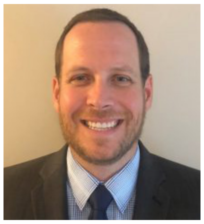
RBC Capital Markets

2023 Municipal Treasurers Roundtable

DECEMBER 2023

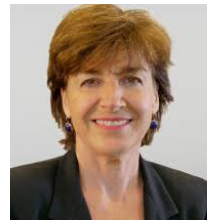
TABLE OF CONTENTS

ISSUER REPRESENTATIVES



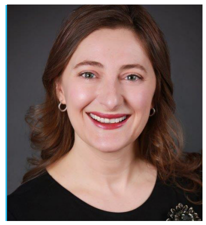
Matthew O'Rae
Chief Financial Officer,
Municipal Finance
Authority of BC

Christine Dacre
Chief Financial Officer,
TransLink



Patrice Impey
Chief Financial Officer,
General Manager of Finance Risk
and Supply Chain Management,
City of Vancouver

Craig Dyer
Commissioner of Corporate
Services and Chief
Financial Officer,
Region of Waterloo



Laura Mirabella
Commissioner of Finance and
Regional Treasurer,
Region of York

MODERATOR

Mansoor Khan
Director, RBC Government
Finance

MUNICIPAL TREASURERS KEY THEMES

1. **Cautious Outlook:** Municipalities are approaching the 2024 budget planning process with higher inflation cost, affordable housing and social services expense top of mind. 2023 spendings have been generally on track with anticipation of a modest FY surplus. Ridership surprised on the upside which boosted revenue, though how to fund affordable housing under higher inflation driven costs remains a major concern into 2024. The uncertainty on Bill 23's trajectory continues to pose additional burden for the municipalities.

2. **Inflation Cost:** The most critical factors on the operating side are cost inflation and expense related to social programs, which persisted throughout 2023 and are expected to continue into 2024. Development expense, facility operation and maintenance costs have risen significantly due to surging inflation. Furthermore, Social services such as police and fire department also experienced heightened demand fueled by a combination of mental health issue, addiction and homelessness.

3. **Housing:** Affordable housing has remained a focal point this year with persistent gap between buyer and seller pricing expectations. In response, municipalities have boosted their investments in housing -related infrastructure during 2023 to meet affordable housing goals. However, as inflation eroded purchasing power, municipalities are seeking additional funding from senior government for a more comprehensive housing accountability structure. The municipalities foresaw a positive trajectory as all 3 levels of governments are concentrating their efforts on this issue.

4. **Transit:** Transit fare revenue has been the most variable compared to budget. Ridership surpassed expectations in 2023 and even exceeded pre-covid level in some regions, generating extra revenue which provided additional financial flexibility. This momentum is expected to carry into 2024 on the back of population growth. Meanwhile, parking revenue remains below pre-covid level. The municipalities are also developing housing alongside transit hubs to enhance efficiency and support expansion demands.

5. **Borrowing Program:** Canadian municipalities continue to offer investors attractive value relative to other government credits as local governments must balance their operating budgets. There was a total of C$2.8 billion Canadian municipal issuance in 2023, moderated from the C$4.4 billion in 2022 and the record high of C$5.9 billion in 2021. Issuers sidelined under rising interest rate environment and sufficient pre-funding during covid. Large Canadian municipal issuers are expected to continue to focus on 10-year, 20-year, and 30-year bullet maturity issuance, while smaller municipal issuers are expected to issue via 1-10 year and 1-20 year serial debenture issuance.

6. **ESG:** ESG continues to be an integral part of the business for municipalities given the nature of the funded capital projects. While some issuers have issued labeled sustainable bonds, others aspire to potentially issue these in the future. The Sustainable bond issues were very well received and while the pricing benefit was marginal given the challenging market backdrop globally, the demand from investors with specific ESG mandates was instrumental in the success of these transactions.

MUNICIPAL FINANCIAL & ECONOMIC UPDATE

Mansoor Khan (RBC): Thanks everyone for joining. My name is Mansoor Khan and I am a Director in the Government Finance team here at RBC. I would like to start by introducing our esteemed panelists with us today. I will start off with Craig Dyer, CFO at the Region of Waterloo, Laura Mirabella, Commissioner of Finance and Regional Treasurer at Region of York, Matthew O'Rae, CFO from Municipal Finance Authority of British Columbia ("MFABC"), Christine Dacre, CFO at TransLink, and Patrice Impey, CFO, General Manager of Finance Risk and Supply Chain Management at City of Vancouver. I'd like to welcome all of you and looking forward to our discussion today.

I'll start off with a question on financial performance for each of the issuers and perhaps will ask Laura first to share an overview of the financial performance of the region in the last year?

Laura Mirabella (York): 2023 was the first year of our multi-year budget, we do a 4-year budget that is aligned with the term of council. It was passed in February of last year, provided for about C$2.9 billion of operating spending and close to C$1 billion of capital spending. Our projection for this year is we will spend about 96% of the operating budget, and about 90% of the capital budget. We have had inflationary pressures obviously, just like everyone else in the market, but we've been careful about applying fiscal discipline. At this point we are expecting to finish the year at or below budget.

Craig Dyer (Waterloo): Being the first budget of this term of council, like Laura, we approved it back in February. Overall, we're tracking very close to the 2023 budget, with a fairly modest surplus projected for year-end, both on the tax side, and on the water and wastewater side. There's a couple of notable items that we've been monitoring over the course of the year.

From a revenue perspective, where we've seen the most variability as compared to budget is our transit fare revenue, we've had a significant recovery in our transit ridership, and that has generated additional revenue for us over the course of this year, providing a bit of offset to few areas on the spending side.

Our facility operating and maintenance costs have risen significantly, largely from an inflation perspective, and we probably understated our budget a little bit in 2023. More importantly is that our development charge collection regime provides a discount on development charges for industrial development. We've had some significant industrial developments over the course of the year, meaning that the cost of those exemptions has increased. Overall, we think we're going to be in a small surplus position. Water and wastewater rate revenue are both projecting to be slightly above budget, as well as some operating savings.

Patrice Impey (Vancouver): On the operating budget side, for 2023 we are looking to be within budget with a bit of a surplus, and we usually transfer the surplus to our stabilization reserves. Our biggest challenges were still from COVID, causing several impacts on our revenue streams. In some areas, particularly downtown, we're still seeing fewer people coming back to work for fewer days a week, so those parking revenues have not come back to their pre-covid levels yet, while most of our other revenue sources have.

On the expense side, we're seeing pressures in our public safety police and fire and rescue areas. There were investments by our council in the 2023 Budget to increase staffing, but until all the staff goes through the full training, they are still short staffed at some levels. We're paying a little bit more in overtime, but that's offset by vacancy savings. The market for recruitment is still challenging so vacancies are lasting a little bit longer, but otherwise we are on track on the operating budget.

On the capital budget side our challenge this year is cost escalation. We had our capital budget approved last summer which was prior to this new Council term, and we're already seeing that some cost estimates are not sufficient. We're looking at how can we prioritize some of our work and adjust the scope to address the cost escalation. On the flip side, there's been more support from senior government funding in several areas, which helped us to build up our capital plan. We should be spending in line with our target at around 90% of our capital budget, and we will be a little bit lower than that this year. Being the first year of the capital plan, we're getting things started but are ramping up our delivery quite quickly, as we have an aggressive capital plan for the next 4 years.

Christine Dacre (TransLink): TransLink's revenue this year is above budget, which is driven by higher transit revenue as well as investment income. Our fuel tax revenue is a bit lower, but that's mainly because of a prior year adjustment that came through. Otherwise, it would be tracking on budget. We're managing our costs closely; our operating expenses are holding despite the increasing inflation cost and labour cost - which has seen a significant increase. Our financials include a commitment from the province of BC for additional relief funding of C$479 million which will be received in 2024 and 2025, but we recorded it this year due to the accounting rules. Excluding that funding, we're forecasting a C$21 million surplus.

On the capital side, we have been lowered in spending, largely due to the market backdrop - the supply chain, labour market, getting contracts signed, and getting people in to do the work. So, it is slower on the capital side. Other than that, we've been pleased about how the year is going.

Mansoor Khan (RBC): Matt, from your perspective, how have the MFABC members fared financially? Are there any interesting trends that stand out for you?

