County of Essex

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This report does not constitute a rating action.

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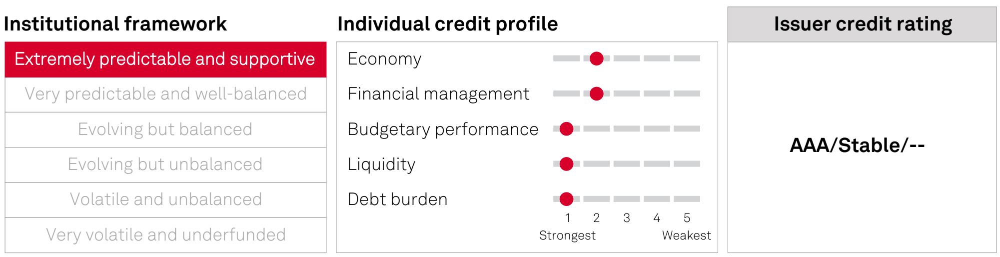
Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Prudent financial management will allow the County of Essex to post very strong fiscal results.	Essex will generate robust financial results despite its ongoing capital program.
Manufacturing and agriculture will remain key drivers of the local economy, despite trade uncertainties and exposure to the automotive sector.	Persistent strong surplus after-capital accounts, contributing to reserves, will mitigate debt issuance.
We expect an extremely predictable and stable framework will continue to support our rating on Essex.	Essex's liquidity will remain strong, underpinning the county's creditworthiness.

S&P Global Ratings expects the County of Essex (Essex) will maintain its extremely strong financial performance, posting operating surpluses averaging approximately 27% of operating revenues in 2023–2027. Despite the county's capital investment pressures, we project strong post-capital surpluses of more than 7% of total revenues throughout the forecast period. We do not expect the county will borrow additional debt over the next two years, although there is potential for an issuance beyond our forecast. We expect the debt burden will remain modest, as most of the capital plan is primarily funded through accumulated reserves. Therefore, we believe the county's manageable debt and very robust liquidity position are key credit strengths.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that, in the next two years, Essex will continue to produce robust budgetary balances and use its pay-as-you-go strategy along with accumulated reserves to finance its capital program. We also expect the county's tax-supported debt burden will remain modest and it will maintain robust liquidity.

Downside scenario

Although we do not believe it is likely in the next two years, we could lower the rating if an external shock harms Essex's economy or a larger-than-expected capital plan leads to weaker budgetary performance or financial flexibility such that after-capital balances slip into a deficit and push the county's tax-supported debt toward 30% of operating revenue.

Rationale

Essex's economy will remain stable despite a manufacturing sector concentrated in the auto segment

The county benefits from a prime location in southwestern Ontario, neighboring the City of Windsor and across the river from the City of Detroit. As a border region, Essex enjoys proximity to major U.S. markets, facilitating trade and investment flows. We have incorporated into our analysis that the local economy is less diversified than its peers given its concentration in agriculture and manufacturing, particularly the automotive sector. As a result, we do not expect that trade-related uncertainties, primarily stemming from tariffs, will materially affect economic performance over the next two years and we also expect the county will continue to attract new businesses (for further information, see "Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption," June 2, 2025). Although municipal GDP data are unavailable, we believe Essex maintains GDP per capita in line with the national average of approximately US$55,300. Its growth prospects also appear broadly aligned with those of Canada. For more details, see "Economic Outlook Canada Q4 2025: Below-Trend Growth, For Now," Sept. 24, 2025.

We expect Essex will continue to exhibit strong financial management in the next two years, as it has disciplined financial practices and a robust budgeting process. The management team has demonstrated the ability to manage revenue and expenditures appropriately under consolidated one-year operating and capital budgets passed annually by the council, in contrast with some peers with longer-term capital budgets. Prudent debt and liquidity policies have allowed the county to manage debt and build reserves for several years. Essex updated its asset management plan in 2025 and is reviewing its development charges background study, with the final by-law expected later this year. In our view, financial reporting remains detailed and comprehensive.

As do other Canadian municipalities, Essex 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 revenue, 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; debt burdens, on average, are low compared with those of global peers and growth over time has been modest.

