

February 14, 2003

City of Toronto's Credit Rating

A municipality's credit rating helps to determine the ability to borrow funds. Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management, strength of economy, level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on the debt now and in the future.

While the City's debt affects its rating, the rating affects the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt. The City would then have to offer a higher interest rate to attract investors.

Currently, the City of Toronto's credit ratings are:

- Dominion Bond Rating Service (DBRS) — AA with a stable outlook
- Standard and Poors Canada (S&P) — AA with a stable outlook (reaffirmed February 2003)
- Moody's Investor Service — Aa1 with a stable outlook (upgraded in November 2002)

The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to insure that the City's ability to access the most cost-effective world capital markets will continue.

How Do We Compare?

The City of Toronto's credit rating is comparable to that of the Province of Ontario, but is behind those of the other regions in the GTA, Ottawa, Vancouver and the Federal Government.

