CREDIT OPINION
16 September 2025

Update

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RATINGS

York, Regional Municipality of

Domicile	York, Ontario, Canada
Long Term Rating	Aaa
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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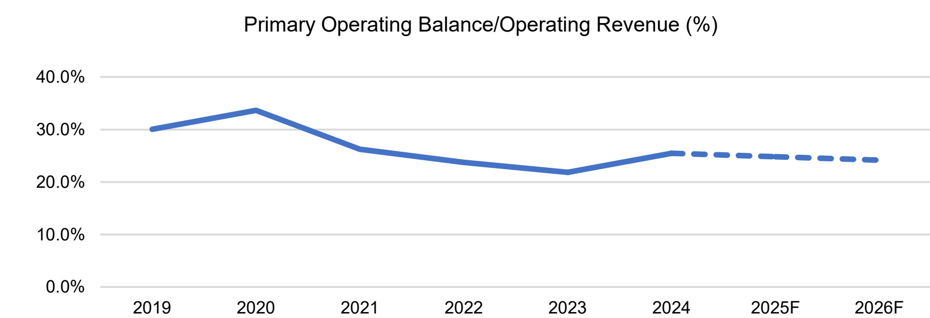
Regional Municipality of York (Canada)

Update following rating affirmation

Summary

The credit profile of the Regional Municipality of York (Aaa stable) reflects high levels of cash and long-term investments, resulting in excellent liquidity metrics and coverage of net debt and expenses. We view the region's governance as very strong which, along with largely stable revenue sources, supports solid fiscal results and high levels of annual operating margins typically around 20-25%. The regional economy is broad and diversified with a growing tax base, which also benefits from continued population growth despite recent federal measures to curb immigration. While York's debt burden of 70% in 2024 - and similar levels are projected for 2025 and 2026 - is at the high end of Aaa-rated municipal peers in Canada, it has declined significantly over the last decade as the region continues to limit debt issuance for major capital projects.

Exhibit 1
Consistently strong operating margins reflect strong fiscal management



Year ending December 31
Sources: York Region and Moody's Ratings

Credit strengths

» Excellent liquidity metrics and growing levels of long-term investments

» Diversified and robust economy that supports tax base and revenues

» Mature institutional framework governing municipalities in Ontario and strong governance

» Revenue stability and prudent fiscal planning balance pressures from growing expenses and adverse provincial changes

Credit challenges

» Higher debt burden than peers due to large infrastructure needs

Rating outlook

The stable outlook on the rating reflects our view that the region will maintain consistently strong operating surpluses supported by largely stable and predictable revenue sources (property taxes and user fees) which tend not to fluctuate with economic changes. The region also maintains high levels of liquidity and long-term savings which, along with very strong governance, allow it to address ongoing operating and capital expense needs.

Factors that could lead to a downgrade

Given its Aaa ratings, York's ratings cannot be upgraded. The ratings could be downgraded if the pace of debt growth exceeded revenue growth on a sustained basis, resulting in a material rise in the debt burden, or if operating challenges resulted in significantly weaker operating margins. A material decline in long-term savings and liquidity levels that would lead to lower coverage of operating expenses and net debt would also put downward pressure on the rating.

Key indicators

Exhibit 2

Regional Municipality of York

(Year Ending 12/31)	2021	2022	2023	2024	2025F	2026F
Net Direct and Indirect Debt/Operating Revenue (%)	107.2	93.9	80.1	69.7	70.5	71.4
Primary Operating Balance/Operating Revenue (%)	26.2	23.7	21.8	25.5	24.8	24.1
Interest Payments/Operating Revenue (%)	4.3	4.0	3.4	3.4	3.4	3.5
Debt Service/Total Revenue (%)	19.2	3.7	3.3	3.2	7.6	7.4
Capital Spending/Total Expenditures (%)	22.0	21.2	20.2	26.8	18.7	18.7

Sources: York Region and Moody's Ratings

Profile

The Regional Municipality of York is the upper tier government of a two-tier regional district located in the Province of Ontario (Aa3 stable), north of Toronto. Its key responsibilities include regional transportation planning and public transit, water supply and wastewater management, and public health and emergency services. York is a fast-growing region with a population of about 1.28 million. It has strong economic ties to Toronto and a diverse economy with key sectors including finance, technology, and manufacturing. The lower tier governments include Aurora, East Gwillimbury, Georgina, King, Markham, Newmarket, Richmond Hill, Vaughan, and Whitchurch-Stouffville.

