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# Creditworthiness of Canadian Municipalities

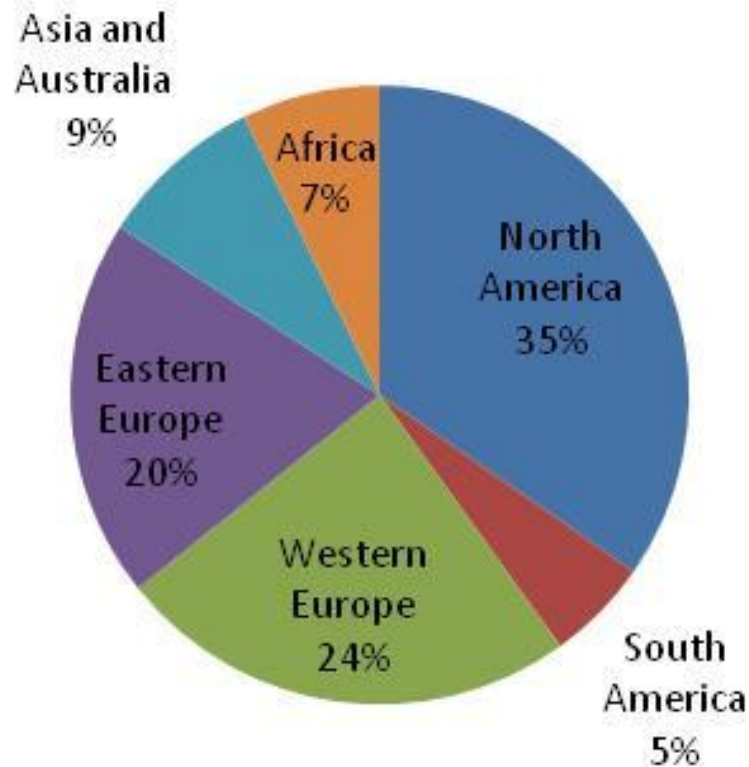
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## Moody's rates over 270 regional and local governments (RLGs) outside the US in around 40 countries

Distribution of Regional and Local Government Ratings  
2012



Source: Moody's

## Moody's-rated RLGs cover a broad distribution of ratings

### Rating Distribution of Regional and Local Governments

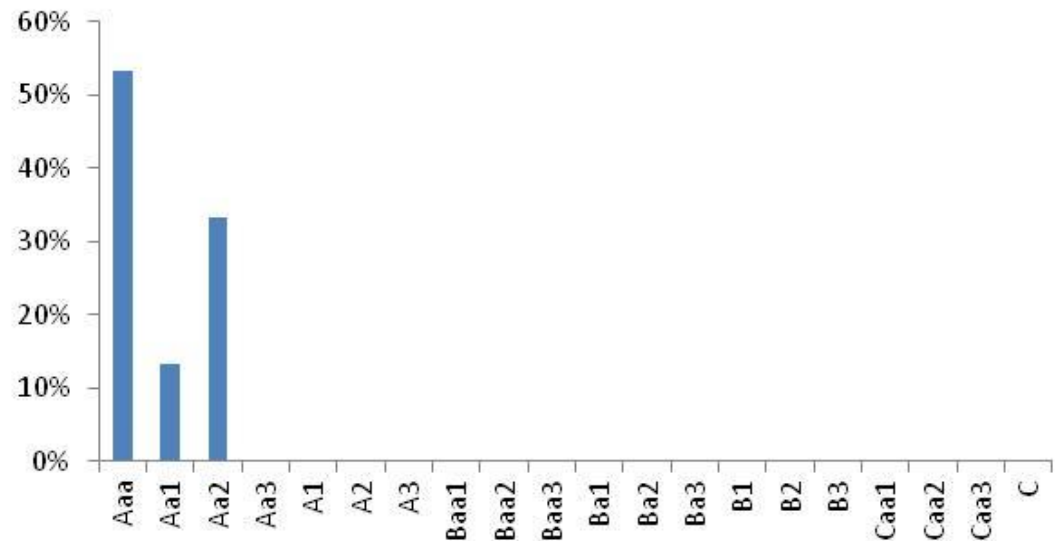


Source: Moody's

## Canadian municipalities rated by Moody's are all highly rated

Municipality	Rating	Outlook
Durham	Aaa	Stable
Halton	Aaa	Stable
London	Aaa	Stable
Montreal	Aa2	Stable
Muskoka	Aa2	Stable
North Bay	Aa2	Stable
Ottawa	Aaa	Stable
Peel	Aaa	Stable
Quebec City	Aa2	Stable
St. John's	Aa2	Stable
Toronto	Aa1	Stable
Vancouver	Aaa	Negative
Waterloo	Aaa	Stable
Winnipeg	Aa1	Stable
York	Aaa	Stable

