



Climate action for a
healthy, **equitable,**
prosperous **Toronto.**

City of Toronto: Green Debenture Program

January 2019



Presentation Highlights

1. Sustainability Goal & Strategy
2. Green Bond Market
3. Green Bond Program
4. EcoFiscal Toolbox



Sustainability Goal & Strategy

TransformTO Climate Action Strategy



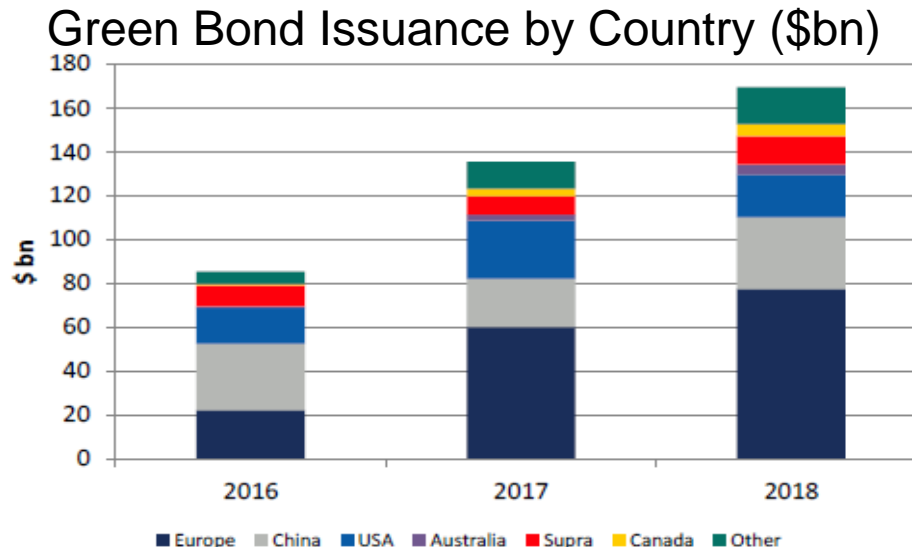
TransformTO

- Unanimously adopted community-wide strategy to achieve a low carbon, healthy, equitable, prosperous and resilient future for Toronto
 - Target: Achieve an 80% emissions reduction by 2050
- City Council approved suite of 23 carbon reduction actions across buildings, energy, transportation and waste sectors
- \$60 billion investment opportunity in transforming our key urban systems
- 2/3 modeled actions have positive NPV



Green Bond market

- More investors continue to shift towards socially responsible investing.
- Higher quality of investors: Green bond exhibit less volatility as investors tend to have more of a buy-and-hold strategy with a long term focus.
- Green Bond issuance denominated in CAD was up significantly in 2018 (\$8.3bln in 2018 vs \$1.9bln in 2017; 13 deals in 2018 vs 4 deals in 2017)



Source: Bloomberg, Climate Bonds Initiative, BMO CM



Green Bond Program

- The City started a Green Bond Program to support Toronto's capital projects starting in 2018. It is part of the City's overall capital borrowing program.
- Toronto is one of the first municipalities to establish a Green Bond Program in Canada.
- Same financial and legal characteristics of other City Bonds (General Obligation Bond) but net proceeds will be used to fund projects supporting City's environmental sustainability strategies

“The City of Toronto Green debenture is credible and impactful, and aligns with the four pillars of the Green Bond Principals 2017”

Sustainalytics

Green Bond Program



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- In 2018, City issued a \$300 million sinking fund Green bond on July 18, 2018. It was priced to yield 3.213%.
- The issue was over-subscribed with orders from 36 investors. The issuance price was slightly less than the City's typical non-green issue.
- Green Bond Market

(Source: BMO)	USD Markets (bp)	EUR Markets (bp)	City of Toronto (bp)
Average premium	1.2	1.0	1.0

- Bp = 1 basis point = 0.0001

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Sustainalytics

- The program framework has received a positive external opinion from Sustainalytics, a leading Green Bond second-party opinion provider. The opinion can be found in the following website link:
 - <https://www.toronto.ca/city-government/budget-finance/city-finance/investor-relations/green-debenture-program/assurance/>

The Framework is aligned with the four pillars of the
Green Bond Principles:



1. Use of Proceeds – Project Eligibility Criteria



2. Project Evaluation and Selection Process



3. Management of Proceeds



4. Reporting

The Framework can be found in the following website link:

<https://www.toronto.ca/city-government/budget-finances/city-finance/investor-relations/green-debenture-program/green-debenture-framework/>

