




Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 6, 2024
SUBJECT/REPORT NO:	2024 S&P Global Ratings Credit Rating Review (FCS24060) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Rosaria Morelli (905) 546-2424 Ext. 1390
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not Applicable.

INFORMATION

On October 15, 2024, S&P Global Ratings (“S&P”) affirmed its ‘AAA’ long-term issuer credit and senior unsecured debt ratings on the City of Hamilton. The outlook is stable.

Appendix “A” attached to Report FCS24060, respecting S&P Global Ratings Research Update on City of Hamilton, dated October 15, 2024 (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.

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.

In the Report, the rating agency stated the City will undertake larger-than-historical capital spending for infrastructure and maintenance requirements in the next several years, which they expect will generate larger after-capital deficits over the outlook horizon. (An after-capital deficit arises when capital revenues plus operating revenues are less than capital expenditures plus operating expenditures.)

In S&P's base-case scenario for 2022-2026, S&P expects the City to generate after-capital deficits averaging just above 6% and to spend an average of C\$800 M in the forecast years. S&P noted that although they expect larger after-capital deficits, its stable outlook for the City reflects their view that the City's credit fundamentals will allow the City to execute a higher level of spending while maintaining robust overall results. S&P expect that the debt burden will remain relatively stable (and will represent about 18% of operating revenues by year-end 2026) and that the City's liquidity position will remain very high.

S&P reference a downside scenario that could result in a negative rating action in the next two years: "if a slow response by the city to changing operating conditions led to capital spending beyond expectations such that deficits rose above 10% on average, or additional borrowing increased the debt burden to more than 30% of operating revenues during the outlook horizon."

The City's ransomware attack on February 25, 2024 is referenced in the Report and S&P views management's response as commensurate to their assessment of the City's prudent financial management and that they assume a timely return to regular financial reporting.

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

The City of Hamilton Ratings Score Snapshot (shown on 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	1
Economy	1
Financial management	2
Budgetary performance	3
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; the second-best score (at ‘2’) for financial management; and the third-best score (at “3”) for 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 budgetary performance, the scores are unchanged compared with last year’s scores, which were in the Ratings Score Snapshot in S&P’s Report dated October 17, 2023, attached as Appendix “A” to Report FCS23099 respecting 2023 S&P Global Ratings Credit Rating Review (City Wide).

The budgetary performance assessment is now “3”, one notch lower compared with last year when the assessment was “2”. S&P’s expectation for larger after-capital deficits over the base-case period for 2022 to 2026 affected the assessment for this year.

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	AAA	–
City of Hamilton	AAA	–
Regional Municipality of York	AAA	Aaa
City of Barrie	AA+ (Positive)	–
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 DBRS Morningstar

– denotes not rated

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

**Table 3
City of Hamilton's¹ Credit Rating History**

Rating Agency	Rating (Outlook 'Stable' unless otherwise marked)	
S&P	AAA	2024
	AAA	2023
	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 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 FCS24060 – S&P Global Ratings - City of Hamilton 'AAA'
Ratings Affirmed; Outlook Remains Stable