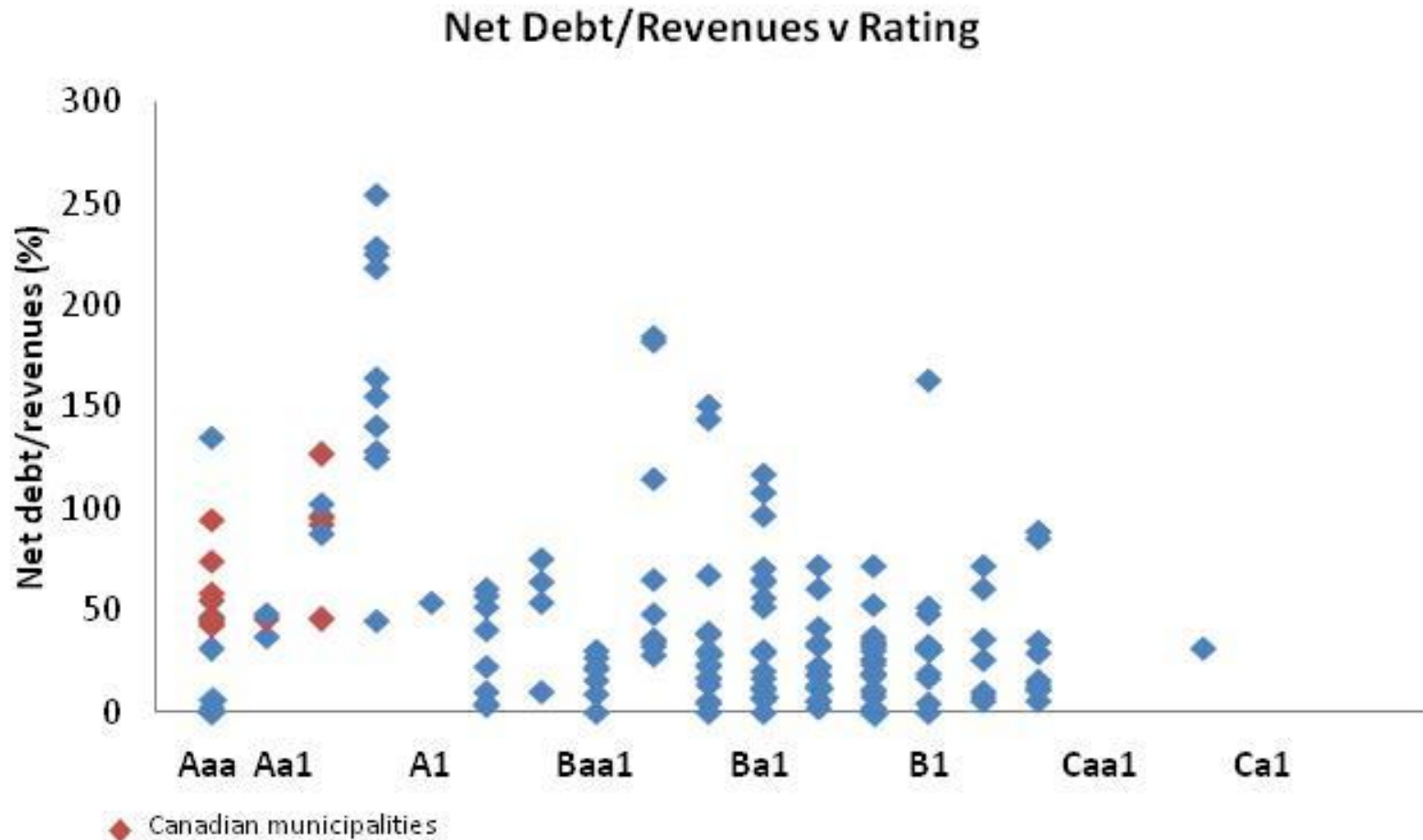
Rating Distribution of Canadian Municipalities



