



## **Administrative Report**

### **Office of the Director of Financial Services/Treasurer**

**To:** Warden McNamara and Members of Essex County Council

**From:** Sandra Zwiers, MAcc, CPA, CA  
Director of Financial Services/Treasurer

**Date:** Wednesday, December 01, 2021

**Subject:** 2021 County of Essex Credit Rating

**Report #:** 2021-1201-FIN-R015-SZ

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#### **Purpose**

To report the results of the County of Essex 2021 credit rating review conducted by Standard & Poor's (S&P), dated November 15, 2021.

#### **Background**

The S&P credit rating provides issuers, investors and intermediaries with an independent view of the creditworthiness of an entity or simply the entity's ability and willingness to meet financial obligations (principal and interest) in full and on time. Factors influencing a credit rating include: state of the economy, changes in the business climate, changes to cash flow, liquidity and taxation capacity.

Recently S&P conducted its evaluation of Essex County. The evaluation included an interview with the Director of Financial Services / Treasurer, obtaining first-hand information regarding the political, administrative and financial stewardship of the County.

The analysis included discussion and review of a number of key performance areas:

- Review of the Corporation's prior period financial statements
- Physical asset management practices

- Reserve strategy
- Investment portfolio and budget performance
- The status of residential, commercial and industrial development activities
- Informal discussions regarding strengths, weaknesses and diversity of the local economy
- Examination of the relative strength of local municipalities
- Discussions with administration regarding future challenges and opportunities relating to management of municipal infrastructure
- Discussions of the ongoing impact and response to COVID-19 on County and local municipal operations and cashflows

## **Discussion**

As a result of the 2021 review, S&P has affirmed the County's credit rating at AA+, with a stable outlook. (See Appendix A for the media release.) It is significant to point out that the County of Essex continues to have the highest credit rating afforded to a county level government in Ontario.

As described below, there are two distinct but equally important elements expressed in a credit rating.

First, the AA+ rating signifies that the County of Essex credit status is of a high quality and low risk. This translates into more attractive interest rates and lower interest costs should the County and/or the local municipalities decide to issue debt.

Second, the Stable outlook rating reflects the expectation that the County of Essex's credit rating quality should remain consistent in the coming years.

Equally as important as savings in the financial markets, the rating provided by S&P represents an independent attestation to the sound financial stewardship practices and policies approved by Council and carried out by management.

Despite the impacts of COVID-19 and recent announcements in the automotive sector, the County was recognized for having prudent financial management, a well balanced and generally supportive relationship with the

Province of Ontario, robust after-capital surpluses and an extremely strong liquidity position. The County's strong budgetary performance was highlighted for allowing continued internal (pay-as-you-go) funding of the capital plan without the need for debt.

## **Financial Implications**

The affirmation of the County's AA+ credit rating with a stable outlook will not only afford the County and the lower tier municipalities favourable interest rates but it will also communicate a clear picture of fiscal health and stability for the County of Essex in the marketplace.

## **Recommendation**

That Essex County Council receive the 2021 County of Essex Credit Rating report as information.

Respectfully Submitted

*Sandra Zwiers*

Sandra Zwiers, MAcc, CPA, CA, Director of Financial Services/Treasurer

Concurred With,

*Mike Galloway*

Mike Galloway, Chief Administrative Officer

<b>Appendix Number</b>	<b>Title</b>
A	Press Release: County of Essex 2021 Credit Rating