

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON DECEMBER 11, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	REQUEST FOR PROPOSAL 18-41: FISCAL AGENT SERVICES

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to Request for Proposal, 18-41, Fiscal Agent Services:

- a) The proposals submitted by the following recommended proponents **BE ACCEPTED**; it being noted the proposals from the following proponents scored the highest overall during the evaluation:

RBC Dominion Securities Inc.
200 Bay Street, Royal Bank Plaza, North Tower, 2nd Floor
Toronto, Ontario M5J 2W7

National Bank Financial Inc.
The Exchange Tower, 130 King Street West 4th Floor Podium
Toronto, Ontario M5X 1J9

The Toronto-Dominion Bank
Ernst & Young Tower, 222 Bay Street West, 7th Floor
Toronto, Ontario M5K 1A2

- b) The attached proposed by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting on December 18, 2018, to authorize the approval of a Fiscal Agent Agreement (Schedule "A") with the above proponents, and to authorize the Mayor and City Clerk to execute the agreement.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Corporate Services Committee, March 5, 2018, Agenda Item 2.1 – 2018 Debenture Issuance Update

LINK TO THE 2015-2019 STRATEGIC PLAN

Council's 2015-2019 Strategic Plan for the City of London identifies "Leading in Public Service" as one of four strategic areas of focus. Request for Proposal 18-41 Fiscal Agent Services, supports this strategic area of focus by contributing towards the strategic priority "Proactive financial management". The "Proactive financial management" strategic priority involves, among other things, making sure that the City's finances are well planned and that they support intergenerational equity. Ensuring debt is issued at the appropriate time, structure, and interest rate can assist in reducing debt servicing costs and have a positive impact on financial results for years to come.

BACKGROUND

Municipalities issue debt to raise capital to fund infrastructure projects, such as sewer replacement, road works, and construction of recreation facilities. The most common practice for issuing debt is through the capital markets. In doing so, it is necessary to engage a fiscal agent to act on behalf of the municipality.

The primary responsibility of the City's fiscal agent is to procure subscriptions for debentures the City issues and sells. The City's fiscal agent is also responsible for the following:

- a) providing advice and assistance to the City with respect to the timing, structure, principal terms and conditions of debenture issuances, including the rates of interest, dates of maturity and ratings of debentures;
- b) developing a broad approach to borrowing strategies as well as providing the City with economic reports and financial market information relative to the issuance of the City's debentures;
- c) making available appropriate personnel to meet with representatives of City Council to discuss general economic conditions and market opportunities, as well as participating in any discussions relating to the City's debentures with credit rating agencies;
- d) pre-marketing, marketing and advertising each debenture issuance including preparation of the offering circular prospectus (a document which provides important information to prospective investors about a new issuance of the City's debentures);
- e) preparing and assisting in the issuance process; and
- f) providing other advice, assistance and services the City may require.

The City works with a team of fiscal agents known as a "syndicate", to issue debentures through the capital markets. The advantages of having more than one agent are: to set a better price on debentures, to market the issuance to a larger pool of potential investors, to provide a broader economic and financial knowledge base, and to decrease risk for the City in terms of selling debentures. If the lead fiscal agent is unable to sell the entire issuance, the remaining amounts can be sold by the other fiscal agents in the syndicate, which helps ensure the City obtains all necessary financing. This is the approach the City has used in the past and is currently used by many other municipalities.

The City's previous fiscal agent agreement was signed on November 7, 2011 with RBC Dominion Securities Inc., CIBC World Markets Inc. and Toronto-Dominion Bank, and remained in effect until November 6, 2018.

Procurement Process

A Request for Proposal (RFP) was issued on August 8, 2018 and closed on September 6, 2018 with five submissions being received. The RFP specified that the City intended to enter into an agreement with up to three fiscal agents for a period of four years with the City's option to extend for an additional three years. The evaluation criteria used in the selection process included the following:

- Experience and abilities of the proponent
- Qualifications of the proponent's team
- Fee arrangement
- Financial stability of the proponent
- Flexible and innovative approaches
- Alignment with the City's mission, vision, and values

The evaluation process was completed by a team from Financial Planning & Policy with guidance from Purchasing and Supply. Based on the evaluation, the following proponents scored the highest and are being recommended to enter into a fiscal agent agreement with the City of London:

- RBC Dominion Securities Inc.
- National Bank Financial Inc.
- Toronto-Dominion Bank

The lead agent position will be rotated among the recommended proponents for each issuance. The proponent that ranked first, based on the scoring of the evaluation criteria, will be the lead agent on the first issuance.

