



Finance

Memorandum

Office of the Commissioner

To: Regional Chair and Members of Regional Council
From: Cyndy Winslow, Commissioner, Finance and Regional Treasurer
Date: June 18, 2025
Re: **Reaffirmation of Halton's AAA Credit Rating by S&P Global Ratings**

On June 16, 2025, S&P Global Ratings (S&P) published its annual review of Halton Region's credit standing and has reaffirmed its highest rating of AAA. S&P continues to attribute a stable outlook to this rating indicating its confidence in Halton's ability to generate strong operating balances and proceed with its capital plan. The S&P published report for this most recent review is attached as Attachment 1.

S&P's rating analysis included the following rationale in support of the AAA rating:

- Steady population growth, high income levels, and a broad economy foster stability in the Region's property tax base
- Prudent financial management efforts and solid economic base
- Very strong budget performance
- Exceptional liquidity position and satisfactory access to external liquidity for financing needs

Achieving a AAA rating status ensures that Halton Region and the four Local Municipalities that borrow under this credit rating will continue to obtain the best possible financing rates in the capital markets minimizing the longer term costs of infrastructure capital.

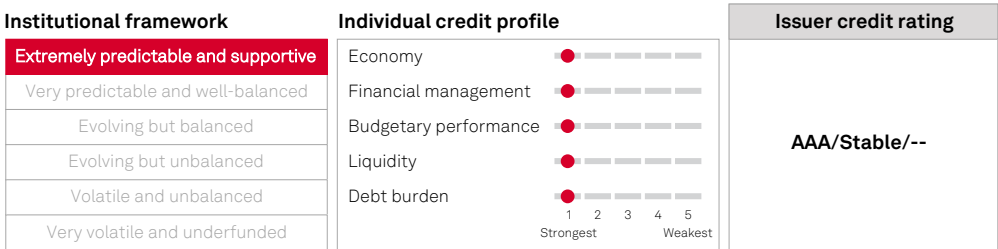
Cyndy Winslow
Commissioner, Finance and Regional Treasurer

Regional Municipality of Halton

June 16, 2025

This report does not constitute a rating action.

Ratings Score Snapshot



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Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
High incomes, and a broad and diverse economy foster stability in Halton's property tax base.	After-capital balances will remain in a surplus position as the region proceeds with its capital plan.
An experienced administration adheres to well established long-term financial planning and prudent policies.	The debt burden will decrease to about 36% of operating revenues in 2025 and remain flat thereafter, as new debt issuance will be mitigated by increasing operating revenues and debt repayment.
An extremely predictable and supportive institutional framework underpins the ratings.	Liquidity will remain a key credit strength.

S&P Global Ratings expects that the Regional Municipality of Halton's (Halton) broad and diverse economy will remain strong and support financial stability. Although the management team remains prudent and the region's operating performance is strong, we expect after-capital surpluses will remain healthy as growth-related expenditures accelerate. Halton will continue to issue debt on behalf of lower-tier municipalities to support their capital plans. We expect the debt burden, which is composed primarily of a large amount of debt on-lent to lower-tier municipalities, will moderate to about 36% of operating revenues in 2025 and remain flat thereafter. We believe the region's liquidity position will remain a credit strength.

Outlook

The stable outlook reflects our expectation that Halton will continue to generate strong operating balances and after-capital surpluses in the next two years. In addition, we expect the debt burden will moderate to about 36% of operating revenues in 2025 and remain flat thereafter.

Downside scenario

We could lower the ratings in the next two years if Halton's current capital funding strategy proved insufficient and resulted in consistent after-capital deficits, and a sluggish or inadequate management response led to a significantly higher tax-supported debt burden spurred by an increase in the region's own debt.

Rationale

A strong economy and prudent financial management will remain key to the region's creditworthiness.

Located on the western edge of the Greater Toronto Area, Halton consists of the City of Burlington, the Town of Oakville, the Town of Halton Hills, and the Town of Milton. The region benefits from a vibrant and well-diversified economy, as well as high median household income. Our base-case assumption is that the local economy will largely remain stable in the face of increased uncertainty associated with international trade disputes, given recent experience weathering the effects of tariffs (for further information, see "[Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth](#)," May 1, 2025, and "[Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief](#)," May 15, 2025). Although local GDP per capita data is not available, we believe that Halton's is in line with the national level, which we estimate will be about US\$55,000 in 2025. Halton's annual population growth typically exceeds that of the Province of Ontario; data from the 2021 Canadian census show the region's population increased to about 597,000 in 2021, rising 8.8% during the five-year census period. Manufacturing and retail trade are the economy's largest private sectors. The large service and professional sectors provide economic diversity and hospitals, schools, local governments, and other public sector entities help to stabilize the employment base.

In our view, Halton demonstrates very strong financial management practices and has consistently proven its capacity to implement its strategic plan and budget. Long-range financial planning is robust, guided by detailed asset management plans and a four-year strategic plan. The region approves detailed operating and capital budgets with multiyear outlooks annually and has a demonstrated history of strong actual performance versus budgets. Like its Canadian peers, Halton can issue debt only to finance capital expenditures, and we believe it has prudent and conservative policies to govern its debt and liquidity management.

