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# HALDIMAND COUNTY

## Memorandum FIN-M01-2021 Haldimand County Credit Rating Update For Consideration by Council on June 1, 2021

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**To:** Mayor Hewitt and Members of Council  
**From:** Angela Cifani, Supervisor, Budgets & Financial Planning

On May 13<sup>th</sup>, 2021, Standard & Poor's Rating Services completed its annual update and review of Haldimand County's financial credit rating. Based on their review and despite the impacts of the COVID-19 pandemic on the County's fiscal position, Standard and Poor's has affirmed the County's "AA/Stable" credit rating. Over the past years, the County's credit rating has gone from a "low" of "A" negative to the current "AA Stable" rating. This is very positive news and a testament to the sound financial policies and principles adopted by Council and managed by staff.

Several factors impact the credit rating of a municipal government. Standard and Poor's Rating Service evaluates approximately 35 Canadian municipalities, 1 Territory and 9 Provinces, in addition to many international entities. Municipal ratings are based on six main categories: institutional framework; economy; financial management; budgetary performance; liquidity; and debt burden.

The following chart provides a general summary of the opinions reflected by Standard & Poor's credit ratings:

Credit Rating	Definition
"AAA"	Extremely strong capacity to meet financial commitments. Highest Rating.
"AA"	Very strong capacity to meet financial commitments
"A"	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
"BBB"	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
"BBB-"	Considered lowest investment grade by market participants

Within the key rating factors, it was noted that Standard & Poor's anticipates a *"supportive institutions and prudent financial management will support Haldimand County's creditworthiness."* And that the stable outlook reflects their *"expectations that, in the next two years, Haldimand will maintain strong budgetary results with a modest negative after-capital balance, supported by sound financial management practices and a steady economy. We also expect the county will keep its tax-supported debt burden below 60% of the operating revenues during the outlook horizon while maintaining a health liquidity position."*

It was also cautioned under the "Downside scenario" that a negative rating action could occur should aggressive capital spending and increased long-term debt increase to more than 60% of operating revenue threshold.

Standard & Poor's has noted that Haldimand is a well-governed, largely rural municipality. The major rating factors for Haldimand County were identified as follows:

*Strengths:*

- Very predictable and well balanced institutional framework
- Sound financial management
- Strong and flexible budgetary performance
- Healthy liquidity
- Modest debt burden

*Weaknesses/Risks:*

- Concentrated employment and limited growth prospects compared with peers
- Uncertainty around economic activity and budgetary performance in 2021 due to COVID-19
- Demographic profile constrains local economy
- Weaker operating performances
- Aggressive capital spending, or higher-than-planned external borrowing could result in negative rating action

Some of the County's municipal comparators' bond ratings are as follows:

Municipality	Most Recent Rating Date	Standard & Poor's Credit Rating/ Rating Trend			
		2018	2019	2020	2021
Haldimand County	May 2020	"AA" Stable	"AA" Stable	"AA" Stable	"AA" Stable
Belleville	April 2019	"AA-" Stable	"AA-" Stable	"AA-" Stable	N/A
Region of Niagara	October 2020	"AA" Stable	"AA" Stable	"AA" Stable	"AA" Stable
Kingston	October 2020	"AA" Stable	"AA" Stable	"AA" Stable	N/A
Hamilton	October 2020	"AA+" Stable	"AA+" Stable	"AA+" Stable	N/A
Norfolk County	June 2020	AA-" Stable	AA-" Stable	AA-" Stable	N/A

\*Note: **Bolding** denotes increasing rating over prior year's rating. N/A indicates revised rating not yet completed for 2021.

It should be noted that Haldimand and Norfolk County are the only local municipalities rated by Standard & Poor's with populations of less than 100,000. Despite Haldimand County's relatively small size, it is rated similar to much larger municipalities and has also realized significantly more credit upgrades than most of our comparators.

Given that the rating agency's evaluation is a function of both fiscal performance (controlled internally) and the local economy (controlled externally), it is the continued low debt levels, strong budgetary results and liquidity that are maintaining the County's positive ratings. This is particularly relevant when considering that similarly rated municipalities have the benefit of significantly stronger and more diverse local economies, assessment bases and budgetary flexibility.

The County's credit rating has an impact on future debt costs and investment opportunities; therefore, it is important to continue to adhere to the current financial policies which are proving successful. Given that there are other factors beyond Council's control (e.g. global/local economy/provincial funding uncertainty), the current financial plan does allow for some flexibility as long as Haldimand County adheres to the sound financial principles that are currently having a positive impact on the annual credit rating.