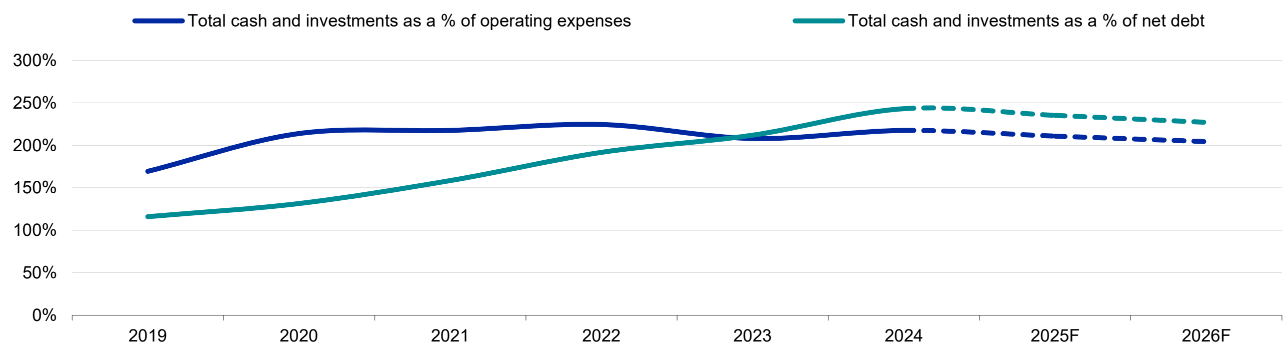
Detailed credit considerations

The credit profile of York, as expressed in its Aaa stable rating, combines (1) a baseline credit assessment (BCA) of aaa for the region and (2) our assessment of a high likelihood of extraordinary support coming from Ontario in the event that the region faced acute liquidity stress.

Excellent liquidity metrics and growing levels of long-term investments

York maintains excellent levels of wealth with rising cash and cash-equivalent securities and long-term investment balances. In 2024, total cash and investments (net of sinking funds) stood at CAD5.4 billion and provided 2.4x coverage of net debt and 2.2x operating expenses. While we expect modest declines in these levels in 2025 and 2026 as reserves are used to support its CAD12.2 billion long-term capital plan, coverage will remain above most peers, supporting the region's credit profile.

Exhibit 3
Cash and investments continue to provide very high coverage of debt and expenses
(fiscal years ending Dec 31)



Cash and investments are net of sinking funds
Sources: York Region and Moody's Ratings

Reserves include discretionary reserves for asset replacement and growth capital, restricted reserves from development charges and corporate reserves which consist of discretionary reserves earmarked for specific purposes including for general/tax stabilization. York maintains tax and fiscal stabilization reserves of about 4% of operating revenues which provide it with flexibility to manage in-year fiscal needs. The region also maintains significant and growing sinking fund balances for debt repayment, which grew to CAD1.6 billion at year-end 2024, up from CAD0.8 billion at year-end 2020.

The region employs a long-term approach when planning for liquidity needs. An internal policy allows 100% of supplementary tax revenue to be added to reserves at the end of each fiscal year. The region also has access to a CAD100 million credit line with a major Canadian bank which remains unused. This approach has resulted in very strong liquidity, with a liquidity ratio (cash and cash equivalents as a % of operating revenues) of 57.5% in 2024.

Diversified and robust economy that supports tax base and revenues

York is home to a large diversified economy which leads to high levels of wealth and in turn high taxation revenues. The strong economic fundamentals of the region - high employment growth and an unemployment rate below the provincial and national average - will continue to support strong fiscal results. Population growth has been robust in recent years, with population reaching 1.28 million, although we expect largely flat growth over the next two years given recent changes in federal immigration policy that includes an annual cap on the number of immigrants.

