



Administrative Report

Office of the Chief Administrative Officer

To: Warden Tom Bain and Members of County Council

From: **Robert Maisonville**
Chief Administrative Officer

Date: **December 6, 2017**

Subject: **County of Essex – S&P Credit Rating Update**

Report #: **2017-R08-ADM-1206-RM**

Purpose

To report the results of the County of Essex 2017 credit rating review conducted by Standard & Poor's (S&P), dated November 27, 2017.

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 which influence a credit rating include: state of the economy; changes in the business climate; existing debt; significant fluctuations in capital spending; changes to cash flow and liquidity, and taxation capacity.

Recently S&P conducted its evaluation of Essex County. The evaluation included interviews with the Chief Administrative Officer / Treasurer, obtaining first-hand information regarding the political, administrative and financial stewardship of the County. The analysis included: a 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 the strengths, weaknesses and diversity of

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the local economy; examination of the relative strength of local municipalities, and discussions with administration regarding future challenges and opportunities, particularly concerning the management of municipal infrastructure.

Rating Opinion

As a result of their review, Standard and Poor's has **upgraded** the County's credit rating at a **AA+** rating, with a Stable outlook. (See [Appendix "A"](#) for the media release). It is significant to point out that the County of Essex has the highest credit rating afforded to a county level of government in Ontario.

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

First, the **AA+** rating signifies that County of Essex credit status is of a high quality, and conversely 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 constant in the coming years.

Continued improvements in regional economic performance (noting economic diversification efforts), strong financial management, exceptional liquidity levels, very strong budgetary performance, very predictable and well-balanced institutional framework and very low debt (inclusive of the County's share of EWSWA debt) were cited as significant factors in upgrading the County's credit quality.

Equally as important as savings in the financial markets, the rating provided by S&P represents an independent testimony to the beneficial effects of the strengthening initiatives and financial stewardship practices and policies subscribed to by Council.

Specifically, Standard and Poor's noted the following performance strengths in affirming the County's credit rating at **AA+**:

- Strong financial position, derived from very low debt and debt service burdens;

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- Exceptional liquidity, a result of the Corporation’s ongoing commitment to a solid Reserve Strategy;
- Consistently very strong record in terms of budgetary performance. Solid operating surpluses have provided the Corporation with the means to fund its capital expenditures largely from internal sources, reducing debt issuance needs;
- Long standing life-cycle capital program, with a comprehensive annual Asset Management Plan (AMP), which plans for the replacement of assets over their useful lives through contributions to and from capital/infrastructure reserves, validating the County’s “pay-as-you-go” philosophy of funding capital/infrastructure requirements by creating capacity in the budget in a measured way and through the effective use of reserve balances;
- Very predictable and well-balanced institutional framework, with a strong management team exercising prudent financial decisions, and
- Diversified economic development efforts away from automotive manufacturing towards alternative energy, medical equipment, tourism, education, aerospace and agri-businesses.

Recommendation

For the information and consideration of Council.

Respectfully Submitted,

Robert Maisonville

Originally Signed by

Robert Maisonville, Chief Administrative Officer

Appendix No.	Title of Appendix
Appendix A	S&P Credit Rating – County of Essex – Nov 27, 2017