S&P Global
Ratings

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Research Update:

Regional Municipality of Peel Ratings Affirmed At 'AAA'; Outlook Stable

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Primary Contact

Dina Shillis, CFA
Toronto
1-416-507-3214
dina.shillis
@spglobal.com

Secondary Contact

Sabrina J Rivers
New York
1-212-438-1437
sabrina.rivers
@spglobal.com

Research Contributor

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

Overview

- Pressures on the Regional Municipality of Peel's after-capital deficits, associated with elevated capital spending and lower development charge (DC) collections, should generate higher borrowing in the next two years.
- Nevertheless, we expect continued solid financial management at Peel to maintain healthy and stable operating results and a robust liquidity position, along with possible additional grant support from senior levels of government.
- Accordingly, S&P Global Ratings affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on the region.
- The stable outlook reflects our expectation that the region will contain the increase in debt by maintaining solid operating balances and potentially adjusting capital investment to moderate after-capital deficits over the next two years.

Rating Action

On Sept. 18, 2025, S&P Global Ratings affirmed its 'AAA' long-term issuer credit rating on the Regional Municipality of Peel. The outlook remains stable.

Outlook

The stable outlook reflects our expectation that the region's expanding tax base, strong operating surpluses, robust financial management, and exceptional liquidity will continue to underpin Peel's credit profile. We expect the combination of a large capital plan and somewhat lower DC collection projections to generate after-capital deficits of about 5% of total revenues in the next two years. We also expect the debt burden, excluding debt on lent to the region's lower-tier municipalities, will increase to 66% of operating revenues in 2027.

Downside scenario

We could lower the ratings in the next two years if the region's capital needs stay elevated and related revenues come in below expectations, resulting in after-capital deficits of well above 5% of total revenue on a sustained basis. This scenario includes a significantly higher reliance on debt funding than currently projected and reduced available reserves to support capital.

Rationale

Peel's growing and diverse economy makes it an attractive location for new residents and drives up demand for local services and infrastructure. As a result, we expect Peel to advance on its capital plan and post deficits after-capital accounts of about 5.2% of total revenues in the next two years. The stable outlook incorporates our own assumptions on execution against the region's capital program as well as a proactive and careful management response to capital prioritization as both infrastructure demands and funding capacity evolve. The region's ample reserves partially mitigate weaker after-capital performance, as we expect Peel will use a portion of these savings to fund the state-of-good-repair (SOGR) share of the plan. On the other hand, recent changes to provincial legislation that defer collection of DCs, a key revenue source for growth-related infrastructure, coupled with the region's own incentives for DCs, strain these balances. However, both the provincial and federal governments' interest in increasing housing stock and improving housing affordability could result in additional grant support to the region and alleviate some pressure. We view the region's management practices as prudent and supportive of a stable and healthy operating performance, which we expect will continue in the outlook horizon while the increase in debt remains largely in line with our expectations.

Strong financial management practices and a resilient economy are key credit strengths

The region's diverse economy is supported by rising immigration and benefits from proximity to and integration with the Greater Toronto Area (GTA), despite slow economic activity. Peel contains the cities of Brampton and Mississauga, as well as the Town of Caledon. It is part of an extensive transportation network, including Canada's largest airport, two national rail lines, and some of the nation's largest highways, which fully integrates it with the GTA's large employment base and allows good access to other markets. Based on the region's high income levels, we believe its GDP per capita would compare favorably with the national average of about US$55,300. Our base-case expectation is that despite economic uncertainty related to trade tensions and a weaker labor market, the region's long-term economic prospects remain promising and its tax base will remain strong (for further information, see "Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption," June 2, 2025).

In our opinion, Peel's strong financial management policies and practices will support very strong credit quality through the changes in legislation. The region has a track record of planning and managing for change, with an experienced management team and robust policies.

In June 2025, the Province of Ontario's Bill 45 entered first reading; it represents the next phase in transferring regional roads and waste collection services from the region to lower-tier municipalities. Should the legislation pass, we view this change as neutral to the region's credit profile, given that the shift in services and assets will be accompanied by a commensurate shift in property tax funding.