The regional economy has a significant presence of key sectors, including finance, insurance and real estate, professional, scientific and technical services, construction and manufacturing. The region also benefits from its proximity to the City of Toronto (Aa1 stable), Canada's largest commercial and financial center, its sound manufacturing base and its broad range of sectors. Although some sectors, including manufacturing, are exposed to the negative impacts of US tariffs and trade uncertainty, most Canadian exports to the US remain exempt from tariffs as long as trade complies with the Canada-United States-Mexico Agreement (CUSMA).

York has historically outperformed Ontario on a number of economic and labor market indicators, with favourable employment statistics, strong GDP growth and high GDP per capita. However, for 2025 and part of 2026 we expect that growth will slow given macroeconomic challenges from tariffs and trade uncertainty and slower immigration.

Mature institutional framework governing municipalities in Ontario and strong governance

The institutional framework governing municipalities in Ontario is mature and highly developed. The division of roles and responsibilities between the province and municipalities is clearly articulated.

Provincial legislation dictates a high degree of oversight, including limits on debt servicing costs, while the region maintains significant flexibility to manage pressures through its operating and capital budgets. Debentures can only be issued to fund capital infrastructure projects, a large portion of which is repaid primarily through development charges on new property developments. Further, under

The Municipal Act (2001), all debentures issued by a regional municipality are the direct, joint and several obligations of the regional municipality and its lower-tier municipalities.

The region's credit profile benefits from strong governance which is supported by comprehensive, transparent and timely financial reporting. The region plans based on multi-year operating budgets and 10-year capital plans which are updated annually. Management adheres to conservative investment and debt policies, limiting exposure to market-related risks and ensuring relatively smooth and predictable debt service costs. We view overall governance as very strong, in part evidenced by the region's multi-year efforts to reduce the reliance on debt financing of its capital needs.

Revenue stability and prudent fiscal planning balance pressures from growing expenses and adverse provincial changes

The region derives the majority of its revenues from predictable revenue sources which contribute to consistent annual operating surpluses, including property taxes and utility fees. Combined, these flows account for approximately two-thirds of operating revenues. Taxable property assessments have grown significantly in recent years and the region retains some flexibility to raise user fees, given relatively low rates compared to the rest of the Greater Toronto Area (GTA). The operating margin averaged 26.2% over 2020–2024, a very high level, and we estimate similar levels will be achieved between 2025 and 2027.

Cost inflation of materials, high fuel prices, housing and social programs add to existing operating pressures. Nevertheless, we anticipate that the province will continue to cost share expenses related to social services, and that both the province and the federal government will provide housing-related capital funding support. We expect that the region will also benefit from the federal public transit funding announced in 2024 with a total national annual funding envelope of CAD3 billion starting in 2026-27.

Over the past several years, the province has enacted a series of legislative changes that in our view negatively impact regional finances. Most recently, Bill 17 – Protect Ontario by Building Faster and Smarter Act 2025, was passed to accelerate housing development. The bill exempts development charges (DCs) for long term care homes and permits the deferral of DCs until occupancy for residential development, which would reduce / delay revenues for the region. We expect that the region will identify mitigating measures in its 2026 budget.

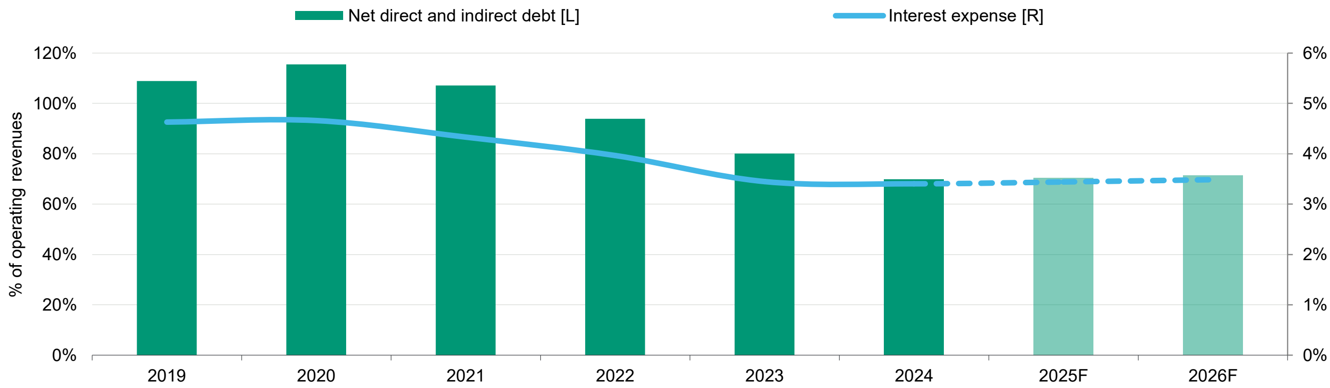
Higher debt burden than peers due to large infrastructure needs

