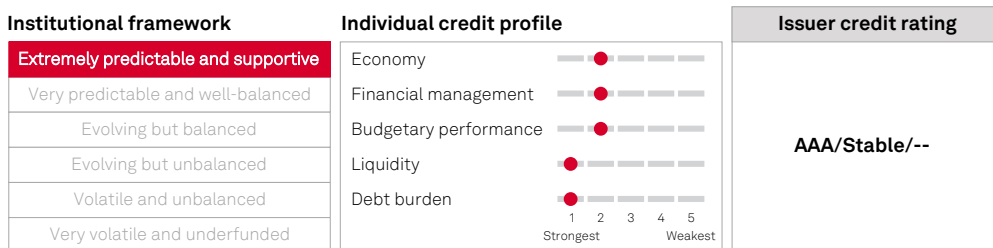


County of Oxford

September 5, 2024

This report does not constitute a rating action.

Ratings Score Snapshot



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Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Supportive institutions and prudent financial management practices strengthen the credit profile.	The county will continue to post robust operating balances, anchored by stable tax receipts.
Income levels will remain steady in an economy concentrated on manufacturing and agriculture.	Despite pressures stemming from an increasing capital plan, Oxford's strong budgetary performance will support a manageable debt burden.
The county's relationship with the Province of Ontario will remain extremely predictable and supportive.	A robust liquidity position will continue to support the county's creditworthiness.

We estimate that the County of Oxford will sustain strong financial performance on average from 2022-2026, with robust operating surpluses averaging 18% of operating revenue. The county has been building toward a larger capital plan; as a result, we expect after-capital deficits to increase to more than 5% of total revenues this year and next before strengthening to a modest surplus in 2026. Although we project the debt burden to increase in the next two years, we expect it to remain below 60% of operating revenues. In our view, Oxford's strong management and exceptional liquidity position are key credit strengths. Although the county benefits from a strong economy, its concentration in the auto sector tempers our view.

Outlook

The stable outlook reflects S&P Global Ratings' expectations that, in the next two years, the county will continue to post strong budgetary results and keep ample levels of liquidity. Oxford's elevated capital plan will keep after-capital results in a modest deficit on average while the debt burden will rise to 51% of operating revenues by 2026.

Downside scenario

We could lower the rating over the next two years if the county's capital program expands beyond our base-case assumptions, leading to after-capital deficits of greater than 5% of total revenues on a sustainable basis and a debt burden of more than 60% of operating revenues.

Upside scenario

Although unlikely, we could raise the rating in the next two years if the local economy strengthened substantially, supported by higher-than-expected growth and notable diversification.

Rationale

Oxford's strong financial management and the extremely predictable and supportive institutional framework bolster its creditworthiness.

The county is a key manufacturing and agricultural hub, strategically located near major highways and central markets in the Greater Toronto Area and the U.S. However, its economy is less diversified than that of some peers, with a heavy reliance on the auto industry, which could be affected by fluctuations in demand, especially in the electric vehicle market. Nevertheless, we do not believe these factors will have a material impact on the county's economic growth, which we expect will continue in 2024. Although GDP per capita data is not available at the local level, we believe that Oxford's GDP per capita would be largely in line with the national level, which we estimate is about US\$54,300 in 2024. Similarly, we estimate that the unemployment rate aligns with Canada's, which is estimated to be 6.1% in 2024.

The county has disciplined financial management practices, good long-term capital planning, and a strong budgeting process. Oxford typically passes budgets before the start of the fiscal year. It produces detailed annual operating and capital budgets, operating projections, and a detailed 10-year capital plan with corresponding funding sources. It has prudent financial policies and practices that ensure a good degree of transparency and fiscal discipline. We do not expect significant policy shifts in its strategic objectives during our outlook horizon, in part due to the high degree of institutional stability Oxford enjoys.

As do other Canadian municipalities, Oxford 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 revenues, 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 and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

Elevated capital expenditures will temporarily pressure after-capital performance and increase reliance on debt.

