



COUNCIL REPORT

Report Date: June 30, 2026
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Meeting Date: July 15, 2026
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TO: Standing Committee on City Finance and Services
FROM: Director of Finance
SUBJECT: Debenture Program 2026

Recommendations

- A. THAT Council authorize the issuance of up to \$175 million of City of Vancouver debentures, utilizing borrowing authorities approved as part of the Capital Budgets between 2023 and 2026 as follows:

Borrowing authorities from the 2023-2026 Capital Plan:

Street and Bridge Infrastructure	\$	21,850,000
Traffic Signals and Street Lighting	\$	43,000,000
Core Operating Technology	\$	6,833,000
Renewal and Upgrades of Community Facilities	\$	40,550,000
Renewal and Upgrades of Public Safety and Other Civic Facilities	\$	14,267,000
Senior Government Partnership and/or Other Emerging Priorities	\$	2,000,000
Neighbourhood Energy Utility	\$	6,500,000
Sewers & Drainage	\$	40,000,000
Total	\$	<u>175,000,000</u>

- B. THAT, until the borrowing authorities established pursuant to Recommendation A are exercised, the Director of Finance be empowered to act and instruct the City's bank syndicate to proceed with the issuance of the debentures, and to set the interest rate, price, and other terms and conditions on which the debentures will be issued by the City. It should be noted that once the Director of Finance instructs the bank syndicate to offer the debentures in the public market, Council will be required to enact the appropriate borrowing by-law to authorize issuance of the debentures.

Purpose and Executive Summary

The purpose of this report is to seek Council's authorization for the Director of Finance to issue up to \$175 million of City of Vancouver debenture as part of the regular debenture program to finance the City's capital programs.

The borrowing authorities as outlined in this report were established in the 2023-2026 Capital Plan through Council and electorate approval. The requirement for debenture funding was approved by Council as part of capital budgets between 2023 and 2026. As the final step in the process, the Director of Finance is seeking authority to exercise these authorities to finance the capital programs. Funding for the debt servicing charges (principal and interest) arising from the proposed borrowing will be provided in the annual Operating Budgets.

Council Authority/Previous Decisions

Section 242 of the *Vancouver Charter* authorizes Council to borrow funds for the construction, installation, maintenance, replacement, repair and regulation of waterworks, sewerage and drainage and energy utility systems without the assent of the electorate.

Section 245 of the *Vancouver Charter* requires that the borrowing authority for other purposes be established through the electorate's approval of a borrowing plebiscite.

The requirement to borrow funds to finance capital programs is established by Council at the time of the approval of the annual capital budget. Borrowed funds are generally repaid over 10 years to ensure that a systematic borrowing program can be administered, outstanding debt does not accumulate to unacceptable levels, and annual debt servicing charges (principal and interest) are maintained at a level that does not put undue pressure on the operating budget.

Section 247A of the *Vancouver Charter* provides that Council may require that provision of annual debt servicing charges (principal and interest) be made in the annual operating budget. This debt repayment fund ensures that debenture holders are paid the interest component at the prescribed rate and time, and that sufficient funding is available to retire the obligation at maturity.

As a pre-condition to an external debenture issuance, Council authorizes the Director of Finance to set the interest rate, pricing and other terms and conditions of the issue, including the power to appoint and instruct the City's bank syndicate to proceed. In doing so, Council commits to enacting the appropriate borrowing by-law to authorize the issuance of the debentures.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

The City funds capital investments from a range of sources (who pays) using a balanced mix of payment methods (when to pay).

Funding sources (who pays)

- **Property tax and user fees** – to fund capital maintenance and renewal work
- **Development contributions** (Development Cost Levies, Community Amenity Contributions, Density Bonus contributions, etc.) – to fund growth-related amenities and infrastructure
- **Partner contributions** from senior levels of government, BC Housing, TransLink, foundations and philanthropists – to fund eligible capital projects

Payment methods (when to pay)

- **Pay in advance** – set aside funds in reserves ahead of future capital investments
- **Pay-as-you-go** – allocate current revenues to fund ongoing capital programs
- **Pay over time** – finance large-scale capital investments that are cost-prohibitive to be funded on a pay-as-you-go basis, and enable taxpayers that benefit from the capital investments to share the costs over time

The City manages its long-term borrowing capacity by limiting the ratio of annual debt servicing to operating revenue at a maximum of 10%. This helps ensure that annual debt servicing does not place undue pressure on the annual budget.