York's debt burden of approximately 70% for 2024 is higher than most Aaa-rated peers in Canada (median of 39% in 2024). Continued population growth over the next decade - even if the pace of growth slows given recent federal immigration policy changes - will remain a key driver of infrastructure spending which necessitates significant new debt issuance.

Planned expansions of the regional transportation network include bus rapid transit and the proposed extension of the Yonge subway line from Toronto to Richmond Hill. The region's 10-year capital plan for 2025-2034 totals CAD12.2 billion, which includes CAD1.12 billion regional capital contribution for the Yonge North Subway Extension (9.1% of the total 10-year plan). We project that the total costs could rise given general cost escalation of building subways, and given inflationary pressures on labour and materials costs, although the region estimates its share to be fixed. A further rise in costs, in the absence of a cap on the region's cost share, would be credit negative.

The region projects that new debt financing of the capital plan will total CAD4.0 billion over the next 10 years, or about one third of the capital plan, with the majority of debt issuances planned for 2027-2033. While debt levels will continue to rise, sinking fund levels will also rise along with revenues, which will limit increases in the debt burden ratio. We also expect that the need for new funding will be balanced by the region's prioritization of other capital funding sources, including reserves and pay-as-you-go capital financing in order to limit the growth in debt. This strategy has already allowed the region to reduce its debt burden from 145% in 2016.

Exhibit 4
York's debt burden is high but has steadily declined in recent years



Sources: York Region and Moody's Ratings

Given its higher debt levels, York's debt affordability is also moderately weaker than Aaa-rated municipal peers, with an interest burden of 3.4% in 2024 and our projection of similar levels over the next three years.

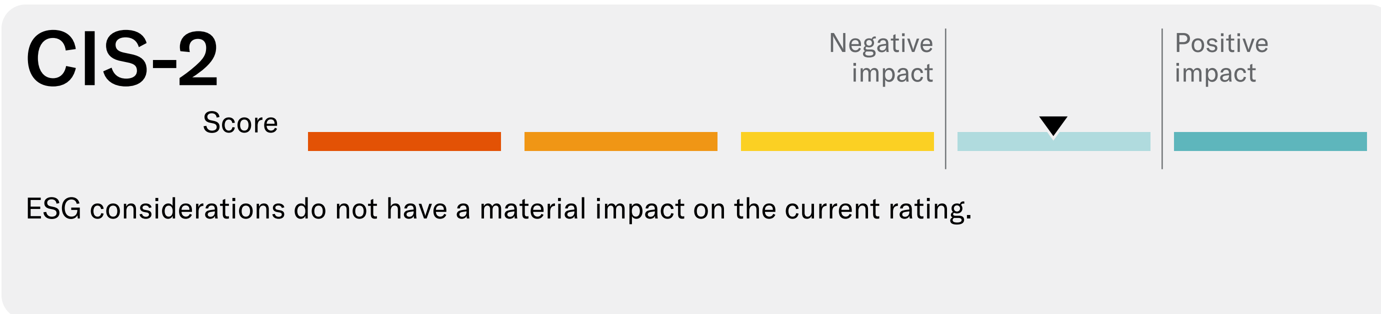
Extraordinary support considerations

While York's BCA of aaa already places the region in the Aaa rating bracket, we also consider the likelihood of extraordinary support coming from the Province of Ontario to prevent a potential default by York. We consider a high likelihood of extraordinary support based on our assessment of the risk to the province's reputation as a regulator of municipalities and incentive for the provincial government to minimize the risk of potential disruptions to capital markets if York or any other municipality were allowed to default.