We expect Oxford will take the necessary measures to address its spending needs and continue generating strong budgetary performance, with operating balances averaging 18% of operating revenues in our 2022-2026 base-case period. The county is planning significant capital projects, including carryforward projects, the construction of water and wastewater infrastructure, road network improvements, and stormwater management systems, among others. Consequently, we estimate that the high capital expenditures will result in elevated after-capital deficits through 2025, before strengthening in 2026. On average, we expect these deficits to be 3.8% of total revenues in 2022-2026.

The county has an extensive 10-year capital plan totaling C\$784 million, primarily funded through reserves, which account for 63% of the budget, and debentures, comprising 10%. A history of healthy operating results and accumulation of robust reserves support Oxford’s ability to fund most of this plan internally.

Increased capital requirements will slightly raise Oxford’s reliance on debt in the medium term. We estimate the county will issue C\$76 million in 2024-2026, including C\$45 million on behalf of the lower-tier municipalities. As a result, while we forecast that total tax-supported debt will rise to C\$126 million, or 51% of operating revenues, by 2026, the debt net of on-lent amounts will be C\$52 million, or 21% of operating revenues in the same year. We believe that Oxford's lower-tier municipalities are able to support their obligations and will reimburse the county for all principal and interest payments as they come due. We recognize that there is a lower credit risk associated with this debt. The county’s debt profile is also strengthened by Oxford’s high operating balances.

The county benefits from very modest interest costs, which we expect will rise with new debt. However, we estimate that these costs will remain highly manageable, staying below 2% of operating revenues in 2024-2026. In addition, Oxford's exposure to contingent liabilities is limited, in our view.

Oxford maintains an exceptional liquidity position. We estimate free cash balances and investments will be about C\$247 million in the next 12 months, which will be sufficient to cover more than 21x debt service requirements. Similar to that of domestic peers, the county’s access to external liquidity is satisfactory, in our view.

County of Oxford Selected Indicators

Mil. C\$	2021	2022	2023	2024bc	2025bc	2026bc
Operating revenue	205	212	221	233	239	246
Operating expenditure	165	171	181	189	196	203
Operating balance	40	41	40	43	43	43
Operating balance (% of operating revenue)	19.6	19.3	18.1	18.6	18.1	17.6
Capital revenue	11	12	13	17	18	12
Capital expenditure	39	66	58	72	77	54

County of Oxford

County of Oxford Selected Indicators

Balance after capital accounts	12	(13)	(5)	(13)	(16)	2
Balance after capital accounts (% of total revenue)	5.7	(6.0)	(2.2)	(5.0)	(6.4)	0.7
Debt repaid	12	11	8	10	9	8
Gross borrowings	4	2	1	28	18	29
Balance after borrowings	5	(22)	(13)	6	(7)	23
Direct debt (outstanding at year-end)	83	76	78	96	105	126
Direct debt (% of operating revenue)	40.4	35.7	35.1	41.3	44.1	51.2
Tax-supported debt (outstanding at year-end)	83	76	78	96	105	126
Tax-supported debt (% of consolidated operating revenue)	40.4	35.7	35.1	41.3	44.1	51.2
Interest (% of operating revenue)	1.5	1.3	1.2	1.1	1.3	1.4
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	52,496.8	55,509.4	53,431.2	54,307.4	57,061.1	60,568.6

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	2
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, July 8, 2024

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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Canada Q3 2024: Turning The Corner, June 24, 2024
- Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures, April 2, 2024
- S&P Global Ratings Definitions, June 9, 2023
- Sovereign Rating Methodology, Dec. 18, 2017

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings Detail (as of September 05, 2024)*

Oxford (County of)	
Issuer Credit Rating	AAA/Stable/--
Issuer Credit Ratings History	
01-Jun-2022	AAA/Stable/--
09-Sep-2015	AA+/Stable/--
27-Nov-2012	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.

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