



# COUNTY OF WELLINGTON

## COMMITTEE REPORT

**To:** Chair and Members of the Administration, Finance and Human Resources Committee  
**From:** Ken DeHart, County Treasurer  
**Date:** Tuesday, September 21, 2021  
**Subject:** **2021 Credit Rating Update – Standard & Poor's**

### Background:

A credit rating is an independent opinion of an issuer's financial capacity to meet its debt payment obligations. A credit rating is not an audit of the issuer, nor is the rating agency acting as a financial advisor. The investment community uses credit ratings in order to differentiate credit quality when considering various investment options. Generally speaking, the higher the credit rating, the lower the credit risk to investors and the lower interest rate the County will be need to pay on debt issued.

### Update:

Standard and Poor's (S&P) Global Ratings announced on July 20, 2021 that it was maintaining the County of Wellington's credit rating at 'AA+' with a stable outlook (Attachment: S&P Ratings Update). The County's history of credit rating changes with S&P is as follows:

Date	Rating	Outlook
September 2002 (initial rating)	A+	Stable
April 2004	A+	Positive
August 2005	AA-	Stable
October 2008	AA-	Positive
April 2010	AA	Stable
August 2013	AA	Positive
August 2014	AA+	Stable
<b>July 2021</b>	<b>AA+</b>	<b>Stable</b>

S&P reports that the County's rating is supported by steady population growth and above average income levels, strong and improving financial management practices, and a predictable and well-balanced local and regional government framework. They expect that these factors will allow the County to continue to support the growing property tax base despite the pressures of COVID-19, and also produce strong budgetary performance, maintaining a healthy liquid position.

S&P states that cost containment policies as well as pandemic related funding have limited the impacts of COVID-19 on the County's budget. They expect that after-capital surpluses will continue to be achieved and a moderate debt burden will be maintained as the County proceeds with its capital plan.

Wellington currently shares the highest credit rating of any County in Ontario rated by S&P with Essex and Oxford. However, Wellington is either rated equal to or below our neighbouring municipalities.

Municipality	Rating	Outlook
<b>Counties</b>		
County of Haldimand	AA	Stable
County of Lambton	AA	Stable
County of Simcoe	AA	Stable
County of Essex	AA+	Stable
County of Oxford	AA+	Stable
<b>County of Wellington</b>	<b>AA+</b>	<b>Stable</b>
<b>Neighbours</b>		
City of Guelph	AA+	Stable
City of Hamilton	AA+	Stable
Region of Halton	AAA	Stable
Region of Peel	AAA	Stable
Region of Waterloo (rated by Moody's)	Aaa	Stable

### Outlook:

The report indicates that the stable outlook reflects S&P's expectation that despite negative pressures stemming from the COVID-19 pandemic, the County will maintain a healthy budgetary performance, with operating surpluses of more than 13% of adjusted total revenues, on average.

S&P indicates that the County's outlook could be revised to negative if deteriorating financial management practices lead to aggressive capital spending that pushed the County's tax supported debt to more than 60% of operating revenues, coupled with weaker operating performance resulting in sustained after-capital deficits of more than 5% of total revenues.

The rating could be revised to positive if Wellington's economy notably expanded and diversified in line with that of some of its higher-rated peers. S&P views this scenario as unlikely in the next two years.

### Attachment:

Attachment: S&P Ratings Update

### Recommendation:

That the County Treasurer's report re: Standard and Poor's 2021 Credit Rating Update be received for information.

Respectfully submitted,



Ken DeHart, CPA, CGA  
County Treasurer