



Hamilton

# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	December 9, 2020
<b>SUBJECT/REPORT NO:</b>	2020 S&P Global Ratings Credit Rating Review (FCS20099) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Not Applicable.

## INFORMATION

On October 14, 2020, S&P Global Ratings (“S&P”) maintained the City of Hamilton (the “City”) issuer credit rating at ‘AA+’ with a ‘Stable’ outlook.

Appendix “A” attached to Report FCS20099 respecting 2020 S&P Global Ratings Credit Rating Review is S&P’s published report on the City: S&P Global Ratings Summary: City of Hamilton dated October 14, 2020 (the “Summary”).

The City has maintained a ‘AA+ / Stable’ credit rating by S&P for each year since June 16, 2017, which is when S&P raised the rating to ‘AA+’ with ‘Stable’ outlook from ‘AA’ with ‘Positive’ outlook.

In the Summary, S&P noted that, during the COVID-19 pandemic and recovery, they expect the City’s creditworthiness will be supported by the City’s prudent financial management and supportive institutions, including the City’s supportive and balanced relationship with the Province of Ontario.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

The rating agency expects the City of Hamilton’s (the “City”) economic diversification would help the City recover from a contraction this year. S&P believes that the City continues to show characteristics of a resilient economy, including its economic diversification. S&P noted the City’s movement into other economic sectors, including advanced manufacturing, aerospace, agribusiness, food processing, life sciences, digital media and goods transport, apart from its traditional steel sector.

S&P reported that although they view the possibility of an upgrade to be remote over the next two years, they “could raise the ratings if the City’s economy were to grow significantly, causing operating surpluses to rise such that they would fully and consistently finance the City’s capital program, leading to structural surpluses after capital spending.” S&P added that this condition would be in combination with substantial improvements in the City’s financial management (supported by stronger budget performance) as assessed by S&P and with no deterioration in S&P’s other rating factors.

S&P noted that, over the next two years, it could lower the City’s credit rating if deficits that take into account both capital and operating balances approach 10% of revenue and cause the City to depend more heavily on debt issuance such that the debt burden rose substantially above 30% of operating revenue for a sustained period and if S&P did not believe that the debt burden was mitigated by high operating surpluses.

The City’s Ratings Score Snapshot (Table 2 on page 5 of the Summary) is shown in Table 1. The Snapshot shows S&P’s assessment (score) of the City with respect to S&P’s six key rating factors, and shows the City’s stand-alone credit profile and the City’s issuer credit rating, both assigned by S&P. The six factors are institutional framework, economy, financial management, budgetary performance, liquidity and debt burden.

**Table 1  
City of Hamilton Ratings Score Snapshot**

<b>Key Rating Factors</b>	<b>Scores</b>
Institutional framework	2
Economy	1
Financial management	2
Budgetary performance	2
Liquidity	1
Debt burden	1
Stand-alone credit profile	aa+
Issuer credit rating	AA+

S&P bases its ratings on the six key rating factors. The assessment of institutional framework is on a six-point scale with ‘1’ being the strongest score and ‘6’ the weakest.

The remaining five factors are assessed on a five-point scale with '1' being the strongest score and '5' the weakest. S&P's stand-alone credit profile is the result for the credit rating before any sovereign-related overriding factors when relevant are applied and the issuer credit rating is the City's credit rating.

With respect to the key rating factors, the City maintained strongest scores (at '1') for economy, liquidity and debt burden and second-best scores (at '2') for institutional framework, financial management and budgetary performance. The City has a stand-alone credit profile score of 'aa+' and S&P applied no sovereign-related overriding factors to the profile. The issuer credit rating is 'AA+'.

The scores are unchanged compared with last year's scores, shown in the Ratings Score Snapshot in S&P's Research Update dated October 18, 2019, attached as Appendix "A" to Report FCS19089 respecting "2019 S&P Global Ratings Credit Rating Review".

The City's credit rating, in comparison with other large Ontario municipalities, is shown in Table 2. Unless marked otherwise, each of the ratings has a 'Stable' outlook.

**Table 2  
Credit Rating Comparison**

<b>Municipality</b>	<b>S&amp;P<sup>1</sup></b>	<b>Moody's<sup>2</sup></b>
Regional Municipality of Durham	AAA	Aaa
Regional Municipality of Halton	AAA	Aaa
City of London	–	Aaa
Regional Municipality of Peel	AAA	Aaa
Regional Municipality of Waterloo	–	Aaa
City of Guelph	AA+	–
City of Hamilton	AA+	–
Regional Municipality of York	AA+/(Positive)	Aaa
City of Barrie	AA	–
City of Kingston	AA	–
Regional Municipality of Niagara	AA	–
City of Ottawa	AA	Aaa
City of Toronto <sup>3</sup>	AA	Aa1
City of Windsor	AA	–

<sup>1</sup> S&P Global Ratings

<sup>2</sup> Moody's Investors Services Inc.

<sup>3</sup> also rated AA by Dominion Bond Rating Service Limited

– denotes not rated

A history of the City's credit ratings is shown in Table 3.

**Table 3  
City of Hamilton's<sup>1</sup> Credit Rating History**

<b>Rating Agency</b>	<b>Rating (Outlook 'Stable' unless otherwise marked)</b>	
S&P	AA+	2020
	AA+	2019
	AA+	2018
	AA+	2017 (November 14)
	AA+	2017 (June 16)
	AA / Positive	2016
	AA	2008-2015
	AA / Positive	2005-2007
	AA	2001-2004
	AA	1999-2000 <sup>2</sup>
	AA+	1994-1999 <sup>2</sup>
	AAA	1989-1994 <sup>2</sup>
	Moody's	Aa3
Aa2		1988-1995
DBRS	AA	2004-2009
	AA+	1994-2004

<sup>1</sup> City of Hamilton and, prior to amalgamation, the Regional Municipality of Hamilton-Wentworth

<sup>2</sup> Prior to 2001, ratings shown under S&P are the ratings of Canadian Bond Rating Service, which was bought by S&P and its predecessor companies and announced on October 31, 2000.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS20099 – S&P Global Ratings Summary: City of Hamilton

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