

Regional Municipality of Peel Outlook Revised To Negative On Weakening Budgetary Performance; Ratings Affirmed At 'AAA'

February 24, 2026

Overview

- We expect Regional Municipality of Peel's fiscal outcomes to weaken owing to record-high capital spending and lower development charge (DC) collections.
- Elevated after-capital deficits that decline gradually over the next several years will increase the region's reliance on debt.
- Accordingly, S&P Global Ratings revised its outlook to negative from stable and affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on the region.
- The negative outlook reflects the prospect that Peel's high after-capital deficits do not moderate in the next two years as the region doesn't slow capital spending, raise related revenue or receive additional funding from senior levels of government and instead relies on increasing debt financing.

Rating Action

On Feb. 24, 2025, S&P Global Ratings revised the outlook on the Regional Municipality of Peel to negative from stable. At the same time, S&P Global Ratings affirmed its 'AAA' long-term issuer credit rating and senior unsecured debt ratings on the region.

Outlook

The negative outlook reflects the possibility that the region's weaker budgetary performance could persist. We expect elevated capital spending and somewhat lower DC collection projections will result in elevated after-capital deficits of about 14% of total revenues in 2026. We assume that as DC collections recover in the outer years of our forecast, the after-capital deficits will moderate toward 5% of total revenues by 2028. We expect the region will continue to rely on additional borrowing to fund the capital plan such that the debt burden, excluding debt on lent to lower-tier municipalities, will increase to about 69% of operating revenues in 2028. We assume that the region's financial management practices remain robust and respond to financial pressures.

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Downside scenario

We could lower the ratings in the next two years if the region's budgetary outcomes do not improve, with after-capital deficits remaining closer to current levels. This could result, for example, from some combination of persistent capital spending alongside lower-than-expected related revenues. That in turn could reflect the absence of higher DC revenue or additional support from higher levels of government. Sustained elevated after-capital deficits imply increased reliance on debt financing than currently projected and/or a drawdown in reserves.

Upside scenario

We could revise the outlook to stable if the region's after-capital deficits trend lower and sustain below 5% of total revenues. This would likely reflect a recovery in DC collections and/or increased funding from senior levels of governments. Such an improvement in after-capital balances will lead to lower reliance on debt.

Rationale

Peel's most recent 2026 budget shows the advancements in its large capital plan. This reflects the region's priority to address its expanding population and the resultant demand for local services and infrastructure, including housing-related infrastructure. The record-high capital investments, primarily in growth-related infrastructure, however, should lead to a significant rise in after-capital deficits to about 14% of total revenues in 2026, before moderating to 5%-6% of total revenues in 2027-2028. In our view, this is in part due to lower DC revenue collections. This is in turn driven by the most recent provincial legislation changes that defer DC collection, a key revenue source for growth-related infrastructure, and the region's own temporary incentives for developers; for example, lower DC rates for residential developments. As a result, the region's reliance on additional borrowing to fund the capital plan will continue to rise, with a simultaneous increase in interest costs.

Nevertheless, in our view Peel's strong and diversified economy, prudent management practices, robust liquidity, and the extremely supportive and predictable institutional framework for Canadian municipalities remain key strengths that continue to underpin the region's credit profile.

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

Peel benefits from a strong and diversified economy supported by integration with the Greater Toronto Area (GTA). The region contains the cities of Brampton and Mississauga, as well as the Town of Caledon. It's situated amid 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 more than US\$55,000. Our base-case expectation is that despite economic uncertainty related to trade tensions, the region's long-term economic prospects remain promising and its tax base will remain sound (for further information, see "[Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#)," June 2, 2025).

The Province of Ontario's Bill 45 (Peel Transition Implementation Act 2025) received royal assent in December 2025. Introduced in June 2025, it outlines the transfer of regional roads and waste collection services from the region to lower-tier municipalities. However, the timeline of the

transfer was delayed and rescheduled to take effect on July 1, 2027, for regional roads and Oct. 1, 2027, for waste collection rather than the original schedule in 2026. While there remain some uncertainties with respect to the transition of services, 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.

In our opinion, Peel's strong financial management policies and practices will continue to support the region's credit quality. The region has robust policies and an experienced management team with a track record of forward-looking and responsive planning. We expect that its management will take appropriate measures to limit fiscal slippage.

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 capex 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 to pressure after-capital performance, increasing reliance on additional borrowing

We expect the region to prudently manage its revenue levers and costs such that operating balances average close to 13% of operating revenues in 2026-2028. Nevertheless, we expect property tax increases will be lower than those in recent years due to affordability constraints. In addition, there are some uncertainties related to future tax levy increases, particularly ahead of the fall 2026 municipal elections.

