Research Update:

Regional Municipality of Peel Ratings Affirmed At 'AAA'; Outlook Remains Negative

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Overview

- We expect the Regional Municipality of Peel's (Peel) after-capital fiscal performance and debt burden will continue to weaken in the near term, due to record-high capital spending and lower development charge (DC) collections.
- We also expect the capital spending to gradually decline in 2028, in turn improving the after-capital deficit and decreasing the debt requirements.
- S&P Global Ratings affirmed its 'AAA' long-term issuer credit and senior unsecured debt ratings on the Regional Municipality of Peel.
- The negative outlook reflects our view that Peel's after-capital deficits will remain elevated in the next two years if the region doesn't slow capital spending, raise related revenue, or receive additional funding from senior levels of government, and instead relies on increased debt financing.

Rating Action

On Sept. 17, 2026, S&P Global Ratings affirmed its 'AAA' long-term issuer credit rating and senior unsecured debt ratings on the Regional Municipality of Peel. The outlook is negative.

Outlook

The negative outlook reflects our opinion that the region's weaker budgetary performance could persist. We expect higher capital spending and somewhat lower projected DC collections will result in elevated after-capital deficits of about 16% of total revenues in 2026 and 2027. In the later years of our forecast, we assume that a recovery in capital revenues and reprioritization of growth capital projects will help after-capital deficits moderate to less than 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 rise to about 76% of operating revenues in 2028. We assume the region's financial management practices will remain robust and management will respond to financial pressures.

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 near current levels. This could result, for example, from some combination of persistent elevated capital spending alongside lower-than-expected related revenues. That, in turn, could reflect the absence of a recovery in DC revenue or additional support from higher levels of government. Sustained elevated after-capital deficits imply higher reliance on debt financing than currently projected and/or a drawdown of reserves.

Upside scenario

We could revise the outlook to stable if the region's after-capital deficits improve and are sustained at less than 5% of total revenues. This would likely reflect measures to lower capital spending along with better-than-expected related revenues. Such an improvement in after-capital balances would also lead to lower reliance on debt.

Rationale

Peel is undertaking a substantial capital plan to address housing enabling and utility-related infrastructure needs. Spurred primarily by significant investments in growth-related water and wastewater infrastructure, after-capital deficits are projected to peak at about 18% of total revenues in 2026, before moderating to less than 5% in 2028. The higher deficits are also due in part to lower-than-expected DC revenue collections.

Recent changes to provincial legislation defer DC collection, a key revenue source for growth-related infrastructure and the region's own temporary incentives for developers. Consequently, the region is expected to rely more heavily on debt financing to fund its capital plan and bridge the DC shortfall, with a simultaneous increase in interest costs. Furthermore, the region faces ongoing legislative uncertainty related to the transfer of services to lower-tier municipalities. 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 includes 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. Although federal immigration policy shifts are expected to constrain short-term population growth, long-term prospects are robust and the tax base will remain sound, in our view. Based on the region's high incomes, we believe its GDP per capita would be at least in line with, if not higher than, the national average of about US$58,700 in 2026. In addition, although geopolitical tensions and trade volatility could temporarily dampen labor market conditions, they are expected to recover as the impact of tariffs subsides. Our base-case expectation is that despite economic uncertainties stemming from trade tensions, the region's revenue base, spurred by property taxes, will remain healthy and the long-term economic prospects remain promising.

The region is also navigating a period of legislative changes following the royal assent of Province of Ontario's Bill 45 (Peel Transition Implementation Act) in December 2025 and Bill 98 (Building Homes and Improving Transportation Infrastructure Act) in June 2026. These bills outline the transfer of services from the region to lower-tier municipalities. The transfer of roads and waste collection services is scheduled for July 1, 2027, and Oct. 1, 2027, respectively. Furthermore, water and wastewater services are slated to transition to a public utility model, either on a date prescribed by the minister, or on Jan. 1, 2029. While there remain some uncertainties with respect to the transition process, governance structure, and implications for the overall budget, we view this change as neutral to the region's credit profile because 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 management will take appropriate measures to limit fiscal slippage in these uncertain times.

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 a track record of strong budget results; debt burdens, on average, are low compared with those of global peers and growth over time has been modest.

Growth-related capital needs and related revenue shortfall continue to pressure after-capital performance, increasing reliance on additional borrowing

We expect Peel's budgetary performance will deteriorate over 2026-2027, spurred by elevated growth-related capital requirements and a shortfall in related revenues, specifically DC collections and grants from senior levels of government. The region revised its 10-year capital plan to C$26.1 billion in its 2026 budget from C$23.5 billion in the previous budget. The higher capital spending is primarily attributable to growth-related utility infrastructure projects, in part driven by the construction of new housing-related projects in response to the province's accelerated housing targets. Consequently, we expect annual capital spending will reach record levels, averaging about C$1.4 billion in 2026-2027, which is a substantial increase from the pre-2023 annual average of less than C$600 million. In addition, we expect DC revenue collection will remain constrained by the changes in provincial legislation, coupled with a slowdown in development activity resulting from broader economic uncertainty.