Matthew O'Rae (MFABC): I won't comment too much on 2023 due to the way we collect the aggregate municipal data in a one-year trailing fashion. You heard a little bit from Christine and Patrice on how 2023 has been shaping up for transit for the largest city in the province. I think the positive to some of those challenges is that MFA and Local Governments in BC went into 2023 in a relatively strong fiscal position. Year over year own source revenue and total revenue was up 6% and 8.5% respectfully across the entire municipal sector in the province, while total expenses were up 7.8%.

On average there is a modest surplus across the municipalities going into 2023. They went in with a strong cash and investment position, which had grown significantly over 2021 and 2022. Currently they have just under C$20 billion of reserves in cash and investments, and total debt was up 6.5% in the sector as well. I think that's been a message that we've talked to rating agencies. There were certainly some challenges in 2023 as a lot of people already alluded to, but the Province of BC is in fairly good shape going into some of these tougher decision points.

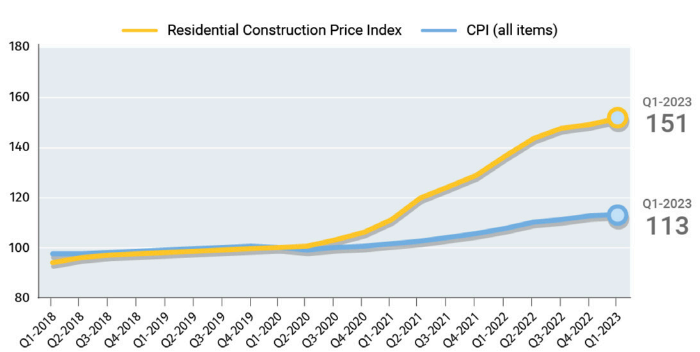
Mansoor Khan (RBC): Going back to Craig, you mentioned inflation, and I think that's been a key topic of discussion this year. Do you see this higher level of inflation continue to impact the region going forward? There has also been a lot of talk around potential economic slowdown and the need for support on social programs. What kind of pressure is that putting on the Region's operating budgets?

Craig Dyer (Waterloo): While the focus tends to be on the headline CPI, which is obviously coming down and is helpful, we're actually more concerned about the extended period of elevated capital cost and non-residential construction inflation. It was in the double digits for a couple of years, and even though it's down to around 6% now, that's still 6% on top of last year's 15% and on top of the previous year's 12%. Trying to keep up with that in terms of our capital funding has been an immense challenge.

Finally, when I think about our federal and provincial counterparts, the funding that's made available to us in a number of areas is simply not keeping up with inflation, whether it's provincial funding for public health programs, or the inflation factor that's attached to the Canada Community-Building Fund. Inflation diminishes our purchasing power, what we could invest in 3 or 4 years ago from the Canada Community-Building Fund relative to what we can do now has diminished significantly. Therefore, those 2 factors are the main drivers of our 2024 budget.

GROWTH IN CDN RESIDENTIAL CONSTRUCTION PRICES SURGE PAST CPI

CPI (all items) and Residential Construction Price Index, indexed to 100 at Q1 2020



Source: Statistics Canada, RBC Economics

> While the focus tends to be on the headline CPI, which is obviously coming down and is helpful, we're actually more concerned about the extended period of elevated capital cost and non-residential construction inflation.
>
> *Craig Dyer, Waterloo*

Laura Mirabella (York): Craig covered it. We are finding that there is continuing pressure on our Community and Health Services department. Last year, Council provided an additional allocation for them because we are seeing increased costs and needs in the community as York region continues to urbanize, and demographic changes were really outpacing the natural growth in our overall revenues.

Our Ontario Works cases went up by 23% in the first 4 months of 2023 and that has trickled effects throughout our social programs. Our public health services still have a little bit of a hangover from COVID, we are trying to catch up with some of the proactive public health work that was put on pause through the pandemic which has been creating a bit of a double whammy of pressures.

> Our Ontario Works cases went up by 23% in the first 4 months of 2023 and that has trickled effects throughout our social programs.
>
> *Laura Mirabella, York*

We have pressures in our policing services as well, with community demands adding costs and staff to police that outpace what we expected in the growth of our tax levy. Those are the big pressures on the operating side. On the capital side, as Craig said, it's always been inflation. What we find is that for a given capital budget, there are less projects that can be completed. Projects are being delayed because procurements are coming back, and costs are doubled on what the original budget had been. So, we're going back out to the market again, rejigging budgets and scope which slows down our capital program.

At the same time, there's immense pressure to ramp up our growth capital program so that we can get the housing enabling infrastructure into the ground as quickly as possible, for our local communities to meet their housing targets. For our friends that aren't from Ontario, the provincial government has set housing targets for most of our local municipalities and so there's huge pressure on the region to get that water and wastewater infrastructure into the ground as quickly as possible, and that is creating inflation in our capital program from my perspective.

Mansoor Khan (RBC): I want to dive a little bit more into housing shortly because that's obviously a key discussion point as it relates to municipalities, provinces and at the federal level but before we do that, Patrice, over to you for your observations.

> We're funding resources for our police department to address this issue that is impacting every major city– a combination of mental health issue, addiction, and homelessness.
>
> *Patrice Impey, Vancouver*

Patrice Impey (Vancouver): We just published our draft 2024 budget on November 21st. The driver on the operating side is inflation, we're considering just our status quo budget, which is not increasing service levels significantly, but just the cost on providing the services that we currently have. The inflation on our costs is around 6%, a lot of that is driven by collective bargaining where many of our unions contracts were up, so seeing higher rates than we have seen in the past. But certainly, the impact of inflation, and the impact of the pressures other organizations are seeing which area charged back to communities. E.g., emergency 911 rates are up significantly. All of those are driving our core operational inflation. We are factoring in about 6% increase to fees, with some higher than that. It is a very different year from previous years that have had a low inflation environment, which was reflected in our budget. We have also added ~1% property tax each year to ramp up our infrastructure renewal.

On the social services side, the two areas we have significant investments on are firefighters and police services, including nursing mental health support services. We have seen an increasing number of fires; our fire and rescue service are being called much more frequently for medical calls including overdose calls, and our Council approved additional firefighters in this year's budget.

The other investment is increasing the number of police officers and mental health nursing services. We're funding resources for our police department to address this issue that is impacting every major city– a combination of mental health issue, addiction, and homelessness.

That's a pilot we started this year, and we'll be funding some of that again next year. We first re-prioritize work as needs shift in all our departments rather that adding resources, but the major investments from a financial point of view is in police officers, nursing mental health support services from the health agency, and our fire and rescue services.

Mansoor Khan (RBC): Christine - from your perspective, are you seeing more pressure on wage agreements and material costs?

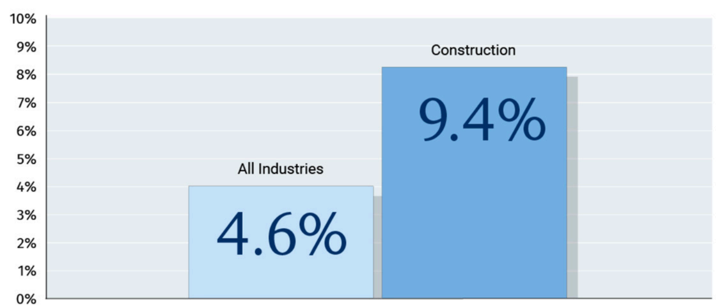
Christine Dacre (TransLink): Definitely very similar story as the others, especially on the capital side. We look at our 10-year capital program annually, and when inflation really started spiking, we challenged all the capital planning to make sure that we are prioritizing appropriately. We don't sacrifice our state of good repair or safety in any of our capital projects, and really take a hard look at those expansion ones – can we afford those right now? As you're probably aware we have a number of major capital expansion projects underway, those are not at risk at all. We are still moving forward on them, and we just must adjust and absorb those inflationary pressures.

> We are still moving forward on them (capital expansion projects), and we just must adjust and absorb those inflationary pressures.
>
> *Christine Dacre, TransLink*

Material costs is another focus, the maintenance cost of our buses and SkyTrain system has increased above inflation. We're also still experiencing supply chain issues, so we are adjusting our order time significantly to make sure we're not caught short. Covid is no longer really a conversation for us, inflation, including labour inflation are really what is driving our labour rates. They're contributing a lot more to the funding gap and the real need for additional revenue sources to provide the same level of service despite the huge expansion needs in the region. The big topic is inflation and availability of getting labour and materials.

CONSTRUCTION WAGE GROWTH SOARS OVER OTHER INDUSTRIES

Annual change to wages in 2022, %



Source: StatCan, CFIB, RBC Economics

MUNICIPAL BORROWING PROGRAMS & FEDERAL POLICY

Mansoor Khan (RBC): Moving into borrowing programs, Matt, what are some observations you've seen from MFABC members as it relates to their borrowing behavior, and investing style?