Financial Impact

The remuneration for these services is commission earned on the execution of a debenture transaction and proportioned between the agents based on the role they played in the issuance. The commission varies depending on the type of debenture issued, the term of the debenture, and the size of the debenture. The fee schedule is included in section 5 of the Fiscal Agent Agreement (Schedule "A"). The fees cover costs associated with issuing debentures, including marketing of the City's debentures. The fee structure is regulated across the industry and remains unchanged from the last fiscal agent agreement. Debenture issuance commissions/fees have been included in the approved 2016-2019 Multi-Year Budget.

CONCLUSION

A fiscal agent assists the City with issuing debt, which ensures the delivery of the capital plan and other services in a manner that is consistent with the City's Strategic Plan. This fiscal agent agreement ensures we have the best team in place to issue debt at the most appropriate time, structure, and interest rate, which helps maintain the City's financial health and stability.

PREPARED BY:	REVIEWED BY:
JOSH WEAVER, CPA, CA MANAGER, FINANCIAL MODELLING, FORECASTING & SYSTEMS CONTROL	MARTIN GALCZYNSKI, CPA, CA MANAGER, FINANCIAL PLANNING & POLICY
CONCURRED BY:	RECOMMENDED BY:
KYLE MURRAY, CPA, CA DIRECTOR, FINANCIAL PLANNING & BUSINESS SUPPORT	ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER

Attachments: Appendix "A" – By-law
Schedule "A" – Fiscal Agent Agreement

Cc: Sarah Denomy, Procurement Officer, Purchasing and Supply

APPENDIX "A"

Bill No.
2018

By-law No.

A By-law to approve a Fiscal Agent Agreement between The Corporation of the City of London (the City), RBC Dominion Securities Inc., National Bank Financial Inc., and The Toronto-Dominion Bank; and to authorize the Mayor and City Clerk to execute the agreement.

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001*, S.O. 2001, C.25, as amended, provides a municipality with the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority;

AND WHEREAS section 10 of the *Municipal Act, 2001* provides that the City may provide any service or thing that the City considers necessary or desirable for the public, and may pass by-laws respecting same, and respecting economic, social and environmental well-being of the City, and the health, safety and well-being of persons;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Fiscal Agent Agreement between The Corporation of the City of London and RBC Dominion Securities Inc., National Bank Financial Inc., and The Toronto-Dominion Bank attached as Schedule "A" is approved.
2. The Mayor and the City Clerk are authorized to execute the Fiscal Agent Agreement approved under section 1 of this by-law.
3. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on December 18, 2018

Ed Holder
Mayor

Catharine Saunders
City Clerk

First reading – December 18, 2018
Second reading – December 18, 2018
Third reading – December 18, 2018

SCHEDULE "A"

The City of London
P.O Box 5035, City Hall
300 Dufferin Avenue
London, Ontario
N6A 4L9

Attention: Ms. Anna Lisa Barbon
Managing Director, Corporate Services and
City Treasurer, Chief Financial Officer

Dear Madam:

We understand that the Corporation of The City of London (the "City") wishes to appoint RBC Dominion Securities Inc., National Bank Financial Inc., and The Toronto-Dominion Bank as its fiscal agents in connection with the issuance and sale from time to time of debentures of the City, on and subject to the terms and conditions set forth below.

1. Appointment and Acceptance

The City hereby appoints RBC Dominion Securities Inc., National Bank Financial Inc., and The Toronto-Dominion Bank (the "Agents") as its fiscal agents to offer for sale and sell to purchasers in Canada and the United States debentures issued by the City during the term of this Agreement and to provide the services referred to herein in connection therewith, and the Agents hereby accept such appointment and agree to provide such services, on and subject to the terms and conditions contained herein. The book running responsibility will rotate amongst the Agents on an ongoing basis unless otherwise decided by the City.

