treasurer or both. The authorization to execute these documents will provide for the administrative ability to execute other required documents during the process, resulting in a shortened settlement time and providing administrative efficiencies around document execution.

A report will be brought forward to the Infrastructure and Corporate Service Committee to enact the associated debenture by-law and debenture. It is anticipated that an update on the City's debenture issuance deal will be brought to Committee and Council in late April 2026. At that point, the City's debentures will have effectively been issued and the approval represents a procedural step in completing the issuance.

3.0 Financial Impact/Considerations

The financial impact of this debenture issuance has been included in the 2024 to 2027 Multi-Year Budget and will also be incorporated in future Multi-Year Budget submissions. Furthermore, proceeds from our debt issuance will represent a cash injection to the City to aid in managing cash flows and maintaining a positive liquidity position.

4.0 Key Issues and Considerations

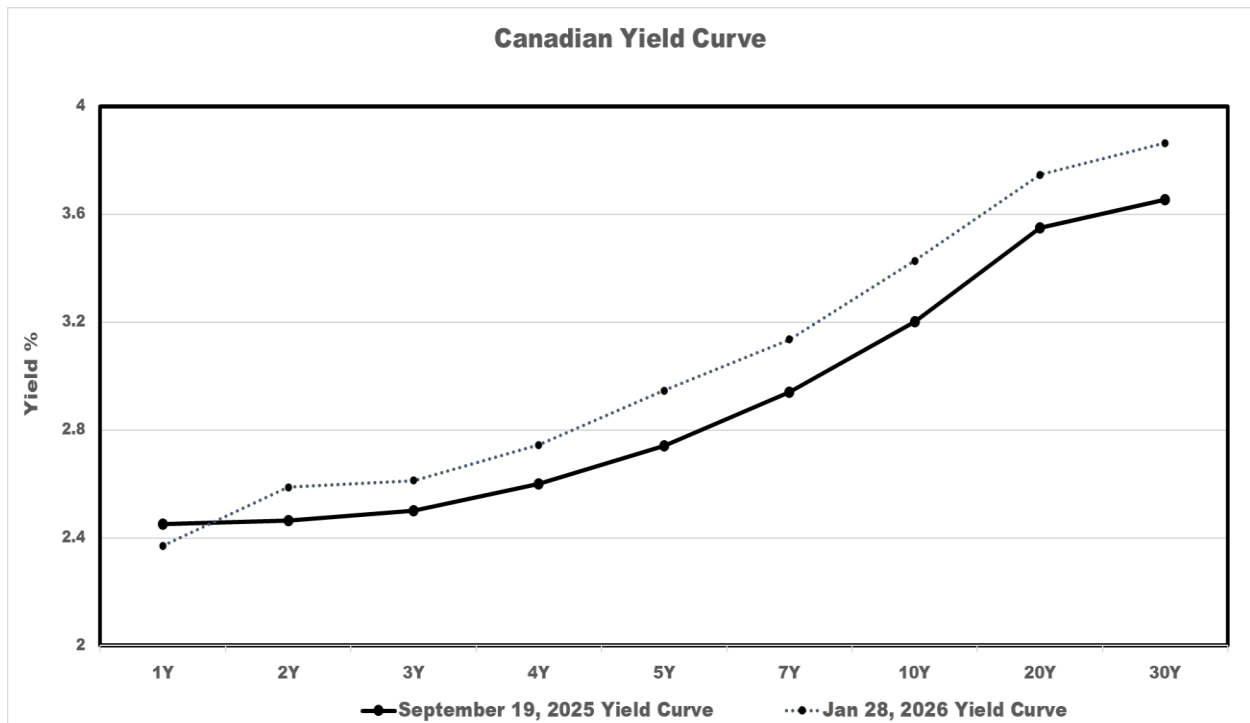
4.1 Current Market Conditions

Investor demand for municipal debenture issuance remains strong. The market has seen several issuances in the municipal space early in 2026, including issuances from City of Montreal and City of Toronto being completed. Civic administration is continually in touch with its fiscal agents to monitor the evolving markets and impacts to the City's upcoming debt issuance.

