

**From:** "Mochrie, Paul" <Paul.Mochrie@vancouver.ca>  
**To:** "Direct to Mayor and Council - DL"  
**Date:** 10/22/2021 2:42:11 PM  
**Subject:** FW: 2021 City of Vancouver \$100 million Inaugural Sustainability Bond Update  
**Attachments:** Memo to Mayor CFS Chair CM DOF - 2021 Bond Issuance.pdf

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Good afternoon Mayor and Council,

I am sharing for your information the attached memo from Patrice Impey regarding the issuance of the City's first Sustainability Bond.

Please let me or Patrice know if you have any questions.

Best,  
Paul

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**From:** Impey, Patrice <Patrice.Impey@vancouver.ca>  
**Sent:** Friday, October 22, 2021 1:15 PM  
**To:** Stewart, Kennedy <Kennedy.Stewart@vancouver.ca>; Bligh, Rebecca <Rebecca.Bligh@vancouver.ca>; Mochrie, Paul <Paul.Mochrie@vancouver.ca>  
**Cc:** Cheng, Grace <grace.cheng@vancouver.ca>; Tia, Anthony <Anthony.Tia@vancouver.ca>; Jong, Teresa <Teresa.Jong@vancouver.ca>  
**Subject:** 2021 City of Vancouver \$100 million Inaugural Sustainability Bond Update

Dear Mayor Kennedy, Councillor Bligh, and Paul,  
Attached is an update from our City Treasurer, Tim Leung, and I regarding our issuance of the City's inaugural Sustainability Bond. This is for information only to provide you with the status of the financial market and the issuance that was approved by Council in July, 2021, as is our regular process outlined in that report (RTS#14199). As noted in the memo, we plan to proceed with the launch of the issue as early as October 25<sup>th</sup>, subject to favorable market conditions.

If you have any questions, please feel free to contact me. I have copied the content below for ease of review.

Best Regards,  
Patrice

**TO:** Mayor Kennedy Stewart  
Councillor Rebecca Bligh M Chair of City Finance & Services  
Paul Mochrie M City Manager  
**CC:** Grace Cheng M Deputy City Treasurer  
Anthony Tia M Treasury Senior Analyst  
**FROM:** Patrice Impey M Director of Finance  
Tim Leung M City Treasurer  
**SUBJECT:** 2021 City of Vancouver \$100 million Inaugural Sustainability Bond

On July 20, 2021, Council authorized the Director of Finance to proceed with the issuance of \$100 million of City of Vancouver's inaugural Sustainability Bond (RTS#14199) and set the interest rate, price and other terms and conditions on which the bonds will be issued.

This memo is to advise you that current conditions for issuance continue to be stable and we will proceed to launch the issue as early as October 25, subject to favourable market conditions.

Market conditions:

- Market volatility will continue to be heightened due to the global social and economic implications of COVID-19.
- Despite some investor frictions for longer than 10 years, primary issuance market conditions for 10 years remain in good shape.
- With the City's strong credit ratings of AAA (S&P Global Ratings) and Aaa (Moody's Investors Service), City of Vancouver debentures will be sought after by major institutional investors who are interested in quality investments with maturities of 10 years.
- This year, the City will issue a \$100 million Sustainability Bond with a maturity of 10 years (2031) to finance capital projects that meet the eligible green and social capital projects under the City's Sustainability Bond Framework. This new bond framework was upgraded in June 2020 (City's Investor Relations webpage: <https://vancouver.ca/your-government/investor-relations.aspx>) from the 2018 Green Bond Framework.

Interest Rate outlook:

- Following the fall-out of COVID, interest rates are at historically low levels.
- The 10-year yield on Government of Canada bonds has risen to 1.70% over the course of the year and has returned to pre-COVID levels.
- With inflationary data starting to spike as global economic recovers, banks are forecasting that the 10-year rate can increase to approximately 2.00% by the end of 2021. This provides an opportunity for the City to access 10-year funding at relatively low cost.

Issue structure & pricing:

- Current expectation is an all-in cost of approximately 2.30% - 2.50% for a new 10-year debenture. The last 10-year debenture issued in 2020 was struck at 1.40%.

Debenture syndicate:

- The debenture will be sold to a syndicate of brokers who will be responsible for the sale of the debenture and will assume any risks associated with the sale.
- BMO Capital Markets is appointed as Senior Lead with CIBC World Markets Inc. and TD Securities acting as Co-Leads for the syndicate for the City's debenture issuance.
- The economic compensation to the syndicate members is based on the allocation resulting from the recent syndicate review as shown in the table below.

<b>2021 Debenture Syndicate</b>		
<b>Bank Appointments and Economic Allocations</b>		
<b>Lead Group</b>	BMO Capital Markets as Senior Lead (24%)	<b>24%</b>
	CIBC World Markets Inc. (20%) and Toronto-Dominion Bank (20%) as Co-Leads	<b>40%</b>
<b>Co-Managers</b>	National Bank Financial Inc. (12%), RBC Capital Markets (12%) and Scotia Capital Inc (8%) as Co-Managers	<b>32%</b>
<b>Banking Group</b>	Casgrain & Company Limited (2%) & Canaccord (2%)	<b>4%</b>
	<b>Total</b>	<b>100%</b>

In summary, the Director of Finance will launch a City of Vancouver inaugural Sustainability Bond issue of \$100 million if market conditions are favourable as early as October 25, 2021. Once completed, we will advise the on the final rate, price, and other terms and conditions on which the debenture is issued, and within ten days, bring forward a by-law authorizing such borrowing to Council for adoption.

**This memo is for your information and no further action is required.**

## MEMORANDUM

October 22, 2021

TO: Mayor Kennedy Stewart  
Councillor Rebecca Bligh – Chair of City Finance & Services  
Paul Mochrie – City Manager

CC: Grace Cheng – Deputy City Treasurer  
Anthony Tia – Treasury Senior Analyst

FROM: Patrice Impey – Director of Finance  
Tim Leung – City Treasurer

SUBJECT: 2021 City of Vancouver \$100 million Inaugural Sustainability Bond

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