2. Exclusivity

The City acknowledges and agrees that the Agents shall be its exclusive agents in respect of the offering and sale to purchasers in Canada and the United States of all debentures issued by the City during the term of this Agreement, other than debentures with a maturity of less than one year or debentures created for sale and sold to the Government of Canada or the Government of Ontario or any agency or instrumentality thereof.

The City further acknowledges and agrees that, if the City wishes hereafter to offer debentures for sale to purchasers located outside Canada or the United States, the City will afford the Agents a first right to submit a proposal to act as its agents in connection therewith and, subject to such terms and conditions as may be mutually agreed between the City and the Agents, to be appointed as its agents for such purposes.

3. Duties of the Agents

The Agents will use their reasonable efforts to procure subscriptions for all debentures of the City issued and sold from time to time hereunder. In addition, in carrying out their duties here under, the Agents will:

(a) provide advice and assistance to the City in respect of the timing, structure and principal terms and conditions of such debentures, including the rates of interest, dates of maturity and rating thereof;

(b) make available appropriate personnel to meet from time to time with representatives of City Council to discuss general economic conditions and market opportunities and to participate in any discussions with rating agencies relating to the City's debentures; and

(c) provide such other advice, assistance and services as the City and the Agents may from time to time agree.

The Agents in consultation with the City may from time to time form a selling group of other investment dealers or brokers as the Agents considers appropriate in connection with the issuance and sale of debentures hereunder.

4. Covenants of the City

The City acknowledges and agrees that the timing, structure and principal terms and conditions of debentures issued and sold hereunder shall be mutually agreed between the City and the Agents. In connection with all such issuances, the City undertakes and agrees, on or before the closing of each issuance, to:

(a) supply the Agents with such information relating to the City as the Agents may reasonably require for marketing purposes; and

(b) pass all such by-laws, execute all such certificates and do all such other things as the Agents and its counsel may reasonably require be passed, executed or done by the City to enable such counsel to provide upon closing a legal opinion in form and substance satisfactory to the Agents, acting reasonably.

By its execution hereof, the City authorizes use by the Agents for marketing purposes of all information delivered pursuant to section 4(a) and represents and warrants that all such information will be true and correct as of its date of delivery and at all times thereafter until amended, supplemented or withdrawn in writing by the City.

5. Fees and Expenses

In consideration for the Agents' services hereunder, the City undertakes and agrees to pay commission to the Agents in respect of debentures issued and sold hereunder to investors in an amount equal (per \$100 of principal):

Term (Yrs)	Installment Debentures		Sinking Fund		Amortizer	
	< C\$100 Million	> C\$100 Million	< C\$100 Million	> C\$100 Million	< C\$100 Million	> C\$100 Million
1	\$0.25	\$0.20				
2	\$0.25	\$0.20				
3	\$0.35	\$0.30				
4	\$0.45	\$0.40				
5	\$0.50	\$0.45	\$0.50	\$0.40		
6	\$0.60	\$0.55				
7	\$0.70	\$0.65	\$0.70	\$0.45		
8	\$0.75	\$0.70				
9	\$0.75	\$0.70				
10	\$0.75	\$0.70	\$0.75	\$0.60		
> 10	\$0.80	\$0.75	\$0.80	\$0.70	\$0.80	\$0.70

In all other cases, the City undertakes and agrees to pay commission to the Agents at such rate as shall be agreed upon by the City and the Agents. The commission structure will be reviewed a minimum of once a year or as dictated by changes occurring within the municipal industry.

The City further undertakes and agrees, whether or not a particular issuance of debentures is completed, to pay all of the expenses associated with the issuance of debentures hereunder, including the expenses of printing and delivery of debenture certificates and the reasonable fees and disbursements of the Agents' legal counsel.

The Fiscal Agents will be responsible for their travelling and out-of-pocket expenses, advertising, offering circular and other marketing documents and other matters relating to the marketing of issues. Fiscal Agents will also be responsible for Clearing and Depository Services Inc. (CDS) and Book-Entry-Only (BEO) fees.