ESG considerations

York, Regional Municipality of's ESG credit impact score is CIS-2

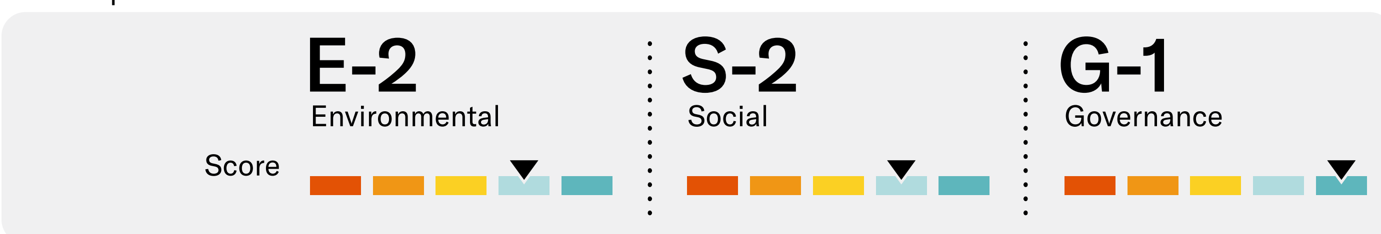
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

The **CIS-2** Credit Impact Score for York reflects a low impact of ESG considerations on the ratings.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-2** issuer profile score (IPS) reflects a low exposure to climate risks and neither spending nor revenue are materially impacted by environmental changes.

Social

The **S-2** social IPS reflects mitigated risks related to the provision of public services such as public safety (police and paramedic) and environmental (water and waste collection), given predictable demographic trends which allow for long-term forecasting of service requirements and therefore manageable expenses. The majority of health expenses are the responsibility of the province and not the region.

Governance

The **G-1** issuer profile score reflects very strong budget and fiscal management practices and strong institutional framework. The region is subject to balanced budget legislation and has a forward-looking view to identify budget challenges with the ability to adjust plans on a timely basis to mitigate any credit implications. The region provides transparent, timely financial reports including forward-looking fiscal policies, annual operating budgets and 10-year capital plans which are updated annually and adheres to strict policies on debt and investment management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of aaa is in line with the BCA scorecard-indicated outcome of aaa. For details about our rating approach, please refer to the Regional and Local Governments methodology.

Exhibit 7

York, Regional Municipality of

Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					**25%**	**0.85**
Regional Income [1]	1.68	63990.31	15%	0.25		
Economic Growth	9.00	baa	5%	0.45		
Economic Diversification	3.00	aa	5%	0.15		
Factor 2: Institutional Framework and Governance					**30%**	**0.30**
Institutional Framework	1.00	aaa	15%	0.15		
Governance	1.00	aaa	15%	0.15		
Factor 3: Financial Performance					**20%**	**0.32**
Operating Margin [2]	1.41	25.46%	10%	0.14		
Liquidity Ratio [3]	0.50	57.52%	5%	0.03		
Ease of Access to Funding	3.00	aa	5%	0.15		
Factor 4: Leverage					**25%**	**1.57**
Debt Burden [4]	5.08	69.73%	15%	0.76		
Interest Burden [5]	8.10	3.40%	10%	0.81		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						**(3.04) aa2**
Idiosyncratic Notching						**1.0**
Preliminary BCA SIO After Idiosyncratic Notching						**(2.04) aa1**
Sovereign Rating Threshold						**Aaa**
Operating Environment Notching						**1.5**
BCA Scorecard-Indicated Outcome						**(1.00) aaa**
Assigned BCA						**aaa**

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars
[2] Primary Operating Balance / Operating Revenue
[3] Cash and Cash Equivalents / Operating Revenue
[4] Net Direct and Indirect Debt / Operating Revenue
[5] Interest Payments / Operating Revenue
Source: Moody's Ratings; Fiscal 2024.

Ratings

Exhibit 8

Category	Moody's Rating
YORK, REGIONAL MUNICIPALITY OF	
Outlook	Stable
Baseline Credit Assessment	aaa
Senior Unsecured -Dom Curr	Aaa
Commercial Paper -Dom Curr	P-1

Source: Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454