Strong budgetary performance and accumulated reserves will keep the debt burden low despite the ongoing capital program

We expect Essex will maintain stable property tax revenues, which will allow the county to post robust budgetary performance in the next two years. We also believe that social services will be the main operating challenge. Although the neighboring city of Windsor is designated as the consolidated municipal service manager for the region, Essex contributes funding, especially for programs like social housing. In addition, the county is responsible for Essex-Windsor Emergency Medical Services, which serves both jurisdictions. We expect these shared services will face continued cost pressures due to rising demand and operating expenditures. However, we estimate the operating balance will average 27% of operating revenue during 2023-2027.

We estimate that Essex will invest an average of C$68 million annually over 2025–2027 in its capital projects. We believe that post-capital surpluses will exceed 7% of total revenues, reflecting very strong financial performance. The county's main capital projects remain focused on infrastructure services, including roadway expansions, state-of-good-repair programs, and carryforward projects. As a result, Essex continues to accumulate reserves and follows a pay-as-you-go strategy to fund its main projects while continuing to advocate for additional provincial grants to support the capital program.

In addition, there is a provincial commitment to the construction of the regional Windsor-Essex Hospital, with an initial estimated cost of C$2 billion. Construction is expected to begin in 2026, and the county has committed to fund up to C$100 million. To support this project, Essex has accumulated reserves that we estimate will reach C$56.7 million by the end of 2025.

We believe the county will maintain its prudent approach and refrain from issuing additional debt over the 2025–2027 forecast period. As a result, we estimate tax-supported debt will reach approximately C$34 million, or 12% of operating revenue, by the end of 2027. However, the county remains open to the possibility of issuing debt to support capital projects, if necessary, which could add up to C$10 million beyond our base case. We estimate the debt burden will remain modest.

Tax-supported debt consists of debt issued on behalf of the county and Windsor incurred by the Essex-Windsor Solid Waste Authority (EWSWA). S&P Global Ratings recognizes a lower credit risk associated with the debt on-lent to EWSWA, a self-supporting entity. In addition, tax-supported debt is less than five years of operating surpluses, which together with low interest costs of less than 2% of operating revenue, supports our assessment of the debt burden as very low. We believe Essex's exposure to contingent liabilities is modest and does not represent a material credit risk.

Essex maintains what we consider a very robust liquidity position through regular contributions to its reserves. We estimate that it will hold free cash and investments of about C$235 million, or enough to cover about 46x its debt service requirements, in the next 12 months. Similar to that of domestic peers, the county's access to external liquidity is satisfactory, in our view.

County of Essex Selected Indicators

Mil. C$	2022	2023	2024	2025bc	2026bc	2027bc

County of Essex Selected Indicators

Operating revenue	218	227	250	256	266	277
Operating expenditure	159	167	176	186	196	207
Operating balance	59	60	74	69	70	70
Operating balance (% of operating revenue)	27.1	26.5	29.5	27.1	26.3	25.3
Capital revenue	9	8	13	19	20	20
Capital expenditure	26	50	65	67	68	68
Balance after capital accounts	42	18	22	22	21	22
Balance after capital accounts (% of total revenue)	18.5	7.5	8.2	7.8	7.5	7.3
Debt repaid	3	4	4	4	4	4
Gross borrowings	0	0	0	0	0	0
Balance after borrowings	39	14	17	17	18	18
Direct debt (outstanding at year-end)	52	50	45	41	38	34
Direct debt (% of operating revenue)	24.1	21.9	18.2	16.2	14.2	12.3
Tax-supported debt (outstanding at year-end)	52	50	45	41	38	34
Tax-supported debt (% of consolidated operating revenue)	24.1	21.9	18.2	16.2	14.2	12.3
Interest (% of operating revenue)	1.6	1.4	1.2	1.2	1.0	0.8
Local GDP per capita ($)	--	--	--	--	--	--
National GDP per capita ($)	56,236.3	54,266.9	54,374.9	54,592.7	58,065.0	60,670.1

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.

Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	2
Financial management	2
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, Oct. 9, 2025. An interactive version is 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

- Subnational Government Outlook 2025: Canadian LRG Revenues Will Play Catchup To Meet Higher Operating Costs And Stabilize Debt Growth, Jan. 16, 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 November 12, 2025)*	
Essex (County of)	
Issuer Credit Rating	AAA/Stable/--
Issuer Credit Ratings History	
01-Jun-2022	AAA/Stable/--
27-Nov-2017	AA+/Stable/--
29-Nov-2013	AA/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.