Matthew O'Rae (MFABC): On the borrowing side, I'll end up repeating what has been said already, but it's been the quietest long-term borrowing year I've seen in a long time. Some projects have been delayed, rescaled or canceled. But the conversations about the borrowings that needs to get done are continuing. There's a lot of pent-up demand there, some projects can be pushed off, some may need to be rescaled to keep them affordable, but many critical initiatives must proceed.

> It's a little bit of the rate environment driving where we see the money go with the inverted yield curve as a lot of people are piling into high interest savings accounts and money market products that we offer members.
>
> *Matthew O'Rae, MFABC*

On the investing side, it's been a positive to our pooled investment products. We've seen just over C$0.5 billion dollars of assets roll in year to date versus last year. It's a little bit of the rate environment driving where we see the money go with the inverted yield curve as a lot of people are piling into high interest savings accounts and money market products that we offer members. The source of increased investing is primarily attributable to the Province's C$1 billion grant that they passed out to local governments at the end of their most recent fiscal year. Most recently though, we're starting to see members take on more duration with these favorable coupons as the yield curve is expected to normalize in 2024.

Mansoor Khan (RBC): Laura let's come back to you on housing, I'll start off with you and open it up to the rest of the panelists, what do you think the higher-level governments can do on housing from the municipal perspective?

Laura Mirabella (York): I think my colleagues would agree when I say that no one level of government can tackle this on its own. The problem is there has been a mismatch between the price of housing and people's ability to pay. So, we've got a housing crisis that people don't have good housing options, and yet we have a housing industry that has the ability and the willingness to wait when they don't feel they're getting the price that they want in the market. As a result, I think many municipalities, York Region included, is calling on senior governments to help us invest in deeply affordable housing.

> We've got a housing crisis that people don't have good housing options, and yet we have a housing industry that has the ability and the willingness to wait when they don't feel they're getting the price that they want in the market.
>
> *Laura Mirabella, York*

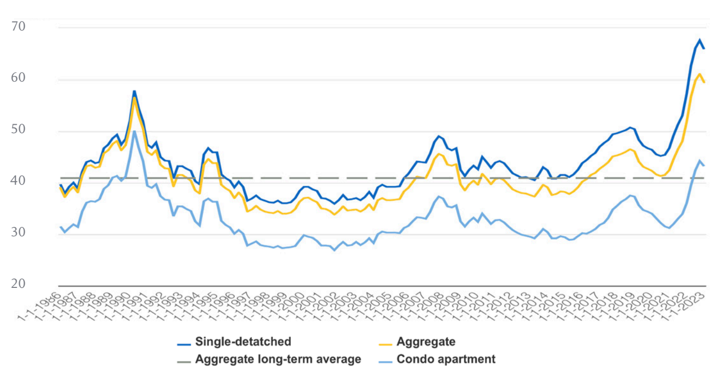
In the approved budget in February 2023, we had our highest ever capital plan – a C$9.9 billion 10-year capital plan. It was heavily weighted toward growth related infrastructure or infrastructure that enables private market housing, water and wastewater infrastructure, roads infrastructure and alike.

One thing that had to be kept out of the list was deeply affordable housing, that regions have accountability for creating, to supplement housing options. We really need our provincial and federal partners to come to the table with funding. Municipalities cannot take on the full cost of that on their own. We're cautiously optimistic with what we've seen in the Fall Economic Statement with a lot more details to be worked out.

We're pleased to see a low-cost loan program that might help us incent private rental. The region has had an incentive program for developers to invest in purpose built rental for many years, but we've had very little uptake, partly because, even with our deferrals on development charges, it wasn't enough to make those projects economic for them. Some moves that the federal government has put in place in terms of removing the HST from purpose-built rental will hopefully help increase the pace of private sector investment.

RBC HOUSING AFFORDABILITY MEASURES – CANADA

Ownership costs as % of median household income



Source: RBC Economics

We're really comforted to see the C$1 billion that they've set aside to help municipalities investing in a low cost and affordable housing. There's a specific fund that's just to help co-op housing, it is going to be required to make a full court press to create a broad range of housing types. Municipalities must do our part in terms of investing in that water and wastewater infrastructure, and York Region is doing that by having a large capital program, but we really need our partners to come to the table as well.

Craig Dyer (Waterloo): On the ground we need additional funding being made available through the CMHC to help us support our new builds for that deeply affordable housing Laura was referring to. We need some stability in terms of rent supplement funding from the province. We need a recognition by the province through their Building Faster Fund that upper-tier municipalities who deliver the water and wastewater infrastructure are going to be eligible for funding under those programs.

From a philosophical perspective, I think we need a conversation about what a new fiscal relationship looks like, something that clearly sets out what municipalities are responsible for and gives us the revenue tools to pay for them. Because there is no issue that our council has talked about more in the last couple of years than affordable housing, housing affordability and homelessness. We simply can't solve those problems using the property tax. Something must give, and we need to have some additional tools to help fund these programs.

Laura Mirabella (York): I'm going to build on Craig's comment, in Ontario, the Association of Municipalities of Ontario, which both Waterloo and York regions are a part of has now formally called on the province to come to the table, and help us create a new framework for prosperity that would take a look at what is the fiscal accountability of municipalities vs. the province, and how we can work together to provide sustainable public services, in a way, that's fair to all taxpayers.

Patrice Impey (Vancouver): In BC, Vancouver particularly, has been in the housing crisis for a decade now. That has expanded to the rest of the of the country and we have more federal attention on it, which is good as it's not a problem that you can control within a municipal boundary, as it is structural and it's economic. In our strategy that we developed a number of years ago, just as Laura was mentioning, cities can regulate, but they aren't responsible for affordable housing. Therefore, that's where we needed senior government funding. We have had some support on that and some progress through the BC government. In the past we had lots of higher end condo development, which funded a lot of infrastructure, but those aren't the units that we need for the population. We will need a lot of changes to build housing for the missing middle.

In past years, the City used both regulatory and incentive-based actions for rental development. Last year, the city approved more rental units than condo units for the first time ever. We've seen that switch happening and the developers are moving to rental. We've also used density bonusing where it's affordable rental. There's a lot of regulation that the city has put in over the last years.

These changes are impacting very much the financial structure for development in municipalities. We've been advocating for municipality finance reform for a number of years with the BC government. We're at the point now where everybody does need to see some structural rather than one-time change on how municipalities are structured and are funded.

> It's a very unique time when all three levels of government are looking at it, which is great, so I think we have a good opportunity to make some really step changes over next little while.
>
> *Patrice Impey, Vancouver*

We also have targets from the province on growth. The province recently set out a number of new housing statues around development and transit across BC. There're new standards around amenity and development charges, and those will be standardized around the province. All of that is going to be much more formulaic, and that's going to set up a whole new structure around municipalities in BC, to require density in some areas.

One of the biggest challenges is when we work around the missing middle and the lower rental income, we don't generate amenity revenue, so the funding formulas don't work. We won't have the funding we need for amenity growth, such as new sewers, water, fire halls, parks, community centers etc. We're really looking for the senior government to change the model, where they will also fund the utility and basic core infrastructure in order to enable the affordable housing development. Vancouver has been on this path for a while and very open to density, but we now need to deal with the financial structure and what's right for municipalities and provinces in order to support that level of growth. It's a very unique time when all three levels of government are looking at it, which is great, so I think we have a good opportunity to make some really step changes over next little while.

Mansoor Khan (RBC): Building on this topic of the relationship with the higher levels of government and what they can do, we've heard about the dissolution of the Region of Peel. There were obviously further questions being asked about the other regions from investors. I'm curious to hear your thoughts and your first reactions to that announcement, and how you see things going forward and if there's any risk, particularly to the Regions of Waterloo, and York.

Craig Dyer (Waterloo): When the original announcement indicated that facilitators were going to be appointed to review the various regions a year ago, that created for us a sense of uncertainty. In our 2-tier structure we felt this both in terms of the upper and lower tier politics, as well as our ability to recruit and retain people, which is a challenge when there's uncertainty around the future of your existence. Now that the notion of facilitators has been abandoned and the discussion has been referred to the Standing Committee on Heritage, Infrastructure and Cultural Policy, from my perspective, this simply extends this period of uncertainty.

