S&P Global Ratings

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Research Update:

Haldimand County Ratings Affirmed At 'AA'; Outlook Remains Stable

May 8, 2025

Overview

- We expect Haldimand County's growth needs will require significant capital works and higher annual borrowings through 2027.
- However, operating results will remain robust, and liquidity will be more than sufficient to cover debt service.
- Therefore, S&P Global Ratings has affirmed its 'AA' long-term issuer credit and senior unsecured debt ratings on Haldimand County.
- The stable outlook reflects our expectation that Haldimand will continue to generate strong operating results and moderate after-capital deficits on average through the outlook horizon, and that the debt burden will remain modest and liquidity will remain strong.

PRIMARY CREDIT ANALYST

Sabrina J Rivers
New York
+ 1 (212) 438 1437
sabrina.rivers@spglobal.com

SECONDARY CONTACT

Jennifer Love, CFA
Toronto
+ 1 (416) 507 3285
jennifer.love@spglobal.com

ADDITIONAL CONTACT

Adam Paunic
Toronto
+1 6474803543
adam.paunic@spglobal.com

Rating Action

On May 8, 2025, S&P Global Ratings affirmed its 'AA' long-term issuer credit and senior unsecured debt ratings on Haldimand County, in the Province of Ontario. The outlook is stable.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that, in the next two years, Haldimand will maintain strong budgetary results with a modest negative after-capital balance on average, supported by sound financial management practices and a steady economy. We also expect Haldimand will keep its tax-supported debt burden manageable during the outlook horizon while maintaining a good liquidity position.

Downside scenario

We could take a negative rating action in the next two years if weaker operating performance or cost overruns associated with elevated capital spending markedly increased Haldimand's after-capital deficits and higher-than-planned external borrowing increased tax-supported debt beyond current expectations.

Upside scenario

We could raise the rating if, in addition to prudent managerial measures including timely financial disclosures and improved retention and planning capacities, shifts in Haldimand's capital plan drove sustained after-capital surpluses, or significantly diminished debt issuance needs. However, we view this scenario as unlikely during the next two years.

Rationale

With its forthcoming capital plan built around key infrastructure investments, as well as capital repairs, we expect Haldimand County to generate moderate after-capital deficits and issue debt over the forecast horizon and beyond. At the same time, we believe that Haldimand's prudent financial management will continue to support operating surpluses and sustain liquidity levels more than sufficient to cover 12 months of debt service.

Supportive institutions and prudent financial management continue to support Haldimand's creditworthiness.

The local economy of Haldimand, in Southern Ontario, will continue to benefit from its proximity to the City of Hamilton, which offers diverse business and employment opportunities. Although GDP data are not available at the local level, we believe Haldimand would have GDP per capita in line with that of Canada. Thus, we estimate national GDP per capita will be more than US$54,800 in 2025.

While we expect to see relatively steady output among key local industries of tourism, manufacturing, construction, and agrifood processing, Haldimand County's two largest employers remain Stelco and Imperial Oil Ltd. The pair account for a concentration of employment in Haldimand in two cyclical and tariff-exposed sectors that we believe could hamper the economy in the case of disrupted operations. However, our base-case assumption is that the local economy will largely remain stable in the face of increased uncertainty associated with international trade disputes, given previous recent experience weathering tariff headwinds (for further information on our estimates of the potential macro effects of proposed tariffs on the Canadian economy more broadly, see "Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth," published May 1, 2025, on RatingsDirect).

Haldimand's demographic profile serves to constrain economic growth prospects, in our view. The local population is estimated to be about 49,216; per the 2021 Census, approximately 21% of the population was over the age of 65, above the national level of 19%. Although new developments in Caledonia and Hagersville could mitigate this trend in the medium term, we believe aging demographics remain a constraint to growth in the labor pool. We also believe this will continue to influence government spending decisions and could negatively affect revenues.

We expect that Haldimand County's managerial expertise will remain stable over the next two years. Haldimand presents a one-year, detailed tax-supported operating budget; a one-year, rate-supported operating budget; and tax- and rate-supported 10-year capital plans with corresponding funding sources. We expect that debt and liquidity management will remain prudent, with a formal investment policy and a conservative internal debt limit. Management remains dedicated to the development of its long-term financial strategy, which it expects will be completed in 2026.