Pursuant to Council's authority as stipulated in the *Vancouver Charter*, the City borrows in its own name and manages its debenture portfolio with full autonomy over the timing, size, terms and conditions of the debenture issues, and the management of sinking funds established for repayment.

The City maintains among the highest municipal credit ratings in Canada, with Aaa (stable) from Moody's Investors Service and AAA (stable) from S&P Global Ratings. These strong ratings make the City of Vancouver debentures an attractive investment in both domestic and international markets. The City consistently secures competitive pricing on its annual issuances, the timing of which is depended on capital funding needs and prevailing market conditions, such as interest rate environment and investor demand.

Discussion

Market Conditions

Following a series of interest rate cuts between 2024 and 2025, the Bank of Canada reduced its overnight policy rate from 5.00% to 2.75% and has since maintained that level as inflation has remained near target and economic growth has moderated. Recent trade tensions and tariff measures, coupled with ongoing geopolitical tensions in the Middle East, have continued to create uncertainty on the outlook for inflation, business investment, and economic growth, contributing to volatility in global financial markets. Despite these headwinds, Canadian debt capital markets have remained stable and accessible, supported by solid market liquidity and sustained demand from institutional investors. Investor appetite for municipal debentures with strong credit quality has remained resilient.

The current indicative "all-in" cost for the City for a 10-year issue is in the range of 3.90% to 4.00%. The City has typically issued 10-year debentures and may consider a longer term, subject to market

conditions. Depending on market developments, the issuance could occur as early as Q4 of 2026. The Director of Finance recommends that the City positions itself to proceed to market for an issuance of up to \$175 million in debenture and obtain the required approvals in advance.

Debenture Issuance Process

The City engages a bank syndicate to manage the issuance and sale of debentures and to market City of Vancouver debentures to domestic and international investors. The bank syndicate comprises Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank Financial, Royal Bank of Canada, Scotia Capital, TD Bank, and Casgrain & Company Limited, which collectively provide extensive debenture issuance coverage for Canadian public sector issuers.

Consistent with past practices, Council will delegate authority to the Director of Finance to initiate and execute a debenture issue within the parameters set out in this report. Prior to executing a debenture issue, the Director of Finance will provide an update on the terms to the group consisting of the Mayor, the Chair of the City's Standing Committee on City Finance and Services, and the City Manager. Once the Director of Finance executes the sale of debentures into the primary market, Council is committed to enacting the appropriate borrowing by-law.

Financial Implications

As reported in the 2025 Annual Financial Report, the City had \$1,066.4 million in external long-term debt outstanding as of December 31, 2025. The City has accumulated \$393.3 million in Sinking Fund reserves for retirement of debt which leaves a net external debt outstanding of \$673.1 million. The summary of outstanding debt is included in Appendix B.

The annual debt servicing charges (principal and interest) for a \$175 million debenture issue are approximately \$24.5 million, subject to bond market conditions upon issuance. Funding will be provided in the annual operating budgets. Ongoing debt servicing charges will be offset by anticipated debt maturities and/or the use of debt stabilization reserves.

Legal Implications

This program is authorized by Part V of the *Vancouver Charter*. If the Recommendations in this report are adopted, the City will be authorized to issue up to \$175 million in debentures.

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APPENDIX A
City of Vancouver Debenture Structure
As at December 31, 2025

By-law	Issued (\$ 000's)	Maturity	Interest rate
10117	1,414	9/30/2030	1.71%
10565	120,000	10/18/2052	3.70%
11673	90,000	12/15/2026	2.70%
11941	85,000	11/3/2027	2.85%
12203	85,000	9/21/2028	3.10%
12307	1,500	11/20/2028	4.07%
12561 (re-opening)	100,000	10/18/2052	3.70%
12814	100,000	11/6/2030	1.40%
13149	100,000	11/5/2031	2.30%
13511* ¹	-	10/28/2032	3.70%
13598	1,491	12/22/2032	4.58%
13828	100,000	11/3/2033	4.90%
14146	125,000	10/25/2034	4.00%
14504	135,000	11/28/2035	3.75%
14521	8,275	12/19/2035	5.47%
Total debentures	1,052,680		
Unamortized premium ²	13,768		
Gross debt	1,066,448		
Less: sinking fund reserves	(393,324)		
Net debt outstanding	673,124		

Notes to table:

1 – Excludes the \$120,000,000 internally held debenture under By-law 13511.

2 – The unamortized premium relates to the accounting treatment for re-opening of the 2052 debentures under By-law 12561.