We have a new minister, and we're looking for some clarity from that minister about what the future of regions looks like and what the changes that they're proposing through Bill 23 look like. It's a bit hard to imagine a similar decision in Waterloo Region. We have we have a combined population of ~650,000 people, and my own personal view is that I think there are more opportunities from a consolidation perspective than there is from a perspective of dissolution.

Laura Mirabella (York): I think Craig speaks the truth when he said that when the initial announcement was made, it created a lot of uncertainty and discomfort amongst our staff, as similar rumors might in any sector of the economy. I think that our CAO at the time said that the work that regions do is necessary and important. The corporate structure within which it happens is a little less important, as maybe at some point the name on your paycheck will change, but the work that you're doing is quite likely to continue. Obviously, whenever there are dissolutions or consolidations there will be some movement and disruption, but I think that the other thing is that it has been dragging on and has now been referred to a legislative committee. We know that the committee will be looking at all the other regions, including Waterloo and York regions sometime over the next little while. When I observe what's happening in Peel, I really do think that it's a unique situation. They are a Region of close to 1.3 million people right now and the large majority of that is within the 2 municipalities: Mississauga and Brampton. They are each about double the size of our largest municipality among our 9 municipalities in York region, so they may have a unique circumstance there. I often say that regions in Ontario enjoy economies of scale, particularly in respect to the large-scale infrastructure that enables growth in our local municipalities. I happen to think that a regional structure, or a structure that takes care of that infrastructure over a much larger geography, makes a lot of sense for both operational and practical reasons, as well as for financial reasons. I can't imagine a situation where 1 of our 9 municipalities is having to negotiate with multiple partners about how to get hookups to water infrastructure and wastewater infrastructure, so the regional structure really helps with that. I don't see it as something to be incredibly worried about in the short term. I think the reality from the perspective of where we are in the provincial political cycle makes me think that they're doing Peel as a bit of a pilot, and that they're going to see how that works out, how that dissolves, how that operates post dissolution, and then maybe marry that with the other findings of the standing committee where we may see some changes at the regional level perhaps after the next election. I'm not thinking that we're going to see a lot in the very short term. For us, it's status quo. We're continuing to support each of our local municipalities - most of them have got ambitious targets that require lots of growth-related infrastructure, and we are working on putting plans in place to build all of that as quickly as we can build. It's difficult to build everywhere all at once in a fiscally sustainable way, but we are working on that, and we'll continue to work collaboratively with our local municipalities over the next little while.

Mansoor Khan (RBC): Christine, in previous years you've always talked about the support that you've been receiving from the provincial level of government due to the pandemic. From your perspective, what are you seeing as it relates to the current support from the provincial government, and how would you characterize the relationship with senior levels of government?

Christine Dacre (Translink): During COVID, we were very happy to get the support that we did both from the provincial and federal governments. In March, this year the Province of B.C. committed to an additional C$479 million for TransLink. This was to help cover 2024 and 2025 years of our investment plan, and really covered the inflationary pressures we have seen over the last two years. Transit in our region is extremely important and we have support from both the local and provincial governments. It is critical for our economy in the region, and we have commitments from them to look at what our future funding situation is. You're all aware that everyone is moving to electric vehicles from gas and diesel, and part of our funding is a fuel tax revenue. That is going to decline over the years, but we don't know how fast that will happen. We also need another revenue source because the cost of running our system and making the expansions in the region that is needed are significant. The province is committed to working with the mayor's council in finding additional revenue sources. We are also in conversations with the federal government regarding the permanent transit fund that is set to come out in 2026 and looking to see if the delivery of this fund can be accelerated by two years.

> Our ridership is increasing, which is good, but how long inflation stays up is a factor.
>
> *Christine Dacre, Translink*

Mansoor Khan (RBC): To add on to that, looking ahead as you plan for next year what would you see as the key financial challenges? Would like to hear from others as well on this after.

Christine Dacre (Translink): Our ridership is increasing, which is good, but how long inflation stays up is a factor. I think inflation will continue to be a concern. Our revenue sources other than fuel tax revenue are solid and are increasing, it's on the expense side due to inflation and expansion that we need a new revenue source. We have significant demands in our region for expansion, so we have put a plan in place called "Access For Everyone", which is the next set of expansion projects that everyone is very anxious to see. We need to start the planning of those projects and start getting ready so that when the federal funding is available or when other senior government funding is available, we're ready to get going on them. Before COVID it worked very well for Translink when the federal government had funding programs for the transit agencies and municipalities across Canada. We want to make sure that we continue to do the work we need to do, to get ready for the future that is drastically needed in our region. On the comment about transit hubs, we're working very closely with our policy makers, and it is very important to make sure that the housing developments are along transit hubs because that's where it's needed to be more efficient and effective as a region.

Matthew O'Rae (MFABC): Wage negotiations, labor shortages, construction inflation, housing and homelessness and drug addiction are big ones that we've heard. The housing initiatives and policies will be a big one. Additionally, I think the increased interest rate environment will also have an impact, although by historical standards, these aren't high. I think many people were hoping rates would come down sooner than they are and get back to some of their projects, at more affordable funding levels.

On housing, I think pressure from senior levels of government to boost housing stock is a good thing. Patrice commented about all 3 levels of government being focused on it and I think that's fantastic. I have not yet dissected the fiscal update last night, but the removal of the taxes at the Federal level for new apartments is positive. One of the things that I've observed are the conditions around the senior government funding to support that development, and how everyone's trying to work together. Very recently, we observed a planned announcement from the accelerator funds by the Federal government for two Metro regional areas, being put on hold. Considering those regional districts proposing to use DCCs to fund infrastructure upgrades caused by the proposed increase in housing stock to follow. The message is clear from the Metro regional districts publicly, that growth needs to pay for growth in the system. That is going to be interesting to watch how those relationships evolve but I believe everyone's committed to solving it. As Laura alluded to, it's going to take all 3 levels of government to make a dent in this problem. So, I think it's going to be key that they all come together, compromise and move initiatives ahead.

Patrice Impey (Vancouver): There were some changes to the regional charges in Metro Vancouver. Regional organizations are responsible for sewer water treatment etc. across the region and cities pay for that through our water rates. The municipalities are then responsible for all the sewer and water utility within it. We each have our funding sources, but there's a lot of coordination that has to happen because property as we talked about before has market revenue and a cost, and if it doesn't make sense, things won't get built. All of these are a delicate balance to make sure that we get the right model so that developments move ahead, but there's enough money to fund the infrastructure that needs to be funded. The little bump in the road with our region was that they increased their rate significantly in a very short period of time. Developers are going to look at their pro forma and say, I can't afford to build now because the cost is so much higher, so it takes a little bit of implementation and how we need to get there. Managing the development so it doesn't get stifled in the short term is important because it comes down to what people and developers pay for land and the lands they have already acquired. They have a lot of fixed costs, so increasing development charges impacts the viability, and over time it'll happen in general because rates have gone up. That was the big challenge, and the federal government is removing the GST on rentals, but then if the costs go up, we don't know if the pro forma is going to work on those developments. I don't think anybody disagrees that growth needs to pay for growth. The theory behind growth pays for growth is that developers will pay less for the land because they know what the market and cost is, and that's what they'll pay for land, but that takes a while before that works its way into the land costs. If there are too many changes immediately, it might impact the ability to develop, or the ability to collect enough revenue to fund water and sewer. That's where the municipal finance reform that we talked about comes in, where you're putting in development and the revenue isn't going to support the structure we had before around development cost levies. Senior government funding that can help when we're building density that's targeted to a lower income level, or rental versus condos. It needs to be a different model than the traditional high-end condos which can spin off the funding to build the infrastructure. The timing and how it gets rolled out is another piece that should be part of that as well.

Mansoor Khan (RBC): Matt, did the development charge changes impact MFABC's borrowing? The request for new loans was low compared to what you've seen historically. Do you think that contributed to it this year and would you expect that to continue into next year as well?

Matthew O'Rae (MFABC): Maybe marginally, but I don't see it having a material impact on borrowing. A lot of what we fund was already DCC eligible and will continue to be partially funded with debt regardless of these recent changes. There's a lot of different funding sources that go in to make each project. Each region and municipality are slightly different as to how they approach it and whether they debt finance a project at all.

Mansoor Khan (RBC): Laura and Craig, are there any more updates as it relates to Bill 23? There was a lot of uncertainty last year around this time. 1 year later, what are your observations, where do things stand, and what challenges are you going to face going forward?