Source: Moody's

# How do we rate local governments?

## Debt burdens don't fully explain ratings...



Source: Moody's

## We look at a number of factors in assessing RLG ratings

Our regional and local government rating methodology considers a number of factors in assessing a government's creditworthiness, including:

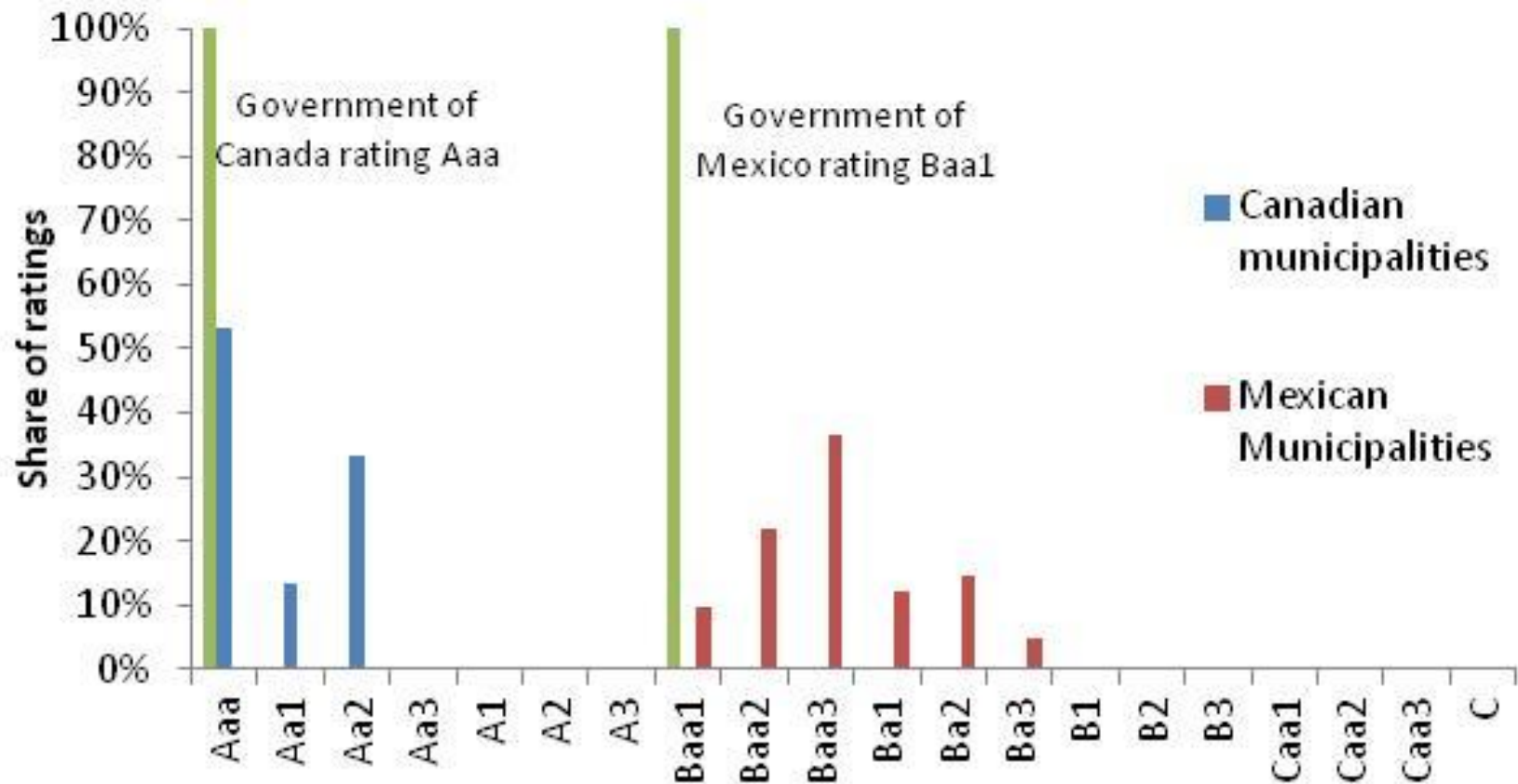
- Operating environment
- Institutional framework
- Economic fundamentals
- Financial performance and debt profile
- Governance and management
- Likelihood of extraordinary support