As do other Canadian municipalities, Peel 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.

Growth-related capital needs stress after-capital performance, with demand for new debt increasing

Recent hikes in the property tax rate, coupled with growth in the tax base, stabilize the region's operating performance amid rising costs, in large part stemming from the region's expanding population. We expect the region will continue to use its revenue levers and prudently manage costs such that operating balances will average close to 13% of operating revenues in 2025-2027.

Against its strong operating results, Peel is still seeing pressure on after-capital performance, with a large 10-year capital plan totaling C$23.5 billion. We expect annual capital spend will average C$1.05 billion in 2025-2027, with the after-capital deficit peaking at more than 10% of total revenues in 2025 before moderating to close to 5% by 2027. Changes in DC legislation, particularly deferral of collection of fees until occupancy, coupled with reduced development activity in response to economic uncertainty, add complexity to the challenges the region is facing. Potential funding from senior levels of government to support the growth capital plan and mitigate reduced DC collections is not included in our assumptions and could lead to better-than-expected results.

Future capital needs primarily relate to SOGR and investment in the Peel Regional Police and housing-related infrastructure projects in response to the province's accelerated housing targets. Major works to expand capacity in water and wastewater systems comprise most of the utility capital budget. The region has robust cash reserve balances available to finance a portion of future SOGR capital needs. This mitigates the rise in after-capital deficits over the next two years, in our view.

Increasing growth needs will lead to higher issuance in the next two years. Assuming a phased approach to growth-related infrastructure, we forecast issuance will total C$2.5 billion in 2025-2027. This includes about C$700 million issued on behalf of lower-tier municipalities. This will bring the tax-supported debt burden to 87% of operating revenues by 2027, up from 54% in 2024. Excluding on-lent debt, Peel's debt will represent about 66% of operating revenues. We believe that Peel's lower-tier municipalities are able to support their obligations and will reimburse the region for all principal and interest payments as they come due. While we recognize that this debt carries a lower direct credit risk, it tends to be less transparent, with limited visibility into the financial capacity of these municipalities. Although we expect interest costs will rise, we believe they will remain manageable at about 3.1% of operating revenues on average in 2024-2026.

In our view, Peel's liquidity remains a key credit strength. We estimate total free cash in the next 12 months will be enough to cover more than 700% the estimated debt service for the period. We expect this ratio will remain well above 100% during the outlook horizon. Supporting the liquidity position is the region's strong access to capital markets and domestic bank financing. As of Dec. 31, 2024, available cash and investments totaled close to C$3.2 billion.

Regional Municipality of Peel Selected Indicators

Mil. C$	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	2,706	3,051	3,247	3,670	3,960	4,216
Operating expenditure	2,304	2,546	2,783	3,210	3,450	3,663
Operating balance	402	505	463	460	510	553
Operating balance (% of operating revenue)	14.9	16.5	14.3	12.5	12.9	13.1
Capital revenue	395	103	225	112	320	300
Capital expenditure	591	745	926	1,001	1,050	1,090
Balance after capital accounts	206	(137)	(238)	(429)	(220)	(237)
Balance after capital accounts (% of total revenue)	6.7	(4.3)	(6.8)	(11.3)	(5.2)	(5.3)
Debt repaid	115	129	133	118	293	163
Gross borrowings	73	0	555	962	677	818
Balance after borrowings	164	(266)	185	415	164	418
Direct debt (outstanding at year-end)	1,578	1,451	1,770	2,575	3,068	3,677
Direct debt (% of operating revenue)	58.3	47.6	54.5	70.2	77.5	87.2
Tax-supported debt (outstanding at year-end)	1,578	1,451	1,770	2,575	3,068	3,677
Tax-supported debt (% of consolidated operating revenue)	58.3	47.6	54.5	70.2	77.5	87.2
Interest (% of operating revenue)	2.7	2.4	2.3	3.1	3.9	4.7
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	2
Liquidity	1
Debt burden	3
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	
Peel (Regional Municipality of)	
Issuer Credit Rating	AAA/Stable/--
Senior Unsecured	AAA