Laura Mirabella (York): There's still a lot of uncertainty, and there is some certainty as we know that the phase ins have been implemented. Whatever our rate was for the first year, we were only able to collect 80% of that. After a year, it'll be 85%, 90%, and so on. We know that from phase-ins alone, we had to give discounts more than C$35 million dollars just in the first six months of this year, and those are discounts that need to be funded from non-development charge sources. Property tax levy and water rates, as I pointed out before, are on track for a small surplus. What is likely going to be the case, is that we'll have to use that to make up the difference. It doesn't sound so bad on the surface, except that where we would normally put those surpluses is to help supplement our asset management reserves. York Region uses what we believe to be our entire debt capacity to help fund growth related infrastructure. That means in order to keep our assets in a state of good repair, we need to use our asset management reserves, and we've been on a decade long journey to try and get those reserves funded at a level that can help bring more equity amongst generations in keeping those assets in a state of good repair.

There's a lot of other uncertainties the Province continues to talk about, like for exemptions for affordable housing related to Bill 134 that they released not that long ago. It proposes a definition, and we're cautiously optimistic because they did listen somewhat to the sector since when they first announced it. They had said that based on market prices, anything less than 80% of the average market price would get a full exemption with no tie to income levels and true affordability. They've come back and now there's a tie to the 60th percentile of income. So, at least we have some parameters around that. We know that in York region, less than 5% of units that came on to the market in 2022 would have qualified under those criteria. We don't know whether it will actually have an impact on the market, to have them bring product to market at those levels, requiring us to provide exemptions. But whatever exemptions we must provide, we will have to fund from non-development charge sources, and that will ultimately be a pressure on current operations or asset management.

> Our year-to-date ridership at the end of October is 50% higher than 2022, and higher than the year preceding COVID.
>
> *Craig Dyer, Waterloo*

Craig Dyer (Waterloo): I echo most of what was said. Maybe the one difference here at the Region of Waterloo is we're still working off of our old by-law, so we haven't had to deal with the issue of the mandatory phase-in yet, but we know it's coming and we're doing some work right now to figure out when we want to go ahead and update our development charge by-law. There are a couple of other things that I would say are still uncertain in addition to affordable housing - there's Bill 23 which introduced the notion of "attainable housing", and we're still waiting for the rules around that and we're also waiting for a regulation with respect to prescribing certain land acquisition that may be DC ineligible. All of this means that the property tax and taxpayers are going to pick up a greater portion of growth-related infrastructure in the future. There are other provisions of Bill 23, which when proclaimed, result in upper tier municipalities not having planning responsibilities, and although the Act has received Royal Assent, that requirement has yet to be proclaimed. This adds on to the previous answer about the uncertainty that we find ourselves in. We have a planning group that is required to keep performing their legislated role under the Planning Act, but we have this clause that could be proclaimed at any time, which is creating a lot of uncertainty both at the upper tier and at the lower tier levels.

Mansoor Khan (RBC): Moving onto the topic of transit, any observations as it relates to what you forecast for next year?

Craig Dyer (Waterloo): For us this is turning out to be quite a remarkable success story. What we've experienced over the last 3 or 4 months is a dramatic rebound in transit ridership. We had our busiest months ever in September and October of 2023. That has put us in a situation where our year-to-date ridership at the end of October is 50% higher than 2022, and higher than the year preceding COVID. So, when you go back to 2019, we're well above those estimates and that has done a couple of things from a financial perspective - additional revenue over and above what was budgeted in 2023, and it has allowed us to build in additional revenue into our 2024 budget. It has put us in a situation where we're dealing with crowding on some of our more significant routes. As I think some of you may have heard, we have a Stage 1 light rail transit system that's now been in place for 4 ½ years. And overall, when we look at LRT as well as our conventional bus service, 2023 will be our highest ridership year ever with over 25 million rides. For context, 2019 was about 22 million rides, and we dropped down as low as 10 million during the COVID period. We're anticipating ridership could be between 27 and 28 million by 2025, partly because of COVID recovery and more people going back to the office. More significantly, it's related to the significant increase in enrollment at our post-secondary institutions. We have a universal pass program in place at the University of Waterloo and at Wilfrid Laurier, and we have a term pass arrangement with Conestoga College. We're seeing significant ridership increases since the day after Labour Day and those have continued all the way through the month of November. It is a good news story for us, and hopefully it continues into 2024.

Laura Mirabella (York): On a similar trajectory, COVID was devastating for our growing transit system. We had about an 60% drop off in ridership and fare revenue. Because of covid measures, enforcement went down, and we just had very few revenue collections. At that time, the best advice we had was that it would take until 2026 for ridership to recover, never mind growing. Our 2023 budget was created on that basis, and we have been very pleasantly surprised this year. We had a hint last year that we were starting to recover a little faster than the original trajectory had projected. But this year has been quite spectacular. We are predicting to be at pre-pandemic levels by 2024, and in fact, on a year over year basis, this past summer, we were at pre-pandemic levels. So that is helpful for lots of reasons, including it has provided a bit of fiscal flexibility this year to manage some of the other cost pressures that we've had. It will help contribute to that small surplus that I'm hoping to see at the end of the year. It also means that as I'm tabling my budget tomorrow, we've been able to change some of our forward projections, and that's helped us in the preparation of our 2024 budget since it has provided a bit of fiscal flexibility. So, we've been able to build in or manage some of the pressures that are coming from other departments and I'm hoping that counsel will be pleased by what they see tomorrow.

Christine Dacre (TransLink): We're very pleased with how our ridership has recovered. We have one of the fastest recovery rates in transit agencies in North America, as we were as low as 17% when COVID first hit we are now averaging about 85%. In some areas of our region, we are well over 100%, more so around 120% of pre-covid levels. Our ridership is back and it's back strong. What's changed is probably the distance that people are traveling because they're not traveling as far. People also aren't going to work for 5 days a week anymore. Out in the Valley, they'd be taking transit all the way to downtown Vancouver, but they're not doing those 5 days a week. It will be interesting to see what happens over the next couple of years though, because I am hearing things about companies wanting to bring people back to the office a bit more. It'll be interesting to see, but right now we're kind of forecasting that the trends as far as peak travel times, off peak or weekend travel, is our new normal. That's what we're assuming in the budget next year. The growth is really coming from employment levels, population growth, and that's what we are using in our forecasts. Compared to budget our ridership is about 5% higher, which is about 23% compared to the same period in 2022. For the trends next year, we're forecasting it to be about 2% over 2023 levels. And again, as I said, it is based on population and employment where we're forecasting our growth.

Mansoor Khan (RBC): I know we haven't talked a lot about immigration, but that certainly is a key driving point as well. Craig mentioned about the university ridership. A lot of it is being driven by the growth in international students coming to Canada, so there's no surprise there. Let's talk about the borrowing programs and Christine I will start with you. Last year you accessed the market with the green bond after an absence of a year. First question would be, how was that received given your absence from the market previously, and secondly, how are you currently approaching the borrowing program?

Christine Dacre (TransLink): Yes, we were absent for a year, but I will say the year prior to that, we did two issuances, and one was quite large. With the uncertainty of the market during COVID we did not want to leave ourselves short, so we took advantage of the time when we were able to access the market. Last year we issued the C$300 million Green Bond which was met with high demand. We had over C$550 million of interest and I think there was about 35 investor participants. It was the beginning of December last year when we issued that bond and had been closely monitoring the conditions to look for favorable borrowing conditions, so we were able to take advantage of the brief window where the Government of Canada benchmark yields dropped. I think the takeaway from that is be prepared and be ready to go. Moving forward we do have funds available for our capital projects and our plans are to continue to issue Green Bonds and utilize the available funds for our non-green capital requirements. That is our overarching plan. Will that change? It could, depending on the market as well. We are planning on coming to the market this year. We are keeping our eyes on it. Nice to hear that Laura had such a success this week but if it doesn't happen, we're okay. We have good liquidity. We do have a large borrowing program next year as well. You want to make sure that you're not pushing everything into the one fiscal year. We're very fortunate that we do have options and that we are able to look at the volatility of the market and the demand, and when the demand is right and the market conditions are good, we will be ready to go. That is our philosophy.

> We looked into the future couple of years and thought of what our burning needs are and did a bigger borrowing during covid when we had the opportunity.
>
> *Laura Mirabella, York*

Laura Mirabella (York): Just like Christine, during COVID we probably went overboard as well or pre-borrowed is a better way to put it. Rates were historically low, likely not to be that way again. So, we looked into the future couple of years and thought of what our burning needs are and did a bigger borrowing during covid when we had the opportunity. We didn't need to go to the market last year as rates were starting to rise and we had sufficient funds in the DC reserves. We really weren't sure what was happening. So, you saw us make our move this week with a very successful placement of C$150 million.

