



The Regional Municipality of Durham Report

From: Commissioner of Finance
Report: #2025-INFO-27
Date: April 17, 2025

Subject:

Confirmation of the Region's Triple "A" Credit Rating by S&P Global Ratings

Recommendation:

Receive for information.

Report:

1.0 Purpose

- 1.1 The purpose of this report is to inform Regional Council of S&P Global Ratings' confirmation of the Region's Triple "A" Credit Rating.

2.0 Background

- 2.1 On January 16, 2025, Regional staff met with representatives of S&P Global Ratings (S&P) to review the credit fundamentals of the Regional Municipality of Durham and their impact on the Region's Triple "A" credit rating.
- 2.2 Based upon their review, S&P affirmed the Region's Triple "A" credit rating with stable outlook in a report released on March 6, 2025. Durham Region is one of fourteen municipalities in Canada currently maintaining a Triple "A" credit rating with stable outlook by S&P.

3.0 Highlights of Durham's Major Credit Strengths as Identified by S&P

- 3.1 S&P bases its ratings on local and regional governments according to six main rating factors. Durham continues to receive the highest score available on key rating factors, such as the economy, financial management, budgetary performance, liquidity and debt burden.
- 3.2 According to S&P, a diverse and wealthy economy, as well as a growing population, support Durham's creditworthiness. Major sectors, such as health

care, education, public services, agriculture and tourism, continue to provide stability for the economy.

“We view Durham’s economy as strong and diversified, reinforced by an expanding population.”

“We also expect the region’s economy will remain resilient to increased uncertainty associated with international trade disputes ... As a result, we do not expect material fluctuations in the region’s stable revenue base, driven by solid property tax revenues, over the next two years.”

- S&P Global

- 3.3 According to S&P, Durham’s prudent financial management also remains key to the Region’s creditworthiness. Durham has an experienced administration that adheres to well-established long-term financial planning and prudent policies. Strong financial management practices and policies and a commitment by Regional Council to multi-year planning allow the Region to manage service delivery challenges and accommodate future risks and uncertainties.

“The region’s management team is highly experienced and works with the region’s council to enact prudent policies. The team undertakes long-term financial planning to achieve fiscal sustainability. Master plans for major programs and service areas underpin Durham’s well-established long-term financial planning process. The region has a long-established asset management program. Management has systems in place to monitor expenditures and has demonstrated a culture of controlling costs.”

- S&P Global

- 3.4 The Triple “A” rating for Durham by S&P is supported by Durham’s strong budgetary performance and a track record of positive operating results. These results ensure the Region is able to meet expenditures and financial obligations, while keeping debt levels very manageable.

“We believe Durham’s operating performance will remain robust despite the increasing service needs of an expanding municipality, primarily supported by a growing property tax revenue base.”

“We believe that Durham’s lower-tier municipalities can support their obligations and will reimburse the region for all principal and

interest payments as they come due. As a result, we recognize that there is a lower credit risk associated with this debt. Durham's debt is also supported by high operating margins, which over five years exceed total direct debt outstanding, highlighting the manageable, albeit rising, debt burden. We also expect the interest burden will remain low and average less than 2% of operating revenues in 2025-2027."

"While we expect Durham will increase the use of reserves in the medium term to fund some of its capital needs, we expect it will continue to generate robust operating surpluses and maintain exceptional liquidity."

- S&P Global

- 3.5 However, the agency also provided words of caution for Durham. S&P recognizes that Durham will undertake a large capital program to address growth-related needs and accommodate strong population growth. In addition, Durham's capital plan includes an increasing reliance on debt as a funding source over the forecast period, in part to finance development charge shortfalls for large water supply and sanitary sewer projects and transit infrastructure expansion.

"We could take a negative rating action, in the next two years, if an economic downturn negatively affects revenues in the absence of an appropriate response from government and the growth in operating and capital expenditures outpaced that of revenues persistently. This could result in weaker operating performance, sustained after-capital deficits of more than 5% of total revenues, and a higher-than-expected debt burden. However, we view this scenario as unlikely in the next two years."

- S&P Global

4.0 Conclusion

- 4.1 The Region's Business Planning and Budget process reflects the credit principles that are fundamental to the Region's Triple "A" credit rating. The rating is also a testament to Regional Council's long-standing commitment to supporting prudent financial policies and plans that maximize the up-front financing of capital infrastructure projects, ensure manageable debt levels and maintain adequate reserves and reserve funds to fund liabilities, contingencies and capital infrastructure.

- 4.3 Maintaining the Triple “A” credit rating is an important achievement for the Region. The Region’s exemplary fiscal results and disciplined approach to long-term financial planning are guided by the principles of fiscal sustainability, financial flexibility and taxpayer affordability.

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance