

CREDIT OPINION

4 October 2024

Update

Send Your Feedback

RATINGS

Winnipeg, City of

Domicile	Winnipeg, Manitoba, Canada
Long Term Rating	Aa2
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.

Contacts

Adam Hardi, CFA +1.416.214.3636
Vice President-Senior Analyst
adam.hardi@moodys.com

Jonathan Holmes +1 647.417.6302
Ratings Associate
jonathan.holmes@moodys.com

Michael Yake +1.416.214.3865
Associate Managing Director
michael.yake@moodys.com

CLIENT SERVICES

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

City of Winnipeg (Canada)

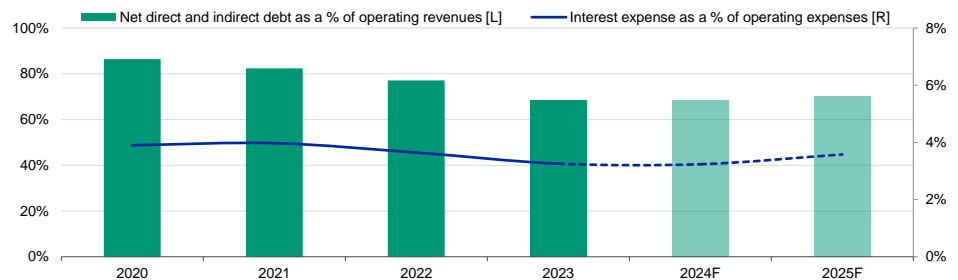
Update to credit opinion

Summary

The credit profile of the [City of Winnipeg](#) (Aa2 stable) reflects a stable institutional framework and a well-diversified economy which supports a reliable tax base and cushions the city against major economic volatility. Liquidity and long-term investment levels remain strong, although the city has consistently drawn down the Financial Stabilization Reserve to address operating shortfalls. Operating challenges mainly result from the impact of unpredictable weather on operations and from inflationary pressures on expenses. Funding the city's long-term capital plan requires continued debt issuance, although the growth in debt is slower than we previously estimated. As a result, we expect that the debt burden will increase to approximately 70% by the end of 2025 (Exhibit 1).

Exhibit 1

We project Winnipeg's debt burden to remain near current levels with continued strong debt affordability (years ending Dec 31)



Sources: City of Winnipeg and Moody's Ratings

Credit strengths

- » Sector diversity and consistent population increase bolster economic expansion
- » Sound governance and management and a mature institutional framework
- » High levels of long-term liquidity and strong debt affordability

Credit challenges

- » High social and weather-related costs pressure operating results
- » Increasing capital spending requires continued debt issuance

Rating outlook

The stable outlook reflects the city's capacity to preserve its fiscal performance over the next 18-24 months thanks to largely predictable sources of income, along with strong economic performance that benefits from industry diversity and high levels of immigration. These will help the city balance the risks of high levels of infrastructure and social spending needs.

Factors that could lead to an upgrade

Upward rating pressure would result from a meaningful improvement in the city's debt burden along with rising liquidity levels and coverage ratios.

Factors that could lead to a downgrade

Downward rating pressure would result from sustained lower level of gross operating balances or a significant increase in debt levels to support rising capital spending.

Key indicators

Exhibit 2

City of Winnipeg

(Year Ending 12/31)	2020	2021	2022	2023	2024F	2025F
Net Direct and Indirect Debt/Operating Revenue (%)	86.4	82.4	77.1	68.5	68.5	70.2
Primary Operating Balance/Operating Revenue (%)	17.2	16.0	12.5	19.3	21.6	21.6
Interest Payments/Operating Revenue (%)	3.9	4.0	3.6	3.3	3.2	3.6
Debt Service/Total Revenue (%)	3.5	5.8	3.3	3.5	4.6	5.4
Capital Spending/Total Expenditures (%)	22.2	20.5	21.6	28.8	30.8	30.3

Sources: City of Winnipeg and Moody's Ratings

Detailed credit considerations

The credit profile of Winnipeg, as expressed in its Aa2 stable rating, combines (1) a baseline credit assessment (BCA) aa2 for the city of and (2) our assessment of a high likelihood of extraordinary support from the [Province of Manitoba](#) (Aa2 stable) in the event that the city faced acute liquidity stress.

Baseline credit assessment

Sector diversity and consistent population increase bolster economic expansion

As the province's capital and largest city, Winnipeg has an advantage over other municipalities in the province for job opportunities and attracting skilled workers. The city's economy is more diverse than many Canadian municipal peers with a large number of industries between 5% and 15% of GDP which minimizes the likelihood that the city will face material economic cyclical pressures. Winnipeg is a major service center and is home to several key health and higher education institutions. It also has a broad manufacturing base which provides significant employment opportunities. The diversity of its economy continues to provide Winnipeg with access to a broad tax base with rising assessment values, which translate into predictable property tax revenues that remain largely independent of economic cycles.

Following several years of rising population to 815,600 at July 1, 2023, the city anticipates a notable decrease in population growth, returning to historical levels due to changes in federal policies, affecting both permanent and temporary residents, particularly temporary workers. Despite this slowdown, population could surpass 1 million by 2031 - two years earlier than previously projected - driven by a rebound in various sectors including education, professional services, public administration, finance, and construction. Housing development remains robust, with a trend towards smaller units in older neighborhoods promoting densification, even as

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

housing prices rise. We view overall affordability in Winnipeg as stronger than in many Canadian municipal peers given lower real estate prices and rental rates.

Sound governance and management and a mature institutional framework

Winnipeg uses long-term capital and operating planning including 4-year budgets to identify and manage anticipated pressures. The city retains significant policy flexibility to make intra-year adjustments to its budget to account for unanticipated fiscal developments. The city's governance and management structure remains strong and includes prudent financial policies for both debt and cash management. Conservative asset management policies are intended to ensure that cash and short-term investments remain accessible and liquid. The city relies to a large degree on its Financial Stabilization Reserve to balance operating shortfalls, and has consistently drawn down its balances in recent years primarily to cover unanticipated increases in snow clearing costs and protection services overtime.

The institutional framework governing municipalities in Manitoba is mature and highly developed. The division of roles and responsibilities between the Province of Manitoba and the City of Winnipeg is clearly articulated. Historically, changes to the institutional framework have occurred at a measured, evolutionary pace, following discussions between both parties.

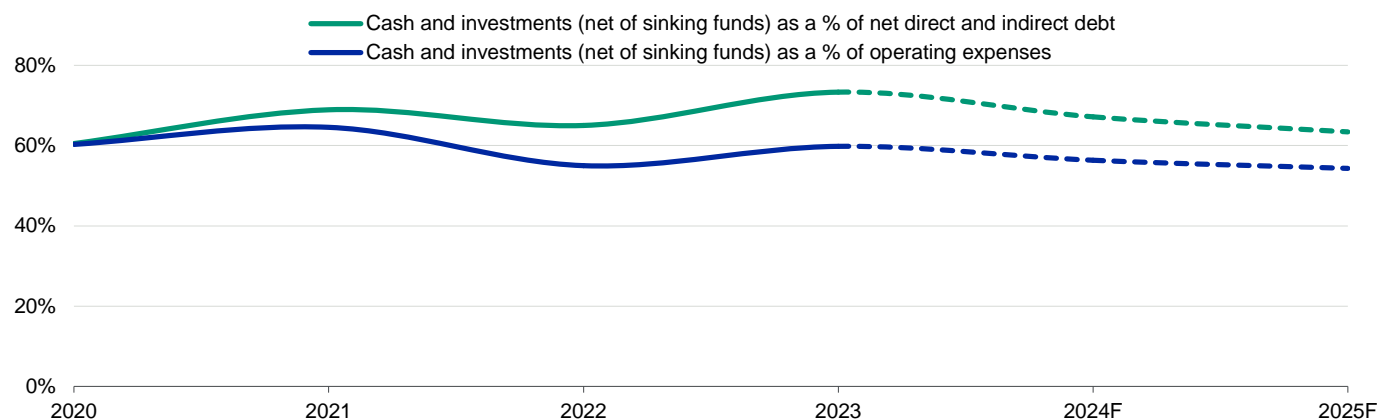
High levels of long-term liquidity and strong debt affordability

Recent strong operating results contributed to rising liquidity, including a large portion of total investments held in highly liquid cash and cash equivalent assets in order to optimize short-term investment returns. Winnipeg's liquidity ratio (cash and cash equivalents as a % of operating revenue) was 42.8% at December 31, 2023, a strong level relative to peers.

Overall cash and investment balances, which include both short-term and long-term investments, stood at CAD962 million in 2023, and include significant reserves that support ongoing operations and capital projects. Cash and investments covered 73.3% of net direct and indirect debt and 59.8% of expenses in 2023 (Exhibit 3). Although we expect that the nominal level of these assets will remain near current levels, coverage ratios will modestly decline given rising debt levels and expenses, to around 60-65% of net debt and 50-55% of expenses over the next three years. The city has also committed to replenishing the Financial Stabilization Reserve - a short-term operating fund used to cover deficits which has recently been depleted mainly to cover snow-clearing costs - which will improve its liquidity.

Sinking fund balances have grown consistently in recent years, growing to CAD173 million at year-end 2023, or around 16% of sinking fund debentures. The city also benefits from strong access to both capital markets and bank lending, which allows it to refinance maturing bonds and issue new bonds at favourable yields. The investor base is diverse both domestically and internationally.

Exhibit 3
Coverage ratios will modestly decline given rising debt and expenses
 (years ending Dec 31)



Sources: City of Winnipeg and Moody's Ratings

Winnipeg maintains strong debt affordability despite carrying a higher debt burden than many municipal peers. The city maintains internal debt limits to curb the rise of debt, including maintaining net debt at below 100% of revenue. Interest expense has declined to

3.3% in 2023 from 4.0% in 2021 as the city has not issued debt during this period, leading to improved debt affordability. We expect that the interest burden will rise to around 3.6% in 2025 as new debt is issued but interest rates continue to moderate given the Bank of Canada's monetary easing policy. These levels compare favourably against similarly rated peers.

High social and weather-related costs pressure operating results

The city faces financial pressures from due to rising costs in several areas, including higher prices for goods and services, increased energy costs, and growing interest expense. As labor contracts come up for renewal, we expect that unions will push for wage increases to keep up with the rising cost of living. Offsetting some of these pressures are rebounding transit revenues as ridership has returned to pre-pandemic levels by the third quarter of 2024. These challenges are compounded by recurring weather related costs, especially related to snow clearing which has often contributed to budget shortfalls, and spending needed to tackle social issues like crime and addiction.

These financial challenges are mitigated through efficiency savings (which previously included hiring and salary freezes) and managing own-source revenues. Own-source revenues provide stable sources that the city controls directly, which make up about 82% of its operating revenues in 2023. The majority comes from property taxes and user fees, derived from a broad and consistent tax base, and are largely independent of economic cycles.

Increasing capital spending requires continued debt issuance

The need to maintain the city's capital infrastructure in good condition, along with continued population growth, require continued high levels of capital spending. This will involve gradually increasing multi-year budgets, with CAD3.3 billion planned for 2024-2029, although we expect that spending will increase more slowly given the city's efforts to right-size capital projects. Large capital projects include renewing the North End Sewage Treatment Plant and replacing the Winnipeg Transit North Garage, costing a projected \$2.38 billion and \$200 million, respectively. We expect that rising capital costs will continue to weigh on capital expenses or may need to be scaled down to stay within budget.

To fund these infrastructure needs, the city plans to issue CAD150 million in new debt in 2025 and an additional CAD830 million from 2026 to 2029 for transit, solid waste disposal and sewage, after issuing CAD200 million in 2024. While this will increase the city's debt, the city has scaled back the total notional value of its anticipated debt issues, and as a result the growth in debt will slow compared to our previous forecasts. Following no debt issuance between 2021 and 2023, net debt will rise to around 70% of revenue by the end of 2025, up from 57% in 2023, approximately 10% lower than our earlier estimates.

Extraordinary support considerations

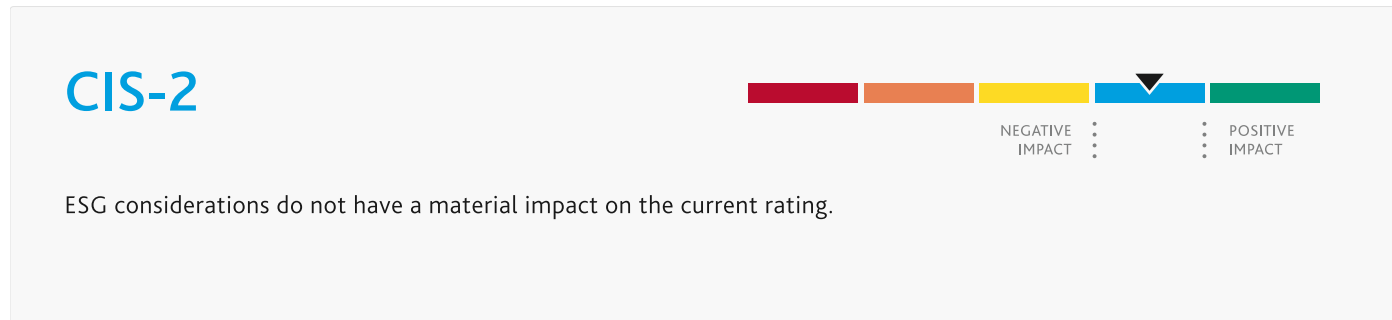
Moody's assigns a high likelihood of extraordinary support from the Province of Manitoba, reflecting Moody's assessment of the incentive provided by the risk to the province's reputation as the regulator of municipalities and incentive for the provincial government to minimize the risk of potential disruptions to capital markets if Winnipeg, or any other city, were to default.

ESG considerations

Winnipeg, City of's ESG credit impact score is CIS-2

Exhibit 4

ESG credit impact score



Source: Moody's Ratings

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

Exhibit 5

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-2** issuer profile score (IPS) reflects a low exposure to environmental risks. Although the city is susceptible to floods and severe weather, including snow, that have resulted in significant mitigation expenses, the city manages these risks prudently through its budgeting process and allocations from reserves.

Social

The **S-2** social IPS reflects mitigated risks related to the city's provision of public emergency services including police and paramedic, but these services do not face material risks given predictable demographic trends which allows for long-term forecasting of service requirements.

Governance

The **G-1** issuer profile score reflects the city's prudent financing planning including multi-year budget forecasts. This provides the city the ability to identify potential pressures and allows for sufficient time to adjust plans accordingly to mitigate any credit implications. Financial reports are transparent and timely with adherence 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 aa2 is close to the BCA scorecard-indicated outcome of aa1. For details about our rating approach, please refer to [Rating Methodology: Regional and Local Governments](#), 28 May 2024.

Exhibit 6

City of Winnipeg

Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					25%	1.01
Regional Income [1]	3.75	52259.09	15%	0.56		
Economic Growth	6.00	a	5%	0.30		
Economic Diversification	3.00	aa	5%	0.15		
Factor 2: Institutional Framework and Governance					30%	0.60
Institutional Framework	1.00	aaa	15%	0.15		
Governance	3.00	aa	15%	0.45		
Factor 3: Financial Performance					20%	0.72
Operating Margin [2]	3.96	19.25%	10%	0.40		
Liquidity Ratio [3]	0.50	42.76%	5%	0.03		
Ease of Access to Funding	6.00	a	5%	0.30		
Factor 4: Leverage					25%	1.54
Debt Burden [4]	5.01	68.53%	15%	0.75		
Interest Burden [5]	7.89	3.26%	10%	0.79		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						(3.87) aa3
Idiosyncratic Notching						0.0
Preliminary BCA SIO After Idiosyncratic Notching						(3.87) aa3
Sovereign Rating Threshold						Aaa
Operating Environment Notching						1.5
BCA Scorecard-Indicated Outcome						(2.37) aa1
Assigned BCA						aa2

[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 2023 (year ended Dec 31).

Ratings

Exhibit 7

Category	Moody's Rating
WINNIPEG, CITY OF	
Outlook	Stable
Baseline Credit Assessment	aa2
Senior Unsecured -Dom Curr	Aa2

Source: Moody's Ratings

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

CLIENT SERVICES

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