As do other Canadian municipalities, Halton benefits from an extremely predictable and supportive local and regional government framework that has demonstrated high institutional stability and evidence of systemic extraordinary support in times of financial distress. Most recently through the pandemic, senior levels of government provided operating and transit-related grants to municipalities, in addition to direct support to individuals and businesses. Although provincial governments mandate a significant proportion of municipal spending, they also provide operating fund transfers and impose fiscal restraint through legislative

requirements to pass balanced operating budgets. Municipalities generally have the ability to match expenditures well with revenues, except for capital spending, which can be intensive. Any operating surpluses typically fund capital expenditures and future liabilities (such as postemployment obligations) through reserve contributions. Municipalities have demonstrated a track record of strong budget results and, therefore, debt burdens, on average, are low compared with those of global peers and growth over time has been modest.

Budgetary performance will remain strong despite a large capital plan and the debt burden will remain manageable.

We expect operating balances will remain strong and average 21.3% of operating revenues in 2023-2027. These surpluses should support increasing capital spending in the medium term to keep assets in a state of good repair, as well as to provide additional infrastructure and amenities to support growth. We expect after-capital surpluses will average 7.2% of total revenues in 2023-2027 as Halton proceeds with its capital plan. Main projects are related to roads, water, and wastewater infrastructure.

We expect the region will maintain its effective pay-as-you-go capital financing strategy that mitigates the need for additional debt issuance. We estimate Halton will issue about C\$172 million in 2025-2027, to meet the capital needs of its lower-tier municipalities. We forecast tax-supported debt will remain about 35% of operating revenues through 2027, as new debt issuance will be mitigated by increasing operating revenues and debt repayment. We recognize that there is a lower credit risk associated with the debt on-lent to the lower-tier municipalities, which have demonstrated their willingness and capacity to meet all debt service requirements. We expect the region's debt burden, excluding on-lent debt, will represent 9% of operating revenues in 2027. In addition, the debt burden represents less than five years of operating surpluses, which further bolsters our assessment. The interest burden is modest and we expect it will average less than 2% of operating revenues in 2025-2027.

Halton's credit profile is bolstered by what we view as an exceptional liquidity position and satisfactory access to external liquidity for financing needs. We estimate total free cash in the next 12 months will be enough to cover more than 46x the estimated debt service for the period. We expect this ratio will remain well above 100% during the outlook horizon.

Regional Municipality of Halton Selected Indicators

Mil. C\$	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	1,136	1,242	1,335	1,461	1,510	1,555
Operating expenditure	890	989	1,039	1,152	1,187	1,222
Operating balance	246	252	296	308	322	333
Operating balance (% of operating revenue)	21.6	20.3	22.2	21.1	21.3	21.4
Capital revenue	373	336	372	346	538	517
Capital expenditure	374	425	581	506	744	714
Balance after capital accounts	245	163	88	148	116	137
Balance after capital accounts (% of total revenue)	16.2	10.4	5.1	8.2	5.7	6.6
Debt repaid	42	37	40	40	42	40
Gross borrowings	31	55	132	61	15	96
Balance after borrowings	233	181	180	168	90	193

Regional Municipality of Halton

Regional Municipality of Halton Selected Indicators

Direct debt (outstanding at year-end)	424	431	516	531	498	552
Direct debt (% of operating revenue)	37.3	34.7	38.6	36.4	33.0	35.5
Tax-supported debt (outstanding at year-end)	424	431	516	531	498	552
Tax-supported debt (% of consolidated operating revenue)	37.3	34.7	38.6	36.4	33.0	35.5
Interest (% of operating revenue)	1.3	1.1	1.2	1.8	1.7	1.6
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	56,256.8	54,220.3	54,282.6	54,835.8	57,988.6	62,446.4

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. C\$--Canadian dollar. \$--U.S. dollar.

Regional Municipality of Halton Rating Component Scores

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

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "[Methodology For Rating Local And Regional Governments Outside Of The U.S.](#)," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- [Sovereign Risk Indicators](#), April 10, 2025, Interactive version available at <http://www.spratings.com/sri>.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S.](#), July 15, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#), June 2, 2025
- [Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief](#), May 15, 2025
- [Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth](#), May 1, 2025
- [S&P Global Ratings Definitions](#), Dec. 2, 2024
- [Institutional Framework Assessment: Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures](#), April 2, 2024

Ratings Detail (as of June 16, 2025)*

Halton (Regional Municipality of)		
Issuer Credit Rating		AAA/Stable/--
Senior Unsecured		AAA
Issuer Credit Ratings History		
29-Jul-2002	Foreign Currency	AAA/Stable/--
16-Apr-2001		AA+/Stable/--
16-Apr-2001	Local Currency	AAA/Stable/--
*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.		

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