Mansoor Khan (RBC): Perfect, and do you have a number for next year already or is that a TBD at this point?

Laura Mirabella (York): TBD, stay tuned for my budget tabling presentation with Council tomorrow.

Mansoor Khan (RBC): Thank you Laura. Matt, you've referenced this year's borrowing program a few times. Perhaps if you can share any key takeaways from your perspective from the borrowing that you've done this year, and what you're expecting next year?

Matthew O'Rae (MFABC): As I reflect on the past year, interest rates have impacted the borrowing program without a doubt. MFA is insulated from rising interest rates, but our members aren't because we pass-on the interest rates we lock-in when we borrow. But I think there's certainly other factors that play there for us with the slower borrowing that we've experienced. I mean, it was an election year in 2022 so it takes a bit of time to get those priorities going but a lot has to do with the magnitude of capital projects in development, labor shortages, affordability and project escalation. The C$1 billion dollars of funding that I referred to earlier that the province sent to local governments I think impacted more of the smaller borrowers and then on top of that, they were already delaying, re-scaling or canceling them themselves. So, they had large cash infusion and then those challenges that we've talked about. I think the bigger impact for MFA this year, which caused us to change our borrowing guidance right out of the gate was particularly driven by a couple big water and sewer treatment plans that were delayed. One had a contractor issue that caused them to retender and so that had a material impact on what we experienced this year. But, as I said, a lot of good positive conversation for example, there are a lot of hospital projects across the province and we're going to start to see those come through in 2025, 2026 and 2027. That is probably what I'd say about this year, but most of the times it is up to the market. We certainly had some challenging market conditions this year but every time we came to market, 25 to 35 investors were showing good, strong interest. The books were well over subscribed, not off the charts, but well oversubscribed. Sometimes we kept pricing per guidance, and sometimes we tightened it in a little bit. I think issuers had to be very careful with spread levels for primary issuance. Those would be my comments and observations in 2023.

Mansoor Khan (RBC): Any thoughts on borrowing plans for next year? You also issued 20-years previously, any plans of doing that again in the coming year?

Matthew O'Rae (MFABC): When we do 5 years, it's primarily for refinancing with the way that we package up our loans from 5 out to 30 years. We'll see a little drop in our refinancing requirements for 2024. That's not an indicator of anything, to be honest, we pretty much can telegraph what refinancing we're going to do for the next 5 years. It just happens to be a little bit of a drop relative to the loans that are fully amortized and falling off. So, we'll probably be in the market, with 2 issues for probably C$650 million for refinancing purposes. We'll tighten those up and decide on timing as we move forward.

The trickier question is more around the 10-year for new loan lending. We've got an estimate right now of C$550 to C$750 million. We would come to market twice for that, so, two 5s and two 10s, depending on how new loan origination and how some of these projects that were delayed come back on track, particularly those projects that had contractor issues.

We would love to get back to the 20-year part of the curve. It was so well received by investors. They would like to see more MFA in that part of the curve.

I think given the size of our overall issuance right now though, with this little lull, continuing to focus on that 10-year part of the curve for new funding and having those liquid benchmarks continues to be our focus now. I think with what's planned for 2026 to 2029, for waters, sewer and hospitals, those amounts will grow, and that's when we'll start to really look closely at the 20-year part of the curve. We're also working closely with some of our larger clients that typically finance big, long-lived assets over 15 years. There's a desire from an affordability perspective to amortize those loans over a longer horizon, which is more conducive to us issuing more 20 years.

Mansoor Khan (RBC): Waterloo has been a consistent issuer in debt markets over the last several years. The region has primarily targeted serial bonds. Why has the region historically targeted serial bonds, how has the experience been so far this year, and what are your expectations for the next year?

Craig Dyer (Waterloo): As to why does the Region primarily issues serial bonds instead of bullets, simply put, given the typical quantum of our borrowing needs, the serial structure gives us the lowest cost of borrowing. Now, I get that the benefit may not be quite as significant in a time of an inverted yield curve, but overall, historically, when we've looked at our needs and at the term and the amount, we typically land on a serial structure due to the cost of borrowing.

We do look at the structure every time we go to market. It's not that we're opposed to bullets, we've done them before, it just seems over the last several years, with the amount that we're looking for, which has typically been over a 10-year term, we just seem to be best suited to that serial structure.

I think that there are projects in our capital budget that are going to make us rethink this approach in the future. Particularly some of our water and wastewater projects, and we have some significant housing projects as well over the next several years. I think the principal amounts we're going to be looking for are going to be higher than the past, and the term we're going to be looking for will be longer.

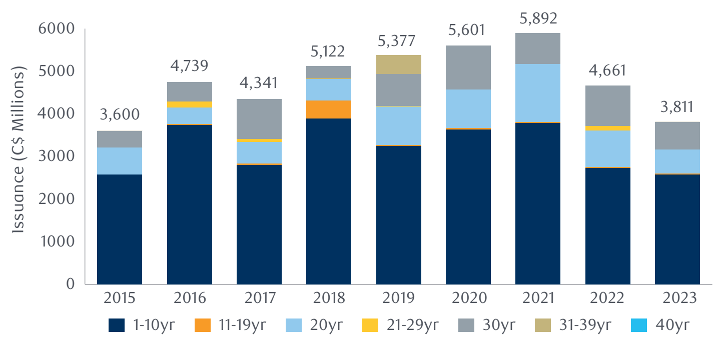
When you put those two together, it's going to force us to look into a somewhat different structure. Maybe not in 2024, but certainly when we get into 2025. In terms of what I think this is going to look like in 2024, it's a bit hard to say. Our budget is not yet approved. I would speculate that our borrowing in 2024 would be somewhere in the C$80 million range, plus or minus C$20 million way. It's going to depend on a few things - the pace at which we're completing projects as well as supply chain issues. Once we pull all that together and we combine that with the extent to which our development charge collections remain strong, we may be able to fund some of our growth-related work directly from our DC reserves instead of borrowing. So, a little bit of uncertainty, but C$80 million plus or minus C$20 million is the most likely range for us.

Mansoor Khan (RBC): City of Vancouver was in the market this year with a sustainability bond. Any observations that stand out for you as far as your experience was concerned on the transaction? What are your plans going forward? I understand you are doing a combination of green, sustainability and conventional bonds. How are you approaching the program going forward?

Patrice Impey (Vancouver): With our last issuance just last month, we were right amid a lot of turmoil with both the bond market and also what was happening globally, but found a nice window there to issue, oversubscribed by about 1.5 times. So that was comforting, given the uncertainty at the time. It was a sustainability bond, and about half of the investors had UNPRI or other green mandates, so that was encouraging. It was mostly domestic investors, but also had US and other internationals.

As far as going forward, we are predictable with debt issuance timelines. We use our debt for infrastructure renewal and because of that, we have an ongoing need. We're continuing to renew our assets, so we are in the market almost every year, and in a pretty consistent amount because we have a long-term asset planning model. We expect to be back same time next year, and we have been alternating between Sustainable and conventional bonds. We have a sustainability bond framework so we can do green, social or sustainable, or a combination. We do that and we do conventional bonds because not all our capital program is green or sustainable, or projects are small and we don't want to do all of the reporting related to it for smaller project, so we've been alternating. As you all know, we can only borrow for capital, so all the borrowing is directed to capital infrastructure. So that's how we've been planning out our debt needs and our asset planning.

ANNUAL C$ MUNICIPAL ISSUANCE



Source: RBC Capital Markets

ESG AND SUSTAINABLE FINANCE INITIATIVES

Mansoor Khan (RBC): On the topic of ESG, what kind of broader targets do the cities have related to ESG? And what would be the key highlights that you would want to share with the audience on the Vancouver sustainability report? Any specific challenges that you faced in drafting that report?

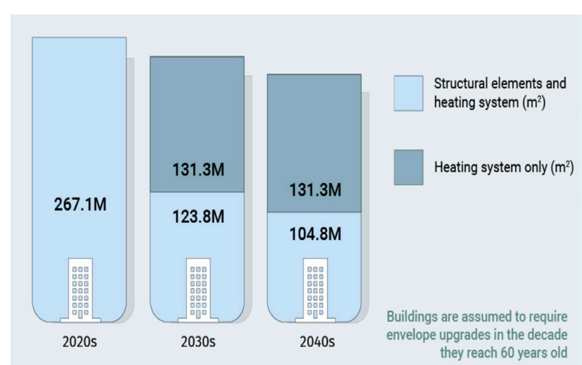
Patrice Impey (Vancouver): As for our ESG target, the City identified there's a climate emergency many years ago. We've had a few different initiatives to address that. The one we're currently working on is our climate emergency action plan, which was approved by council in 2020. The goal is to reduce our carbon pollution by 50% by 2030 and be carbon neutral by or before 2050, and there are specific plans on those targets. As with most cities, it's mostly driven by 2 areas, which is fossil fuel vehicles, that's 40%, and the bulk of the rest is in our buildings, and then there's a few other smaller ones.