Against its healthy operating performance, we project Peel's large capital plan will continue to drive the deterioration in after-capital performance. The 10-year capital plan now stands at C\$26.1 billion, up from C\$23.5 billion in the 2025 budget. The elevated capital spending is driven primarily by growth-related infrastructure, including investment in housing-related infrastructure projects in response to the province's accelerated housing targets. In the past, state-of-good-repair constituted most of the capital plan, essentially funded by previously accumulated cash reserve balances, which in turn mitigated the rise in after-capital deficits. However, this is not the case anymore, as growth-related capital needs are increasing and form the majority of the future capital needs. Furthermore, major works to expand capacity in the water and wastewater systems make up most of the utility capital budget, which are essential to support growth in the region.

We expect record annual capital spending, averaging about C\$1.2 billion in 2026-2028. This compares with less than C\$600 million annual spending prior to 2023. Meanwhile, we expect DC revenue collection to remain constrained by the changes in DC legislation that include deferral of fee collection until occupancy, coupled with reduced development activity in response to economic uncertainty. As a result, after-capital deficits will increase significantly to about 14% of total revenues in 2026, before moderating to 5%-6% of total revenues in 2027-2028; the decline

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assumes that DC revenue collections recover over the forecast period. We have not incorporated any additional capital support from senior levels of government, beyond what is included in the region's budget.

We expect the high capital needs will raise annual borrowing requirements in the next two years. Assuming a phased approach to growth-related infrastructure, we forecast borrowing will total about C\$2.5 billion in 2026-2028. This includes about C\$558 million issued on behalf of lower-tier municipalities. This will bring the total tax-supported debt burden to about 89% of operating revenues by 2028, up from 55% in 2024. Excluding on-lent debt, Peel's debt will represent about 69% of operating revenues by 2028, also up from about 44% in 2024. We believe that Peel's lower-tier municipalities can 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. We also expect that, in line with higher future borrowing, interest costs will rise. That said, we believe they will remain manageable in the medium term at about 4.5% of operating revenues, on average, in 2026-2028.

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 about 580% of the estimated debt service for the period. Although it is on a downward trend, 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\$	2023	2024	2025bc	2026bc	2027bc	2028bc
Operating revenue	3,051	3,248	3,651	3,937	4,309	4,574
Operating expenditure	2,546	2,789	3,162	3,434	3,743	3,995
Operating balance	505	458	489	504	565	579
Operating balance (% of operating revenue)	16.5	14.1	13.4	12.8	13.1	12.7
Capital revenue	103	230	112	173	255	378
Capital expenditure	745	926	1,200	1,240	1,090	1,199
Balance after capital accounts	(137)	(238)	(599)	(563)	(269)	(242)
Balance after capital accounts (% of total revenue)	(4.3)	(6.8)	(15.9)	(13.7)	(5.9)	(4.9)
Debt repaid	129	133	118	293	163	191
Gross borrowings	0	450	757	975	818	679
Balance after borrowings	(266)	80	40	119	386	246
Direct debt (outstanding at year-end)	1,451	1,770	2,370	3,110	3,620	4,051
Direct debt (% of operating revenue)	47.6	54.5	64.9	79.0	84.0	88.6
Tax-supported debt (outstanding at year-end)	1,451	1,770	2,370	3,110	3,620	4,051
Tax-supported debt (% of consolidated operating revenue)	47.6	54.5	64.9	79.0	84.0	88.6
Interest (% of operating revenue)	2.4	2.3	3.0	3.9	4.6	5.2
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	54,847.5	55,015.7	55,180.8	58,363.9	61,964.2	64,360.4

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

Regional Municipality of Peel Selected Indicators

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	3
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](#), Dec. 11, 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

- [Subnational Government Outlook 2026: Moderate Debt Growth Expected For Canadian LRGs While Headwinds Remain](#), Jan. 19, 2026
- [S&P Global Ratings Definitions](#), Dec. 16, 2025
- [Economic Outlook Canada Q1 2026: Growth Is Set To Improve](#), Nov. 24, 2025
- [Comparative Statistics: Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressure](#), Sept. 25, 2025
- [Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#), June 2, 2025
- [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; Outlook Action

	To	From
Peel (Regional Municipality of)		
Issuer Credit Rating	AAA/Negative/--	AAA/Stable/--

Ratings Affirmed

Peel (Regional Municipality of)

Senior Unsecured	AAA	
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