



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, October 18, 2022
Subject: **2022 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 September 19, 2022, that it was re-affirming the County of Wellington's credit rating at 'AAA' with a stable outlook (Attachment: S&P Ratings Update). The AAA credit rating is the highest possible rating than any municipality can achieve. On June 1, 2022, the County of Wellington was one of 21 Canadian municipalities to have its credit rating upgraded to a higher level with a stable outlook based on an upward revision of S&P's institutional framework assessment for Canadian municipalities to extremely predictable and supportive from very predictable and well balanced.

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
July 2021	AA+	Stable
June 1, 2022	AAA	Stable
September 19, 2022	AAA	Stable

Wellington currently shares the highest credit rating of any County in Ontario as rated by S&P with Essex and Oxford. Wellington also now has an equivalent credit rating to our neighbouring municipalities.

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

*Moody's Aaa is equivalent to S&P AAA

Outlook and Rationale:

S&P expects that Wellington County will maintain healthy budgetary results and continue a strong liquidity position over the two-year outlook horizon. While S&P expects the County to continue to use debt, an unlikely negative rating action might occur if the tax-supported debt burden rose to more than 60% of operating revenues. This ratio is currently less than 25% based on most recent 2021 audited financial statements.

S&P views the County's economy as healthy and stable with a growing population that is relatively wealthy. While inflationary pressures may weaken short term operating balances, S&P projects these will remain strong and management will remain prudent and continue to focus on long-term fiscal sustainability, keeping capital outlays and debt funding manageable.

Attachment:

Attachment: S&P Global Ratings: Research Update – County of Wellington

Recommendation:

That the County Treasurer's report re: Standard and Poor's 2022 Credit Rating Update be received for information.

Respectfully submitted,



Ken DeHart, CPA, CGA
County Treasurer