Toronto's Green Bond Program Framework defines the types of eligible projects for proceeds from Green Bonds. Eligible project categories include, without limitation:

Eligibility
Criteria:

Renewable energy (excl hydropower > 25MW and nuclear power)

Energy efficiency

Pollution prevention & control and utilizing waste as a resource

Sustainable clean transportation

Sustainable water and waste water management

Climate change adaption and resilience

Eco-efficient and/or circular economy principles integration

Green buildings

Selection Process of Eligible Projects

- Corporate Finance Division (CFD) responsible for selection of eligible projects in consultation with internal and external expert stakeholders
- CFD to verify suitability and eligibility in collaboration with the Environment & Energy Division
- Eligible projects must be included in the council-approved capital budgets and authority verified by external legal firm

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Management of Proceeds

- Majority of capital projects funded by bond proceeds have been completed or are substantially complete
- Bond proceeds applied directly to project to repay temporary funding for the project
- Bond **by-law** includes schedule listing capital projects to be financed by the debenture
- In the rare cases, where substantial completion is yet to meet, funds will be held in a City account and tracked to ensure future allocation to the designated projects in compliance to the debenture by-law.

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Green Bond Program Framework: Impact Reporting



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- The City will publish an annual newsletter on its website to address both funding allocation and sustainability impact reporting including:
 - Bond by-laws outlining the specific projects and amounts funded by green debentures;
 - Summary of the City's green bond program developments including existing and future projects;
 - Updates with respect to distribution of unspent bond proceeds;
 - Project updates and status reports for Eligible Projects, when possible
 - Key performance indicators on projected environmental benefits


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First Issuance: Eligible Projects



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Projects	Eligibility Criteria
<p>Toronto Transit Commission</p> <ul style="list-style-type: none">- Leslie Barns LRT Maintenance and Storage Facility- Purchase of Subway Cars- Scarborough Subway Extension- Renewal of Core and Supporting Infrastructure of Electric Rail	<p>Sustainable Clean Transportation</p> 
<p>Union Station Revitalization</p>	<p>Energy Efficiency</p> 

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EcoFiscal Toolbox

RECOVERABLE DEBT FINANCING

- Eligible to City Divisions, Agencies and Non-profit sector
- 100% of incremental project costs
- Project must demonstrate a positive business case and payback within 20 years
- Virtually 'no limit' to capital City's capital program
- No impact on debt target
- Opportunity to incorporate a carbon price into business case



LOCAL IMPROVEMENT CHARGE FINANCING

- City provides up to 100% of cost to homeowners for energy efficiency and renewable energy projects
- Loan is not a personal debt, attached to property, transfers at time of sale
 - Repaid via property tax bill
- Homeowners benefit from low-borrowing rates and longer payment terms
- Priority lien status → High-level of security

HOME
ENERGY
LOAN
PROGRAM

Money going out the window?

Improve your home comfort and save money with support from the City of Toronto.

GET A LOW-INTEREST LOAN FOR NEW WINDOWS, DOORS, ENERGY-EFFICIENT FURNACES, INSULATION AND MORE.



USE **30%** LESS ENERGY*



SAVE **\$560** PER YEAR on your energy bills*



get up to **\$2,250** IN INCENTIVES

*Average HELP participant results

LEARN MORE AND APPLY TODAY!

VISIT toronto.ca/home-energy-loan

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toronto



DEVELOPMENT CHARGE REFUND

- Available to developers that achieve Toronto Green Standard Tier II
- Financial incentive in the form of a DC refund for buildings for high-performance new construction
- Typical refund for a condominium tower is about \$500,000
- Cost-benefit analysis shows \$1.2 billion in avoided costs over 25 years related to infrastructure expansion



CARBON OFFSET CREDITS

- Offset markets are emerging in Ontario: compliance and voluntary
- Ability to commercialize emissions reductions from projects and sell to buyers
- Council adopted policy – safeguard and transact
- City of Toronto has quantified and verified 50,000 tonnes from EE in buildings → CSA Clean Projects Registry
 - Market value of \$250,000 - \$500,000
- Proceeds of sale to be reinvested in GHG reduction projects
- Opportunities for biogas and organics projects



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Finance Website:

<https://www.toronto.ca/city-government/budget-finances/city-finance/investor-relations/>.

Contains updated information including:

- Financial Reports
- Budget
- Capital Financing
- Investments
- Development Charges
- Long-Term Financial Plan
- Property Tax Policy
- Green Debenture Program