In response to these fiscal pressures, the regional council passed a motion in June 2026 to pause all new growth-related water and wastewater infrastructure investments pending the receipt of adequate funding from senior levels of government. As a result, while capital spending is expected to remain elevated in 2026 and 2027 due to commitments to ongoing projects, it is anticipated to decrease in 2028. Therefore, after-capital deficits could moderate to less than 5% of total revenues in 2028 after peaking at about 16% in 2026-2027; the forecast decline also assumes that DC collections gradually recover during the forecast period. The region has applied in the recently announced Development Charge Reduction Program, a joint federal-provincial initiative over 10 years to lower building costs, speed up housing construction, and fund critical municipal infrastructure. Although this could partially offset some elevated capital spending, pending the result, we have not incorporated any additional capital support from senior levels of government in our base-case assumptions, beyond what is included in the region's budget. Nevertheless, the underlying requirement for growth-related infrastructure and the lower-than-expected DC revenues remain risks to the region's after-capital performance during our outlook horizon, in our view.

On the other hand, we believe the region's operating performance will remain robust owing to the stable property tax base. However, there is uncertainty about the scale of future property tax increases, particularly ahead of the fall 2026 municipal elections, although we expect any increases will be lower than those in recent years due to affordability constraints. Nevertheless, we expect the region will prudently manage its revenue levers and costs such that operating balances average close to 16% of operating revenues in 2026-2028.

We expect the high capital needs and DC collection shortfall will increase annual borrowing requirements in the next two years. Assuming a phased approach to growth-related infrastructure, we forecast borrowing will total about C$2.6 billion in 2026-2028. This includes about C$593 million issued on behalf of lower-tier municipalities. This will bring the total tax-supported debt burden to about 95% of operating revenues by 2028, up from 64% in 2025. Excluding on-lent debt, Peel's debt will represent about 76% of operating revenues by 2028, up from about 51% in 2025. 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, transparency may be more nuanced due to varying levels of financial visibility available for certain 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% of operating revenues in 2026-2028.

In our view, Peel's liquidity is a key credit strength. We estimate total free cash in the next 12 months will be enough to cover more than 740% of the estimated debt service for the period. Although it is on a downward trend, in our opinion, 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, 2025, cash, cash equivalents, and investments totaled about C$3.5 billion.

Regional Municipality of Peel Selected Indicators

Mil. C$	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	3,051	3,248	3,730	4,021	4,397	4,737
Operating expenditure	2,546	2,789	3,107	3,376	3,710	4,002
Operating balance	505	458	624	645	688	735
Operating balance (% of operating revenue)	16.5	14.1	16.7	16.1	15.6	15.5
Capital revenue	103	230	24	30	27	81
Capital expenditure	745	926	1,245	1,404	1,326	961
Balance after capital accounts	(137)	(238)	(597)	(729)	(611)	(146)
Balance after capital accounts (% of total revenue)	(4.3)	(6.8)	(15.9)	(18.0)	(13.8)	(3.0)
Debt repaid	129	133	139	301	175	205

Regional Municipality of Peel Selected Indicators

Gross borrowings	0	450	757	930	937	756
Balance after borrowings	(266)	80	21	(101)	151	405
Direct debt (outstanding at year-end)	1,451	1,770	2,386	3,167	3,933	4,485
Direct debt (% of operating revenue)	47.6	54.5	64.0	78.7	89.5	94.7
Tax-supported debt (outstanding at year-end)	1,451	1,770	2,386	3,167	3,933	4,485
Tax-supported debt (% of consolidated operating revenue)	47.6	54.5	64.0	78.7	89.5	94.7
Interest (% of operating revenue)	2.4	2.3	2.7	3.3	4.1	4.6
Local GDP per capita ($)	--	--	--	--	--	--
National GDP per capita ($)	54,847.5	55,015.7	55,728.4	58,672.8	61,756.6	64,524.9

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	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, July 14, 2026

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

- Credit Conditions North America Update: What Are The Macro And Credit Effects Of The U.S.-Canada Trade Dispute?, Aug. 28, 2026
- Local And Regional Government (LRG) Risk Indicators For Asia-Pacific, Canada, Europe, and Latin America, June 25, 2026
- Subnational Government Outlook Midyear 2026: LRGs Show Their Mettle Amid Ongoing Conflicts, June 24, 2026
- Economic Outlook Canada Q3 2026: Resilient, Not Strong, June 24, 2026
- Institutional Framework Assessment: Canadian Municipalities Leverage Fiscal Flexibility To Address Capital Challenges, March 26, 2026
- S&P Global Ratings Definitions, Dec. 16, 2025

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/Negative/--
Senior Unsecured	AAA