

Research Update:

City of Guelph Issuer Credit Rating Affirmed At 'AAA'; Outlook Remains Stable

August 21, 2025

Overview

- The City of Guelph has reviewed its capital priorities in the past year, which we believe will lead to lower capital spending than previously expected. However, the city will continue to borrow to fund its revised capital plan and increase its debt burden.
- A strong economy, strong liquidity position, and an extremely predictable and supportive institutional framework remain credit strengths.
- S&P Global Ratings affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on Guelph.
- The stable outlook reflects our expectation that the city will post after-capital deficits of no more than 5% of total revenues, on average, and that debt will remain substantially less than 60% of operating revenues in the next two years.

Rating Action

On Aug. 21, 2025, S&P Global Ratings affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on the City of Guelph, in the Province of Ontario. The outlook remains stable.

Outlook

The stable outlook reflects our expectation that over the next two years Guelph will raise its capital spending, although the increase will be less than what we expected last year. We now expect after-capital deficits will remain below 5% of total revenue. Despite the downward revision to capital spending, we believe that Guelph will borrow strategically each year to fund its capital program, and that the city will target consistent benchmark issuances to minimize borrowing costs. We expect this will drive the debt burden somewhat above 30% of revenues by 2026. Nevertheless, we believe the city's strong management and strengthened financial planning will support Guelph's long-term creditworthiness.

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Downside scenario

We could lower the ratings in the next two years if capital deficits exceeded 5% of revenues on a sustained basis accompanied by a meaningful increase in tax-supported debt above 30% of operating revenues.

Rationale

Guelph benefits from a strong and diverse economic base and proximity to the Greater Toronto Area. We expect its strong local economy will continue to perform in line with Canada's. Over the past few years, the city has enhanced its budgeting processes to include multiyear budgets, capital prioritization, and strategic borrowing plans. The city recently concluded a capital prioritization exercise that reduced the overall size of its capital budget over the next 10 years, and better aligned priority projects with funding. At the same time, it is boosting its ability to execute capital projects with fewer deferrals than in the past. We believe this will lead to higher capital spending than in previous years, but a lower likelihood of capital spending exceeding our expectations. The city has also refined its borrowing plans and will target issuances of certain sizes and frequency to minimize borrowing costs and reduce funding risks. Our debt forecast incorporates these revisions, and we now expect gross debt to be higher than in our previous review, with a reduced reliance on reserves to fund capital spending. Guelph's robust liquidity and the extremely supportive and predictable institutional framework of Canadian municipalities remain key credit strengths.

A solid economic base, grounded by a large public sector, and an extremely predictable and supportive institutional framework bolster the ratings.

Guelph benefits from a strong local economy, in part due to a broad manufacturing sector and a large public sector, including schools, hospitals, the University of Guelph, and municipal administration. Our base-case assumption is that the local economy will largely remain stable in the face of increased uncertainty associated with international trade uncertainties, given recent experience weathering the effects of tariffs (see "[Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth](#)," May 1, 2025; and "[Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief](#)," May 15, 2025). Although GDP per capita data is not available at the local level, we believe that Guelph's is in line with the national level, which we estimate will be about US\$55,300 in 2025. The local unemployment rate is projected at 4.4%. We expect the city's historically strong population growth will slow in line with Canada's for the next few years but believe population growth picking up in 2027 will support the city's revenue base and boost housing starts.

Guelph's credit profile also benefits from strong management, as indicated by generally good political consensus in passing budgets and effective revenue and expenditure planning practices. The city has been active in updating its budgeting processes. In 2023, Guelph adopted its first four-year multiyear operating budget covering 2024-2027. It also prepares a 10-year capital forecast and updated its asset management plan in June 2024. The 10-year capital plan was reviewed and reduced in 2024 to better align priority projects with funding. In addition, we believe the city has well-defined financial policies to govern debt and liquidity management.

As do other Canadian municipalities, Guelph 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

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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.

After-capital performance will come under pressure due to a large capital plan, which will also increase the city's reliance on debt.

We estimate operating balances will remain relatively stable and average 12.7% of operating revenues in 2023-2027 and incorporate robust property tax collection. These surpluses should help to fund part of Guelph's capital spending. The city recently began construction on three major projects: the Baker District redevelopment, the South End Community Centre, and the F.M. Woods Pumping Station upgrades. These large projects and increased staffing at the city will lead to sustained capital spending higher than historical levels. We expect the city will post after-capital deficits of 2.8% of total revenues, on average, in 2023-2027.

The large capital plan will result in increased reliance on debt in the medium term despite large reserve balances. We estimate Guelph will issue C\$110 million of bonds in 2026-2027. As a result, we forecast tax-supported debt will rise to C\$217 million or 32% of operating revenues by 2027. We estimate interest costs will increase as the city issues more debt but that they will remain very manageable at less than 1% of operating revenues in 2025-2027. We expect Guelph's borrowing will be sufficient to cover its after-capital deficits; however, the city has sufficient reserves that it could fund a material portion of its 10-year capital plan without any borrowing.

We expect Guelph's debt service coverage will remain well above 100% in the next two years. The city benefits from very strong liquidity with C\$494 in adjusted liquid assets. We expect Guelph could draw on its reserves to fund part of its capital plan but that its liquidity position will remain very strong. We estimate total free cash in the next 12 months will be enough to cover more than 14x the estimated debt service for the period.

City of Guelph Selected Indicators

Mil. C\$	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	514	544	591	621	654	682
Operating expenditure	450	479	521	541	565	590
Operating balance	63	65	70	79	88	92
Operating balance (% of operating revenue)	12.4	11.9	11.9	12.8	13.5	13.5
Capital revenue	30	38	89	108	101	127
Capital expenditure	83	106	166	213	223	254
Balance after capital accounts	10	(4)	(6)	(25)	(34)	(35)
Balance after capital accounts (% of total revenue)	1.8	(0.7)	(1.0)	(3.4)	(4.6)	(4.3)
Debt repaid	14	12	10	10	38	12
Gross borrowings	0	0	0	58	60	50

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City of Guelph Selected Indicators

Balance after borrowings	(5)	(16)	(16)	24	(12)	3
Direct debt (outstanding at year-end)	126	116	109	157	179	217
Direct debt (% of operating revenue)	24.5	21.3	18.4	25.3	27.4	31.9
Tax-supported debt (outstanding at year-end)	126	116	109	157	179	217
Tax-supported debt (% of consolidated operating revenue)	24.5	21.3	18.4	25.3	27.4	31.9
Interest (% of operating revenue)	0.6	0.6	0.5	0.4	0.8	1.0
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	56,256.8	54,220.3	54,340.4	55,309.7	59,043.9	62,291.8

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	1
Financial management	2
Budgetary performance	2
Liquidity	1
Debt burden	2
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 7, 2025

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 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum](#), June 24, 2025
- [Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#), June 2, 2025
- [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

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"). 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 Rating Component Scores 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").

Ratings List

Ratings list

Ratings Affirmed

Guelph (City of)

Issuer Credit Rating	AAA/Stable/--
Senior Unsecured	AAA

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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