So, there's a lot of activity around both of those areas. I think the vehicle one is moving quickly. People can see where that is leading, and we're focusing largely on encouraging more use of non-vehicles transportation, so we can get people into walking, cycling, or taking transit. We have also enabled EV charging, making sure that the structure is there. One of the biggest challenges is our buildings. For several years, we've updated our building bylaws which addresses the greenhouse gas in new builds. Now the focus is on existing buildings and retrofits, which also involves working with senior government funding. We are making progress, and we're going to Council in the Spring with updated actions. The focus is to get us to our 50% by 2030.

Regarding our reporting, we have reported on 6 projects that were from our green bond framework which we issued back in 2018. We have reported under the sustainability framework that they were completed, and they met the goals. So those have been reported out, including the KPIs. We are happy with how that's worked, and we continue to manage

CANADIAN BUSINESSES MUST RETROFIT A THIRD OF ALL COMMERCIAL SPACE EACH DECADE

Million meters squared of commercial and institutional space



Source: Natural Resource Canada, RBC Climate Action Institute the projects we bring through as far as the amount of effort on the reporting side. We have tried to balance that so far and it's working fine.

Mansoor Khan (RBC): I've heard time and time again that the reporting that ESG labeled bond issuers do goes a long way for investors to share with their own clients. It makes it a lot easier for them to answer the questions they get from their clients. It's certainly something that is quite valuable. Christine, is there anything related to ESG targets that you want to share?

Christine Dacre (TransLink): For our climate mitigation, our target is 45% reduction in GHG emissions by 2030 and net zero by 2050. We also have a target of zero tailpipe emissions from the bus fleet by 2040. On our climate adaptation, we're trying to create a climate resilient, public transportation system. We're doing a lot of work on that through our climate action plan as well as completing the revised zero emission transition plan that should be out early in the new year. From an EDI perspective, our target is to climb up the maturity scale under the global diversity, equity, and inclusion benchmark standard. Our current level is 2, and we'd like to move that up to a level 3. As far as our Green Bond annual report, most of the proceeds of our green bonds so far are going to support clean transportation, clean efficiency or energy efficiency and renewable energy projects. For example, our investments in SkyTrain systems, including the rail car stations, maintenance facilities, also our battery electric buses and electric trolley, bus system, pedestrian and cycling infrastructure, and energy efficiency upgrades. We report on our key performance indicators related to the GHGs, but also more importantly, our ridership and renewable energy.

> On our climate adaptation, we're trying to create a climate resilient, public transportation system.
>
> *Christine Dacre, TransLink*

As many of our projects span across a number of years, we have multiple green bond issuances that include funds for the same project. We're looking to improve our reporting to more clearly identify those projects. On the flip side, it may take a couple of years of impact reporting because the project isn't finished yet. So, in our impact reports, we're reporting some of what our estimated impacts are until the project is actually completed. We really want to do a better job in reporting not only the project benefits, but also the broader benefits. We are really trying to work with our investors to understand better what they're looking for in a report and we've had a number of meetings this year with a number of investors, and that's always a question we ask because it does take multiple years to complete the projects. You have a green bond that is multiple projects, so it's really about trying to fine tune and meet that investor requirement as to what they need and be able to do efficiently.

Mansoor Khan (RBC): I think it's commendable. I know from the very first time you published that report, you've always been looking for investor feedback to continue improving it further. What you've just highlighted is fantastic. One thing that stands out in the ESG space is the evolution of reporting. Everyone starts from a different place and continues to build from there. Switching over to Matt – MFABC had started sharing use of proceeds information when launching the transaction. It included the various categories and projects that the money was going to be used for. We understand that MFABC has been having regular dialogue with its borrowing members to eventually get to a position where you could get more details on the impact of the projects. Curious to know how those conversations have gone in the last year. How does MFABC look at that in terms of medium to long term plan as it relates to reporting?

Matthew O'Rae (MFABC): Definitely an interesting area. It's probably the topic we spend the most time working on these days. It's always evolving, that's the best part. So, as you said, we're mapping the proceeds of each bond issue to the UNSDGs, and our sustainable bond framework indicates that we're also working towards tracking and reporting impact KPIs.

So, this is a bit of a journey. We obviously have a lot of members that roll up into any one of those issues, so we've let our members know that in the near future, we're going to have some expanded requests for information at the time of borrowing. Initially we'll be focused on the material loans that comprise a bond issue, and we're still working on exactly what those requests are going to be.

Like Christine, we're having a lot of conversations with institutional investors, credit rating agencies, and the full spectrum of impacted stakeholders regarding what transactional and what annual information do they need for their investment decision-making purposes for measuring impact and assessing climate. There is a lot of dialogue going on. We're also talking with a lot of the banks as well, credit unions and other MFA-like infrastructure peers around the globe that are a few years ahead of us in this space. We're also having discussions internally, trying to figure out what potential targets / metrics we are going to collect, and how to report this going forward for bondholders and their investment portfolios. We are figuring out which KPIs might be requested by the borrowers, which ones are the most important to them so that we can do this in a reliable, relevant, decision-useful manner for current and prospective bondholders.

I think what's interesting for us, although it's not yet a requirement and on a voluntary basis for us, is that the investor focused sustainability disclosure standards of ISSB and OSFI regulatory requirements, are both based on TCFD framework, which are annual in nature and primarily risk based. In contrast, the transactional reporting requests of investors at the time of bond issues are primarily impact-based. So, we're trying to figure out a way to measure and report and achieve both that risk and impact reporting, and that has been an interesting time in this evolution. We're prioritizing at this juncture our annual disclosure to keep pace with our adoption of ISSB standards. So S2, S1, and then we're also focusing on our portfolio level risks and impacts from our lending activity. We are working on a methodology for our GHG reporting and making very good progress. There's a lot of useful data out there that we're working through and having a lot of dialogue with members and investors to figure out exactly what everyone wants and needs. So that's where we're at.

> We are figuring out which KPIs might be requested by the borrowers, which ones are the most important to them so that we can do this in a reliable, relevant, decision-useful manner for current and prospective bondholders.
>
> *Matthew O'Rae, MFABC*

Mansoor Khan (RBC): That's helpful context Matt. I think people recognize the unique structure of MFABC. MFABC is reliant on its borrowing clients to do all the work for you to be able to get that information. It is great to see the effort you are putting in to eventually get to a point where you will be able to potentially provide the impact metrics. Just a follow up question on ESG, any interesting trends to highlight on the investing side?

Matthew O'Rae (MFABC): We continue to look at different ways with our asset manager for our pooled investment products to give good reporting metrics around that. So, we're working very closely with our main external asset manager, PH&N, to evolve that. Most of our clients are interested in Socially Responsible Investing for their own reserves, but most are treading carefully, many want to make sure that any ESG-investing approach they take on is valuable and has an impact. A few have decided that they want their portfolios to be "Fossil Fuel Free". Others don't have a fossil fuel free exclusionary philosophy, so we're working with everyone that has a variety of mandates, trying to help work on definitions. We've been working on labeling our suite of products. So outside of our high interest savings account and our money market funds, all the other investment funds that we offer do have and integrate ESG factors in various ways. There's been a lot of requests and interest from members to be honest, so that continues to evolve. I think there is a lot of exciting pieces there. On our internal sinking funds, we're not targeting the purchase of any labeled bonds. We're not chasing them and we're not avoiding them either, but we've got a very specific strict asset liability matched approach when we go to market to buy securities for the sinking funds. I think we have a view that Canadian government paper overall, regardless of whether it's federal, provincial, or municipal has a large degree of sustainability embedded into their operations at the entity level, but we're looking at different ways to report on the financed emissions from our investments. More dialogue on that continues. There's lots of different ways, I wouldn't say there's one way to do it yet. That's an interesting space that we're watching and evolving our philosophy on. From the client's perspective, for us, it's going to be voluntary, such as the ISSB standards through IFRS. I think a lot of our members want to be part of those efforts. Members want to contribute to our success and expand our disclosure and reporting efforts, so it's very much a hand in hand and open dialogue with them.

