



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	December 8, 2021
SUBJECT/REPORT NO:	2021 S&P Global Ratings Credit Rating Review (FCS21109) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Rosaria Morelli (905) 546-2424 Ext. 1390
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SIGNATURE:	

COUNCIL DIRECTION

Not Applicable.

INFORMATION

On October 27, 2021, S&P Global Ratings ("S&P") maintained the City of Hamilton's credit rating at 'AA+' with a 'Stable' outlook.

Appendix "A" attached to Report FCS21109, respecting S&P Global Ratings report on Hamilton, dated October 27, 2021 (the "Report"), is S&P's published report on the City.

The City has maintained a 'AA+ / Stable' rating on the City's long-term issuer credit and senior unsecured debt 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 Report, S&P said that they expect Hamilton's economic recovery from COVID-19 to evolve in line with other municipalities in Ontario and that Hamilton will benefit from its economic diversity and economic resiliency. S&P said that they expect the City's creditworthiness will be supported by the City's prudent financial management and supportive institutions and that they expect the City's relationship with the Province of Ontario to remain well-balanced and supportive.

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The rating agency notes that the impact of the pandemic on the City's public finances will continue to be mitigated by temporary funding from higher levels of government and by the City's cost containment measures. S&P expects the City will maintain its strong operating balances and S&P notes the City's low debt and exceptionally high internal liquidity levels.

S&P advised that although they view the possibility of an upgrade to be remote over the next two years, they "could raise the ratings if Hamilton'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 of Hamilton Ratings Score Snapshot (shown on page 3 and page 4 of the Report) is presented in Table 1, below. 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

Key Rating Factors	Scores
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 of 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 14, 2020, attached as Appendix "A" to Report FCS20099 respecting 2020 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

Municipality	S&P¹	Moody's²
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	AAA	Aaa
City of Barrie	AA	
City of Kingston	AA	
Regional Municipality of Niagara	AA	
City of Ottawa	AA	Aaa
City of Toronto ³	AA	Aa1
City of Windsor	AA	

¹ S&P Global Ratings

² Moody's Investors Services Inc.

³ also rated AA by Dominion Bond Rating Service Limited

– denotes not rated

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

**Table 3
City of Hamilton's Credit Rating History**

Rating Agency	Rating (Outlook 'Stable' unless otherwise marked)	
S&P	AA+	2021
	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 ²
	AA+	1994-1999 ²
	AAA	1989-1994 ²
Moody's	Aa3	1995-2001
	Aa2	1988-1995
DBRS	AA	2004-2009
	AA+	1994-2004

¹ City of Hamilton and, prior to amalgamation, the Regional Municipality of Hamilton-Wentworth

² 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 FCS21109 – S&P Global Ratings, Hamilton, October 27, 2021

RM/dt