The Bank of Canada (BOC) has maintained the overnight rate, which is currently at 2.25%, since December 2025; the last interest rate cut by BOC was on October 29, 2025 where the interest rate was reduced from 2.5% to 2.25%. The overnight rate is the rate at which major financial institutions borrow and lend one-day (or "overnight") funds among themselves. Changes in this rate and associated expectations of short-term rates into the future influences the Canadian "yield curve" (which is a graphical representation of the

varying interest rates across different terms). The City's issuance is priced based on spreads added to the Government of Canada yield curve as a starting point, with the yield curve also including long-term rates. As bond yields reduce with decreasing interest rates, the City's anticipated issuance rate decreases. Similarly, as bond yields increase, the City's anticipated issuance rate increases. Civic administration continues to monitor market expectations regarding the future path of the BOC overnight rate and Canadian yield curve.

The following is a summary of the Canadian yield curve at the last BOC rate announcement compared to the timing of pricing of the City's last issuance.



Source: Refintiv

Conclusion

The City's 2026 planned debt issuance will provide the required long-term funding for the identified projects within Appendix A and aligns with the City's Debt Management Policy. This approval will provide the authorization to issue and effectively price and sell debentures in the capital markets.

- Prepared by:** Folakemi Ajibola, CTP, ACMA, CGMA, Manager, Treasury
- Submitted by:** Kyle Murray, CPA, CA, Director, Financial Planning and Business Support
- Recommended by:** Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Appendix “A”

Capital Projects for 10 Year Issuance

THE CORPORATION OF THE CITY OF LONDON					
SCHEDULE “A” TO BY-LAW NO. D.-● -●					
(1)	(2)	(3)	(4)	(5)	(6)
By-Law Number	Capital Work Description	Approved Principal Amount to be Financed Through the Issue of Debentures	Principal Amount of Debentures Previously Issued	Principal Amount of Debentures to be Issued	Term of Years
		\$	\$	\$	
W.-5703-173	Capital costs in connection with the Biosolids Processing Upgrades project (ES5022)	7,026,956	6,146,975	800,933	10
W.-5710-53	Capital costs in connection with the New Fire Stations project (FS1090)	4,109,240	0	1,725,000	10
W.-5696-279 W.-5696(a)-50	Capital costs in connection with the Fire Station 15 – New Station project (FS1087)	3,654,749	908,000	1,341,161	10
W.-5683-100 W.-5683(a)-65 W.-5683(b)-48	Capital costs in connection with the East London Link- Construction Rapid Transit project (RT1430-3A)	64,049,059	11,500,000	9,451,483	10
W.-5699-66 W.-5699(c)-153 W.-5699(d)-267	Capital costs in connection with the Wellington Gateway (South) Construction Rapid Transit (RT1430-1A)	69,910,839	0	5,055,000	10
W.-5706-210 W.-5706(a)-52	Capital costs in connection with the East London Link – Stops Rapid Transit project (RT1430-3D)	5,601,910	2,000,000	549,215	10
W.-5701-154 W.-5701(a)-51 W.-5701(b)-37	Capital costs in connection with the Wellington Gateway – Stops Rapid Transit project (RT1430-1D)	11,922,052	1,260,000	1,077,209	10
TOTAL				20,000,000	

Amounts are subject to rounding.

Appendix “B”

Debt Issuance Amount and Source of Financing for 2026 Issuance

Budget	Funding Source	Project	Amount to be Financed (\$)
Property Tax	General Property Tax Levy Supported	FS1090 - Relocate Existing Resources to New Fire Stations	1,725,000
Property Tax	RESF91-City Services Fire Reserve Fund	FS1087 - Fire Station 15 - New Station	1,341,161
Property Tax	RESF82-City Services Roads Reserve Fund	RT1430-1A - Wellington Gateway South - Construction Rapid Transit	5,055,000
Property Tax	RESF82-City Services Roads Reserve Fund	RT1430-3A - East London Link - Construction	9,451,483
Property Tax	RESF95-City Services Transit Reserve Fund	RT1430-1D - Wellington Gateway - Stops	1,077,209
Property Tax	RESF95-City Services Transit Reserve Fund	RT1430-3D - East London Link - Stops	549,215
Wastewater and Treatment	Wastewater Rate Supported	ES5022 - Biosolids Processing Upgrades	800,933
		Total 2026 Debenture Issuance	20,000,000