# What supports Canadian municipalities' creditworthiness?



## Strong operating environment

Rating Distribution of Canadian and Mexican Municipalities



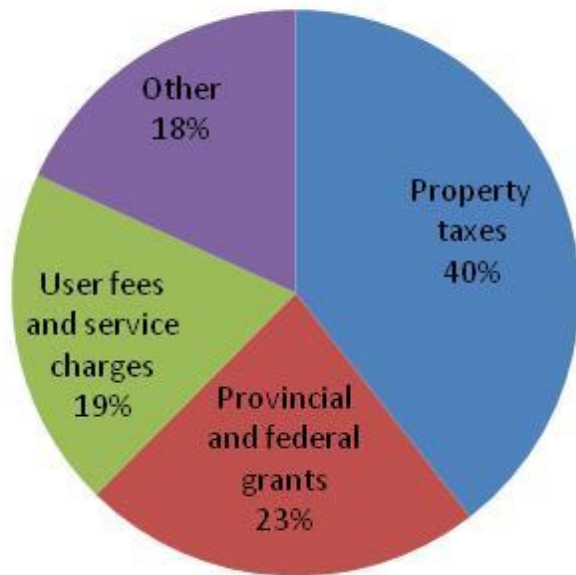
Source: Moody's

## Stable institutional framework

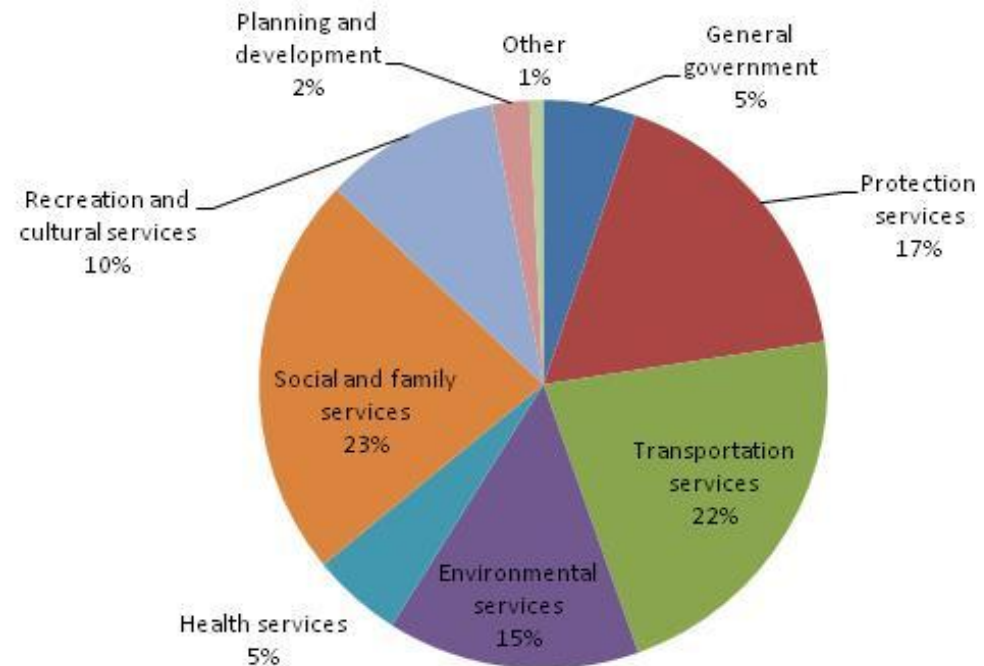
- Strong provincial oversight
  - Extensive oversight and reporting
  - No deficit budgeting for operations allowed
  - Debt limits
- Strong fiscal flexibility
  - Compared to many international peers, Canadian municipalities have high fiscal flexibility that allows them to manage fiscal pressures as they arise