6. Mutual Indemnification

6.1 The City agrees to indemnify and save harmless the Agents and each of their respective directors, officers, employees and agents from and against all direct losses (except loss of profits), claims, actions, suits, proceedings, damages, liabilities or expenses (each, a "Claim") of whatsoever nature or kind incurred or sustained by any of such persons arising directly or indirectly from the failure by the City to perform its obligations hereunder or from reliance by the Agents on the representations and warranties of the City contained herein.

6.2 Each Agent severally and not jointly (or jointly and severally) agrees to indemnify and save harmless the City, its officers, employees and agents from and against all direct losses, claims, actions, suits, proceedings, damages, liabilities or expenses (each, a "Claim") of whatsoever nature or kind incurred or sustained if and to the extent that a court of competent jurisdiction in a final, non-appealable judgment in a proceeding in which such Agent is named as a party determines that such Claim resulted from the negligence or bad faith by such Agent.

7. Contract Period

This Agreement shall be effective upon execution by the City and will continue in force until December 18th, 2022. The City at its absolute sole discretion has the option to renew the contract for an additional three (3) year period.

8. Termination

This Agreement may be terminated by either party at any time upon ninety (90) days' prior written notice given to the other party. In addition, the Agents may upon written notice terminate its obligations hereunder at any time, if, in the reasonable opinion of the Agents, there should occur or develop any event in the affairs of the City that would have a material adverse effect, financial or otherwise, on the assets, liabilities, capital, business or operations of the City.

Termination of this Agreement or the obligations of the Agents hereunder shall not affect sections 5 and 6, which shall survive and continue in force notwithstanding such termination. From and after the effective date of any such termination, no further commissions shall be payable hereunder, other than those payable on debentures of the City which were sold, and for which the City received full value, prior to the effective date of termination.

9. Notice

Any notice or other written communication required or permitted to be given hereunder may be delivered by hand, prepaid registered mail or by facsimile, addressed, in the case of the City as follows:

The Corporation of The City of London
P.O Box 5035, City Hall
300 Dufferin Avenue
London, Ontario
N6A 4L9
Attention: Anna Lisa Barbon
Managing Director, Corporate Services and
City Treasurer, Chief Financial Officer
Facsimile: (519) 661-5932

and, in the case of the Agents, as follows:

RBC Dominion Securities Inc.
P.O. Box 50, 200 Bay Street
Royal Bank Plaza, North Tower, 2nd Floor
Toronto, Ontario
M5J 2W7
Attention: Kevin Martin, Director, Government Finance
Facsimile: (416) 842-7752

National Bank Financial Inc.

The Exchange Tower
130 King Street West 4th Floor Podium
Toronto, Ontario
M5X 1J9
Attention: David Berner, Managing Director, Government Finance
Facsimile: (416) 869-8648

The Toronto-Dominion Bank
Ernst & Young Tower
222 Bay Street West, 7th Floor
Toronto, Ontario M5K 1A2
Attention: Les Peterdy, Director, Government Finance
Facsimile: (416) 983-4154

or to such other address as a party may have specified by notice in writing given under this section. Any such notice or other communication, if delivered, shall be effective upon delivery, if mailed, shall be effective upon the fifth business day after the mailing thereof, and, if sent by facsimile, shall be effective on the business day next following the date of transmission.

10. Miscellaneous

This Agreement may not be amended except by instrument in writing signed by the parties, may not be assigned and shall be binding upon and ensure to the benefit of the parties and their respective successors.

If any provision of this Agreement is determined to be void or unenforceable in whole or in part, such void or unenforceable provision shall not affect or impair the validity of any other provision of this Agreement and shall be severable from this Agreement. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

If the foregoing is in accordance with your understanding, please signify the City's acceptance by signing and returning the accompanying duplicate of this letter, whereupon this letter will constitute a binding agreement between the City and the Agents.

Yours Truly,

RBC DOMINION SECURITIES INC.

Per:  _____

NATIONAL BANK FINANCIAL INC.

Per:  _____

THE TORONTO-DOMINION BANK

Per:  _____

Accepted and agreed as of December 18, 2018
THE CORPORATION OF THE CITY OF LONDON

Per: _____
Ed Holder, Mayor

Per: _____
Catharine Saunders, City Clerk