

Research Update:

# Regional Municipality of York Issuer Credit Rating Affirmed At 'AAA'; Outlook Is Stable

July 14, 2025

## Overview

- The [Regional Municipality of York](#) (York) benefits from solid budgetary performance with high operating balances and manageable capital expenditures. It also benefits from ample liquidity.
- S&P Global Ratings affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on York.
- The stable outlook reflects our expectation that the region will post lower, but still strong, balances after capital accounts as it proceeds with its capital plan. It also reflects our expectation of an increasing but manageable debt burden.

## Rating Action

On July 14, 2025, S&P Global Ratings affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on the Regional Municipality of York, in the Province of Ontario. The outlook is stable.

## Outlook

The stable outlook reflects S&P Global Ratings' expectation that York will maintain strong operating surpluses in the next two years and its balances after capital accounts will fall but remain strong as it proceeds with its capital plan. In addition, we expect that the debt burden will increase but remain manageable.

## Downside scenario

We could lower the ratings in the next two years if York generated lower-than-expected revenue and we believed its flexibility to raise revenue was constrained. If this resulted in weaker operating performance, sustained after-capital deficits of more than 5% of total revenues, and a deterioration in the debt profile, we could take a negative rating action.

### Primary contact

**Hector Cedano, CFA**

Toronto  
1-416-507-2536  
hector.cedano  
@spglobal.com

### Secondary contact

**Louis Favreau**

Toronto  
1-416-507-2562  
louis.favreau  
@spglobal.com

### Research contributor

**Divy Rangan**

CRISIL Global Analytical Center,  
an S&P Global Ratings affiliate  
Gurgaon Haryana

## Rationale

We expect that York's diverse and wealthy economy will continue to foster economic stability. The region, in our view, will keep posting healthy operating balances, and its balances after capital accounts will fall but remain positive as it proceeds with its capital plan. We expect the debt burden will increase but remain manageable as York issues debt to help fund part of its capital plan. We estimate that debt service coverage will remain well above 100% during our forecast horizon.

### **A strong economy and prudent financial management will remain key to the region's creditworthiness.**

We expect that the region's economic strengths will continue to foster fiscal stability and support the ratings. Our base-case assumption is that the local economy will largely remain stable in the face of increased uncertainty associated with international trade disputes, given recent experience weathering the effects of tariffs (see "Economic Outlook Canada Q3 2025: U.S Tariff Uncertainty And Slower Population Growth Weigh On Momentum, June 24, 2025). York's economy benefits from its proximity to, and integration, with the City of Toronto. The region boasts the sixth-largest municipal population in Canada, with an estimated 1.28 million residents in 2024, as well as a sizable employment base of about 616,000 jobs. Financial services, insurance, and real estate are the economy's largest sectors. Building activity and assessment growth continue to support regional revenue. Although local GDP per capita data is not available, we believe that York's GDP per capita is higher than Canada's, based on the region's high incomes. Our estimate for Canada's GDP per capita in 2025 is about US\$55,000.

We believe York's financial management is very strong and in line with that of regional peers. York's long-term financial planning is robust. The region produces a multiyear budget that matches the term of the York Regional Council; from that multiyear budget, management develops annual budgets with achievable revenue and expenditure targets. We believe management demonstrates the flexibility to appropriately align the region's capital plan with fluctuations in population growth. Moreover, the region has an established commitment to fiscal sustainability through its fiscal strategy process, which successive regional councils have endorsed. The council continues to endorse the building of reserves and is raising funds for a subway extension via a dedicated levy. Like other Canadian municipalities, York can issue debt only to finance capital expenditures, and we believe it has prudent and conservative policies to govern its debt and liquidity management.

As do other Canadian municipalities, York 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 compared with those of global peers and growth over time has been modest.

## Budgetary performance will remain strong, and the debt burden will increase but remain manageable.

We expect operating balances will remain strong and average 26% of operating revenues in 2023-2027. These surpluses should support York's capital plan, which includes an eight-kilometer extension of the Yonge Street subway line north to Richmond Hill. The region budgeted C\$1.12 billion starting in 2022 to fund its share of the project; it plans to partially fund the project via a dedicated levy. Another important project in the capital plan is enlarging and improving the York Durham Sewage System, which will require new water and wastewater infrastructure. We expect after-capital surpluses will decline as York proceeds with the capital plan and will average 10% of total revenues in 2023-2027. York has strong budgetary flexibility, in our view, owing to its above-average household incomes and relatively low tax rates. We think they would support additional revenue generation, if necessary.

We expect operating surpluses, dedicated funding, and strong reserves will continue to fund part of the region's capital plan and reduce York's reliance on debt funding. The region continues to limit new debt issuance to fund growth-related spending, and it's keeping net debt below its 2017 peak. Nevertheless, management estimates that the region will receive lower development charges than previously anticipated, which will increase the need for debt issuance. As a result, we expect that York will issue about C\$1.3 billion of debt in 2025-2027, more than we estimated in our previous base case. We forecast tax-supported debt will increase to 82% of operating revenues in 2027 from 71% in 2024. Nevertheless, the region's direct debt represents less than five years of operating surpluses, which mitigates our assessment of the debt burden. Interest costs accounted for about 3.5% of operating revenues in 2024, and we expect they will increase but stay below 5% of operating revenues during the two-year outlook horizon.

York has exceptional liquidity, in our view. We estimate that total free cash in the next 12 months will be enough to cover more than 18x the estimated debt service for the period. We expect that this ratio will remain well above 100% during the outlook horizon. In addition, we believe York's access to external liquidity is strong, in part because of its frequent issuances and its practice of holding benchmark issues that bolster liquidity for its debt in the secondary markets.

### Regional Municipality of York Selected Indicators

Mil. C\$	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	2,795	3,063	3,162	3,208	3,296	3,386
Operating expenditure	1,990	2,249	2,324	2,379	2,441	2,515
Operating balance	805	815	838	829	854	871
Operating balance (% of operating revenue)	28.8	26.6	26.5	25.8	25.9	25.7
Capital revenue	220	289	340	313	338	364
Capital expenditure	518	553	762	851	919	990
Balance after capital accounts	506	551	416	290	273	244
Balance after capital accounts (% of total revenue)	16.8	16.4	11.9	8.2	7.5	6.5
Debt repaid	214	215	222	241	269	284
Gross borrowings	0	105	98	261	463	599
Balance after borrowings	292	440	291	311	467	560
Direct debt (outstanding at year-end)	2,472	2,362	2,239	2,259	2,453	2,768

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### Regional Municipality of York Selected Indicators

Direct debt (% of operating revenue)	88.5	77.1	70.8	70.4	74.4	81.8
Tax-supported debt (outstanding at year-end)	2,472	2,362	2,239	2,259	2,453	2,768
Tax-supported debt (% of consolidated operating revenue)	88.5	77.1	70.8	70.4	74.4	81.8
Interest (% of operating revenue)	3.9	3.5	3.7	3.8	4.0	4.4
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	1
Budgetary performance	1
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. An interactive version is available at [spratings.com/sri](https://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: 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

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- [Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#), June 2, 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

**York (Regional Municipality 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](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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