## Consistent financial performance supported by stable revenues and spending

Share of Ontario Municipal Revenues 2011

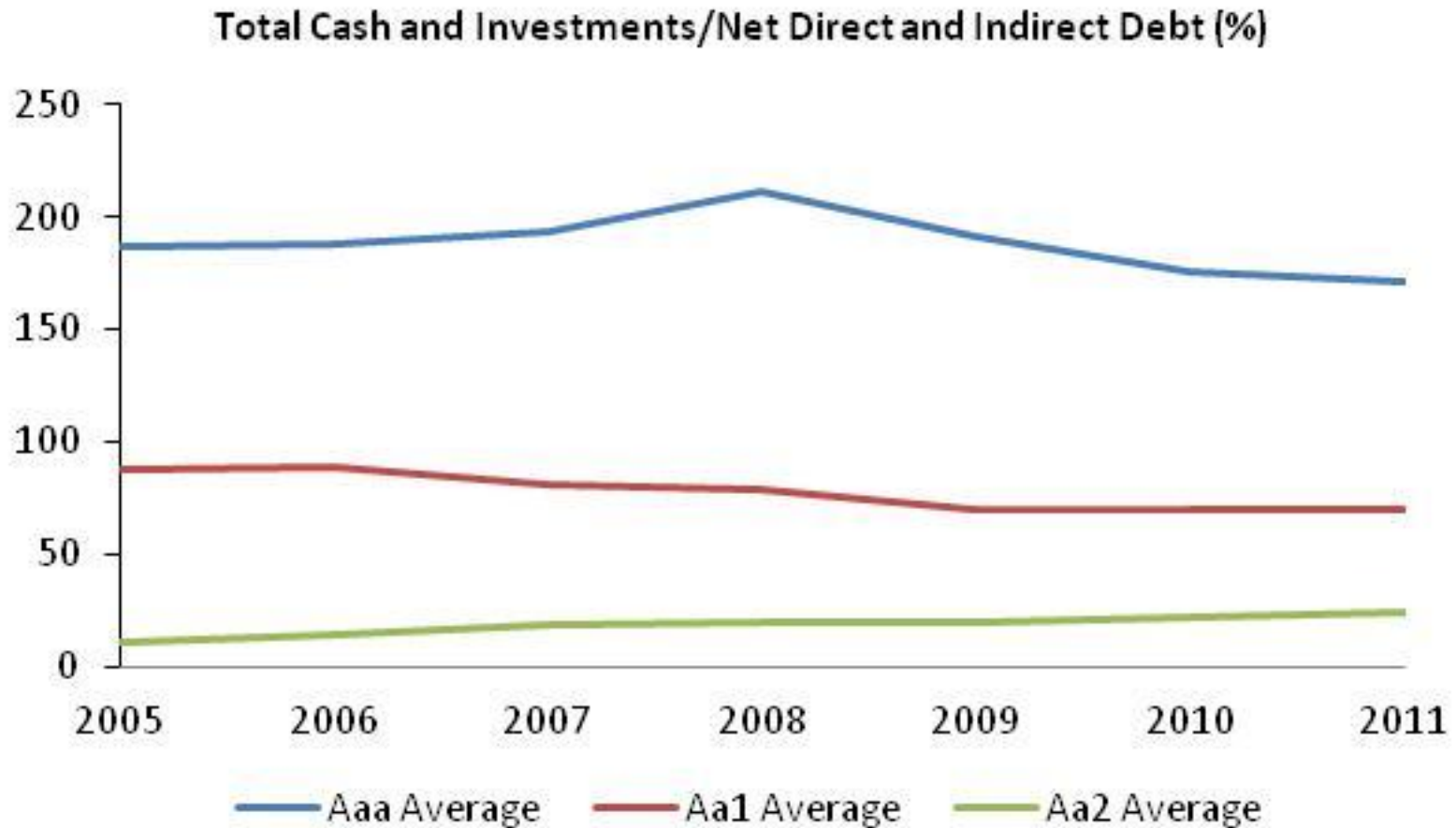


Share of Ontario Municipal Expenses 2011



Source: Ontario municipal financial information return 2011

## Healthy balance sheets



Source: Moody's

# Conservative governance and management

- Long term planning
  - Strategic plans
  - Long-term capital plans
  - Multi-year operating budgets
- Conservative management
  - No deficit budgeting and frequent operating surpluses
  - Investment policies are often limited to low-risk, long-term securities
  - Typically issue amortizing debentures, followed to a lesser degree by bullet bonds often matched with sinking funds, which reduces the need, and risks associated with, refinancing
- Good transparency and disclosure
  - Regular audited reports
  - Frequent reporting
  - Detailed and accurate information

## High likelihood extraordinary support

- We also consider the probability of extraordinary support from the province
  - Extraordinary support is defined as the likelihood that the province would aid a municipality in the event that it faced acute liquidity stress or act in such a way as to help avoid a default of its debt obligations. Support could take different forms, for example, a one-time cash infusion or any action facilitating negotiations with lenders that enhances access to interim financing for the municipality.
- We assign a high likelihood of extraordinary support from the respective province for Canadian municipalities

