



Memorandum

TO: Committee of the Whole
FROM: Bill Hughes, Commissioner of Finance
DATE: September 17, 2015
RE: **Regional Municipality of York 2015 Credit Rating Update**

Moody's Investor Service and Standard and Poor's Rating Services have both recently reaffirmed their credit ratings for York Region.

The Region continues to have excellent access to capital markets and to borrow at historically low rates.

Both rating agencies comment favourably on the Region's financial management and see the fiscal strategy approved by Council through the last two budget cycles as a positive step forward.

Moody's Maintains Aaa Rating with Stable Outlook

On August 26, 2015, Moody's maintained its Aaa/Stable rating for York Region supported by:

1. A high level of cash and investments,
2. Prudent and far-sighted fiscal management,
3. A track record of positive operating outcomes, and
4. The Region's diversified and expanding economy.

York's healthy liquidity profile sustains its Aaa/Stable rating, the highest rating granted to debt issuers by Moody's. The Region's high level of cash and investments, which represent 80 per cent of net direct and indirect debt at the end of 2014, "mitigates [their] concerns around the region's high and rising debt level."

Moody's also viewed York's focus on replenishing its reserve levels and avoidance of future issuance of tax levy-supported debt as credit positives.

Moody's noted that York displayed strong governance and management characteristics: long-term planning for capital and operating budgets, a history of meeting fiscal targets and adherence to conservative debt and investment management policies. Moody's viewed York's commitment to continuously improve its budgeting framework and commitment to long term planning as credit positives. Furthermore, "York's stable operations and prudent fiscal planning have supported healthy fiscal outcomes and consolidated surpluses."

Moody's observed that York's economy continues to diversify and expand at a solid rate, which has resulted in rapid assessment growth. Low business tax rates compared to other municipalities in the GTA have helped attract new businesses, while the Region's unemployment rate tends to be lower than both the average in the GTA and Ontario.

However, there was also cautionary commentary to the effect that increases in debt beyond current expectations or a decrease in the Region's level of cash and investments could apply downward pressure on the rating. Moody's points out that "even the revised expected debt levels under the latest 2015 capital plan remain high for its rating category."

S&P Affirms AA+ Rating with Stable Outlook

On July 9, 2015, S&P affirmed its AA+/Stable rating for York Region based on its strong economy and exceptional liquidity. S&P believes the Region benefits from a very strong and diversified economy, commenting that "as the population continues to grow, the demand for new housing will remain strong, which should support the region's property tax and development charge revenues."

S&P highlights York's liquidity as a key credit strength. However, S&P reiterated that a "high debt burden and average budgetary performance constrain the rating."

S&P noted that strong financial management was having a positive impact on York's credit profile: "York demonstrates what we view as good political and managerial strength, which has enabled it to enact structural changes as shown through the evolution of its long-term capital plan over the past several years, reflecting both revised growth estimates and also greater financial discipline." Consequently, within the past two budget cycles, "the 10-year capital plan has been reduced by \$2.1 billion, asset replacement reserves are to increase by \$1.4 billion, new tax levy-supported debt has been eliminated, DC-related debt requirements were reduced by \$1.9 billion, and peak debt level reduced by \$2.3 billion."

The chart below shows York Region's credit rating in comparison to other municipalities and the Province of Ontario.

Issuer	Moody's	S&P
York Region	Aaa	AA+
City of Toronto	Aa1	AA
Peel Region	Aaa	AAA
Halton Region	Aaa	AAA
Ottawa	Aaa	AA+
London	Aaa	n/a
Province of Ontario	Aa2	A+

Bill Hughes
Commissioner of Finance

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