As do other Canadian municipalities, Haldimand benefits from an extremely predictable and supportive local and regional government framework that has demonstrated high institutional stability and evidence of systemic extraordinary support in times of financial distress. Most recently through the pandemic, senior levels of government provided operating and transit-related grants to municipalities, in addition to direct support to individuals and businesses. Although provincial governments mandate a significant proportion of municipal spending, they also provide operating fund transfers and impose fiscal restraint through legislative requirements to pass balanced operating budgets. Municipalities generally have the ability to match expenditures well with revenues, except for capital spending, which can be intensive. Any operating surpluses typically fund capital expenditures and future liabilities (such as postemployment obligations) through reserve contributions. Municipalities have demonstrated a track record of strong budget results and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

Haldimand County will support its increasing capital needs with recoveries, reserves, and debt issuance.

In the next several years, we expect that Haldimand County will continue to generate high operating surpluses. Driven by a stable property tax base and growth primarily in Caledonia and Hagersville, Haldimand will generate operating results that average 24% of adjusted operating revenues through the period 2023-2027. Given local growth needs and demands, we expect capital spending will pick up over the next several years as Haldimand develops its infrastructure. Capital plans include not only physical infrastructure maintenance and expansion projects, but also Haldimand's Active Living Centre. We expect Haldimand will generate modest after-capital deficits of approximately 1% through the base-case period, particularly as the multi-phase Caledonia Wastewater Treatment Plant progresses.

Haldimand County's debt burden will remain moderate over the forecast period, with steady repayments and high operating balances helping to offset some debt issuance. Over the period 2025-2027, we expect Haldimand to issue C$105 million in debt to support its capital projects, resulting in a debt burden of 69% of consolidated operating revenues by 2027. Most of these issuances will be repaid from water and wastewater fees, as well as developer contributions. We anticipate that Haldimand's interest burden will remain low, representing less than 1% of operating revenues on average.

Haldimand maintains a robust liquidity position. We estimate its free cash and investment balances will represent approximately C$149 million of the next 12 months' debt service, or 15x. Like that of domestic peers, Haldimand's access to external liquidity is, in our view, satisfactory.

Key Statistics

Table 1

County of Haldimand -- selected indicators

(Mil. C$)	2022	2023	2024bc	2025bc	2026bc	2027bc
Operating revenues	154	156	161	167	172	177
Operating expenditures	115	117	121	126	131	136

Table 1

County of Haldimand -- selected indicators (cont.)

(Mil. C$)	2022	2023	2024bc	2025bc	2026bc	2027bc
Operating balance	40	39	40	42	41	40
Operating balance (% of operating revenues)	25.7	24.9	24.9	24.9	23.8	22.8
Capital revenues	16	16	14	22	22	17
Capital expenditures	40	50	54	65	65	65
Balance after capital accounts	16	4	0	(2)	(3)	(8)
Balance after capital accounts (% of total revenues)	9.6	2.5	0.0	(1.0)	(1.3)	(4.3)
Debt repaid	8	8	7	7	10	12
Gross borrowings	4	0	0	29	25	52
Balance after borrowings	13	(4)	(7)	20	12	32
Direct debt (outstanding at year-end)	61	53	45	67	81	122
Direct debt (% of operating revenues)	39.4	33.8	28.2	40.0	47.3	68.8
Tax-supported debt (outstanding at year-end)	61	53	45	67	81	122
Tax-supported debt (% of consolidated operating revenues)	39.4	33.8	28.2	40.0	47.3	68.8
Interest (% of operating revenues)	1.2	1.1	0.9	0.8	1.0	1.1
National GDP per capita (single units)	73,221	73,192	74,332	76,770	79,444	81,805

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario.

Ratings Score Snapshot

Table 2

Haldimand County--ratings score snapshot

Key rating factors	Scores
Institutional framework	1
Economy	3
Financial management	3
Budgetary perfomance	2
Liquidity	1
Debt burden	2
Stand-alone credit profile	aa

Table 2

Haldimand County--ratings score snapshot (cont.)

Key rating factors	Scores
Issuer credit rating	AA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, April 10, 2025. An interactive version is available at http://www.spratings.com/sri

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth, May 1, 2025
- Economic Outlook Canada Q2 2025: Trade Tensions Disrupt Growth Improvement, March 25, 2025Subnational Government Outlook 2025: Canadian LRG Revenues Will Play Catchup To Meet Higher Operating Costs And Stabilize Debt Growth, Jan. 16, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024
- Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressures, Sept. 19, 2024
- Institutional Framework Assessment: Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures, April 2, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Haldimand (County of)	
Issuer Credit Rating	AA/Stable/--
Haldimand (County of)	
Senior Unsecured	AA