Mansoor Khan (RBC): Craig, Waterloo hasn't done any ESG labeled bonds, but does the Region plan on doing one in the near future? Are there any other ESG initiatives that the Region is working on at this point that you would want to highlight?

Craig Dyer (Waterloo): I would say that it's unlikely that we'll do an ESG issue in 2024. I think it's something that we need to look at and going back to my previous comments about our Waterloo Region Housing Master Plan projects, this is about a half a billion-dollar investment. A significant amount of it is to be debt financed. So, as we think about what that debt issuance looks like over the period of, say, 2025 to 2028 or 2029, I think this could give us the critical mass if you will, to consider exploring that type of issue. Like many municipalities, the region declared a climate emergency, and we have adopted a similar if not identical reduction target to what we heard from the City of Vancouver today.

We've moved off of acquiring any more diesel buses for our transit fleet, and we are incorporating electric vehicles into our non-transit fleet. A big part of our strategy here was the investment in stage 1 LRT through the Central Transit Corridor and that has resulted in a significant amount of growth and intensification within that area, partly to avoid urban sprawl and the environmental impacts associated with it. So significant investments are planned for down the road. We will over the course of 2024 spend some time thinking about what our financing strategy looks like for the following 5-year period.

Mansoor Khan (RBC): Great, thanks again, finally Laura, your thoughts please?

Laura Mirabella (York): It is unlikely that we will issue a bond that that is branded as an ESG bond over the next year. That said, you may recall that last year, I talked about the intention to introduce an ESG framework into our planning and budgeting framework. We have been working on that over the last year and have really created a framework for ESG that is aligned with our strategic plan.

We already had sustainability or environmental sustainability in our strategic plan. We have a climate change action plan that's been in existence for a couple of years now, where we are tracking specific initiatives. Under the social category, we put all our economic prosperity and our community health and safety into that bucket. We have already had a pillar in our Strategy plan on governance, and so governance is there as well. Over the next year we will be incorporating that even more into our budgeting framework, and in the way that we report to council, and as we do that, we will be able to tie that to specific capital borrowing in the future, so don't lose hope. We may issue an ESG bond in the future, but not at this point.

Mansoor Khan (RBC): Thank you everyone for your participation once again in the RBC Municipal Treasurers roundtable. We look forward to having this chat again next year and wish you all a great rest of the day.

SELECT CANADIAN MUNICIPAL ISSUERS

	MONTREAL	MFABC	TORONTO	TRANSLINK
RATINGS	A(H) / Aa2 / AA	Aaa / AAA	Aa1 / AA	AA / Aa2
TYPICAL ANNUAL BORROWING REQ. (C$MM)	650-1,300	1,000-2,000	950-1200	200-650
2023 DEBENTURE FUNDING	C$820 million	C$1.105 billion	C$1.0 billion	C$300 million
TYPICAL # ANNUAL ISSUES	2-4	3-4	4-5	1-2
TYPICAL MATURITIES	10-year 20-year	5-year 10-year	10-year 20-year 30-year	5-year 10-year 30-year
PUBLIC DEBT OUTSTANDING (C$MM)	11,063	9,261	10,359	3,580

	VANCOUVER	WATERLOO	YORK
RATINGS	Aaa / AAA	Aaa	Aaa / AAA
TYPICAL ANNUAL BORROWING REQ. (C$MM)	100-120	60-90	150-400
2022 DEBENTURE FUNDING	C$100 million	C$60 million	C$150 million
TYPICAL # ANNUAL ISSUES	1	1-2	1-2
TYPICAL MATURITIES	10-year	10-year 20-year	10-year
PUBLIC DEBT OUTSTANDING (C$MM)	1,095	772	3,581

SELECT RBC-LED TRANSACTIONS IN 2023

Canadian Government Issuers & Pension Asset Managers/Funds

OMERS
US$1,000,000,000
5.50% Senior Notes due 2033
AAA/Aa1/AA+
Joint Bookrunner
November 2023

CMHC SCHL
C$8,500,000,000
Dual-tranche CORRA FRN due 2029 & 4.25% Senior Note due 2034
AAA/Aaa/AAA
Lead
November 2023

British Columbia — Supported by the Province of British Columbia
US$2,000,000,000
4.80% Senior Notes due 2028
AA(H)/Aaa/AA
Joint Bookrunner
November 2023

BCI
C$1,250,000,000
4.90% Inaugural Debt Offering due 2033
AAA/Aaa/AAA
Joint Bookrunner
October 2023

Municipal Finance Authority of BC
C$400,000,000
4.50% Senior Notes due 2028
-/Aaa/AAA
Joint Bookrunner
August 2023

EDC
A$1,000,000,000
4.40% Senior Notes due 2027
AAA/Aaa/AAA
Joint Bookrunner
June 2023

Canada
US$4,000,000,000
3.75% Senior Notes due 2028
AAA/Aaa/AAA
Joint Bookrunner
April 2023

Ontario Teachers' Pension Plan
US$1,500,000,000
4.25% Senior Notes due 2028
AAA/Aa1/AA+
Joint Bookrunner
April 2023

Québec
US$3,500,000,000
3.625% Senior Notes due 2028
EUR2,250,000,000
3.00% Senior Notes due 2033
AA(L)/Aa2/AA-
Joint Bookrunner
April & January 2023

CPP Investments
GBP750,000,000
4.375% Senior Notes due 2026
A$1,300,000,000
4.40% Senior Notes due 2026
AAA/Aaa/AAA
Joint Bookrunner
February & January 2023

Ontario
C$2,250,000,000
3.60% Senior Notes due 2028
AA(L)/Aa3/A+
Lead
February 2023

CDPQ
US$2,000,000,000
4.50% Senior Notes due 2026
AAA/Aaa/AAA
Joint Bookrunner
February 2023

SELECT RBC-LED TRANSACTIONS IN 2023

Green Bonds and Sustainable Finance

TransLink
C$300,000,000
4.15% Green Bond due 2053
AA/Aa2/-
Joint Lead
December 2023

City of Vancouver
C$100,000,000
4.90% Sustainability Bond due 2033
-/Aaa/AAA
Lead
October 2023

Toronto
C$100,000,000
4.40% Green Bond due 2042
AA/Aa1/AA
Lead
September 2023

PSP
C$1,000,000,000
4.40% Green Bond due 2030
AAA/Aaa/AAA
Joint Bookrunner
August 2023

ADB
C$1,000,000,000
4.40% Health Bond due 2026
C$500,000,000
3.30% Gender bond due 2028
-/Aaa/AAA
Joint Bookrunner
June & May 2023

Québec
C$600,000,000
3.90% Green Bond due 2032
AA(L)/Aa2/AA-
Joint Bookrunner
June 2023

Ontario
C$1,500,000,000
4.05% Green Bond due 2032
AA(L)/Aa3/A+
Joint Bookrunner
February 2023

Ontario Teachers' Pension Plan
C$1,000,000,000
4.15% Green Bond due 2029
AAA/Aa1/AA+
Joint Bookrunner
February 2023

Maple Offerings

The World Bank IBRD • IDA
C$1,000,000,000
4.25% Senior Notes due 2030
-/Aaa/AAA
Joint Bookrunner
September 2023

KfW
C$500,000,000
4.25% Green Bond due 2028
-/Aaa/AAA
Joint Bookrunner
September 2023

IFC International Finance Corporation (World Bank Group) — *Creating Markets, Creating Opportunities*
C$1,000,000,000
4.50% Green Bond due 2026
-/Aaa/AAA
Joint Bookrunner
August 2023

L-Bank Staatsbank für Baden-Württemberg
C$300,000,000
4.85% Inaugural CAD Benchmark due 2026
-/Aaa/AAA
Joint Bookrunner
August 2023

CEB Council of Europe Development Bank / Banque de Développement du Conseil de l'Europe
C$300,000,000
4.57% Social Inclusion Bond due 2027
-/Aaa/AAA
Joint Bookrunner
July 2023

European Investment Bank
C$700,000,000
3.90% Senior Notes due 2028
AAA/Aaa/AAA
Joint Bookrunner
June 2023

IDB Inter-American Development Bank
C$750,000,000
3.40% Sustainable Development Bond due 2028
-Aaa/AAA
Joint Bookrunner
May 2023

KBN
C$300,000,000
3.625% Senior Notes due 2028
-Aaa/AAA
Joint Bookrunner
April 2023

rbccm.com