




# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	November 30, 2022
<b>SUBJECT/REPORT NO:</b>	2022 S&P Global Ratings Credit Rating Review (FCS22083) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Rosaria Morelli (905) 546-2424 Ext. 1390
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Not Applicable.

## INFORMATION

On October 13, 2022, S&P Global Ratings ("S&P") maintained the City of Hamilton's credit rating at 'AAA' with a 'Stable' outlook.

Appendix "A" attached to Report FCS22083, respecting S&P Global Ratings report on City of Hamilton, dated October 13, 2022 (the "Report"), is S&P's published report on the City.

The City has maintained a 'AAA / Stable' rating on the City's long-term issuer credit and senior unsecured debt by S&P since June 1, 2022, which is when S&P raised the rating to 'AAA' with 'Stable' outlook from 'AA+' with 'Stable' outlook. The rating of 'AAA' is the highest possible rating on S&P's rating scale.

Prior to June 1, 2022, the City 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, the rating agency's outlook over the forecast period from 2022 to 2024, inclusive, reflects its expectation that the City will continue to implement prudent long-term financial planning policies to maintain strong budgetary performance and that deficits (which result after taking into account capital revenues and expenditures, as well as, operating revenues and expenditures) would continue to be modest. Over the period 2020 to 2024, S&P expect an after-capital deficit of 3% of total revenues, on average. S&P anticipate that the debt burden will remain relatively stable.

S&P noted their belief that Hamilton continues to show characteristics of a resilient economy, including diversification. S&P also noted the City's strong liquidity position, which is remarked to be a key strength in Hamilton's credit rating.

S&P mention in the Report a downside scenario that could result in a rating downgrade in the next two years: "if flat or declining revenues or higher spending led to sustained after-capital deficits of more than 5% of total revenues and the expected additional borrowings to increase the debt burden to more than 30% of operating revenues".

S&P highlight in the Report that they believe economic headwinds will not result in a deterioration of the City's budgetary performance as they expect that over the period of 2020 to 2024, the City will maintain high operating balances of 14% on average. They note that the City has a COVID-19 reserve fund that could be used to fund the forecasted gap for 2022 of C\$37.5 M.

The City of Hamilton Ratings Score Snapshot (shown on page 3 and page 4 of the Report) is presented 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**

Key Rating Factors	Scores
Institutional framework	1
Economy	1
Financial management	2
Budgetary performance	2
Liquidity	1
Debt burden	1
Stand-alone credit profile	aaa
Issuer credit rating	AAA

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

Except for institutional framework, the scores are unchanged compared with last year's scores, shown in the Ratings Score Snapshot in S&P's Report dated October 27, 2021, attached as Appendix "A" to Report FCS21109 respecting 2021 S&P Global Ratings Credit Rating Review. The institutional framework score was upgraded to '1' from '2' by S&P on June 1, 2022 and in this review, S&P maintained this score of '1' for institutional framework.

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	AAA	–
City of Hamilton	AAA	–
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 <sup>3</sup>	AA (Positive)	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.

---

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.

**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	AAA	2022 (October 13)
	AAA	2022 (June 1)
	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 <sup>2</sup>
	AA+	1994-1999 <sup>2</sup>
	AAA	1989-1994 <sup>2</sup>
Moody's	Aa3	1995-2001
	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 FCS22083 – S&P Global Ratings, Hamilton, October 13, 2022

RM/dt