S&P Global
Ratings

RatingsDirect®

City of Winnipeg

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This report does not constitute a rating action.

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Ratings Score Snapshot

Institutional framework
Extremely predictable and supportive
Very predictable and well-balanced
Evolving but balanced
Evolving but unbalanced
Volatile and unbalanced
Very volatile and underfunded

Individual credit profile	1 (Strongest)	2	3	4	5 (Weakest)
Economy	●				
Financial management		●			
Budgetary performance		●			
Liquidity	●				
Debt burden			●		

Issuer credit rating
AA+/Stable/--

Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
A diverse economy with gradual population and employment growth will support the City of Winnipeg's creditworthiness.	The city's large capital plan will drive modest after-capital deficits in the next few years.
Prudent financial management practices will allow the city to manage its large capital plan and maintain stable budgetary performance.	New debt issuance will increase the debt burden to about 83% of operating revenue in 2026.
An extremely supportive and predictable institutional framework underpins the rating.	Liquidity will stay very strong.

The City of Winnipeg's diversified economy will support revenue growth, while its prudent financial management and ample liquidity will help to sustain the city's creditworthiness in the longer term. We expect that Winnipeg will continue to generate robust operating balances. Nevertheless, large capital expenditures will drive modest after-capital deficits and increase reliance on debt in the medium term.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that, in the next two years, Winnipeg's relatively diverse economy will support its robust operating margins and help contain after-capital deficits to less than 5% of total revenue. Winnipeg will issue debt to fund part of its capital spending. We expect the debt burden will increase to about 83% of operating revenue in 2026. We estimate debt service coverage will remain higher than 100% in our forecast horizon.

Downside scenario

We could lower the ratings in the next two years if constrained revenue-generating ability or larger-than-expected capital expenditures erode the city’s budgetary performance such that after-capital deficits exceed 5% of revenue on a sustained basis and result in additional borrowing requirements that push the debt burden toward 120% of revenue or the interest expense to greater than 5% of revenue.

Upside scenario

We could raise the ratings in the next two years if Winnipeg's revenue growth exceeded expectations such that after-capital balances turned consistently positive in conjunction with a decreasing debt burden.

Rationale

A diversified economy and an extremely predictable and supportive institutional framework underpin the ratings.

Winnipeg is the capital of Manitoba and benefits from a typically steady and diverse local economy, with large financial services, retail, and health care sectors that support its growth. It is also home to a sizable and largely stable public sector, including many provincial ministries and agencies, hospitals, universities, and colleges, which helps to underpin employment in the city. We believe that Winnipeg's GDP per capita is in line with that of Canada, which we estimate will be about US$53,400 in 2024.

In our view, Winnipeg exhibits strong financial management, which supports the ratings. We consider the management team to be experienced and qualified to enact financial policies, and to effectively respond to external risks. Along with a six-year capital plan, the city prepares a four-year operating budget (both approved annually), which extends one year into the new term of council. 2024 was the first year of the current budget plan that shows an annual increase in property taxes of 3.5% through 2027. The frontage levy remained unchanged at C$6.95 per foot. Despite much of the additional revenue being dedicated to infrastructure, rising construction costs, a large infrastructure deficit, and unfunded potential capital projects will continue to pressure fiscal performance. Winnipeg’s budgets reflect goals outlined in the long-term financial plan, which is informed by resident surveys and is based on realistic assumptions. In our view, the city's debt and liquidity management policies are prudent, with integrated cash and debt management functions and detailed annual cash flow planning.

As do other Canadian municipalities, Winnipeg 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; debt burdens, on average, are low compared with those of global peers and growth over time has been modest.

Elevated capital spending will pressure the city's budgetary performance and increase reliance on debt in the medium term.

We expect operating balances will remain healthy and average 14% of operating revenue in 2022-2026. These surpluses should help to fund part of Winnipeg's capital spending. Major projects include the North End Sewage Treatment Plant, the South Winnipeg Recreation Center, and the Winnipeg Transit North Garage. We expect the large capital plan will result in after-capital deficits of 3% of total revenue on average in 2022-2026. After 2026, we expect that capital expenditures will remain elevated as Winnipeg continues to work on reducing its infrastructure deficit.

The large capital plan will increase reliance on debt in the medium term. We estimate that in 2024-2026, Winnipeg will issue C$555 million in new debt. As a result, we forecast tax-supported debt will rise to 83% of operating revenue and interest payments to 4.5% of operating revenue by 2026. The debt structure primarily consists of long-term debentures, bank loans, capital leases, and obligations related to public-private partnerships.

Winnipeg has robust liquidity, in our opinion. We estimate total free cash in the next 12 months will cover more than 5x the estimated debt service for the period. We expect this ratio will remain well above 100% during the outlook horizon. In addition, we believe Winnipeg's access to external liquidity is strong, evidenced by the city's proven ability to issue into public debt markets and the presence of a secondary market for Canadian municipal debt instruments.

City of Winnipeg Selected Indicators

Mil. C$	2021	2022	2023	2024bc	2025bc	2026bc
Operating revenue	1,671	1,763	1,915	1,955	2,014	2,073
Operating expenditure	1,468	1,618	1,609	1,667	1,723	1,780
Operating balance	203	145	306	288	292	293
Operating balance (% of operating revenue)	12.1	8.2	16.0	14.7	14.5	14.1
Capital revenue	124	123	235	242	204	239
Capital expenditure	359	409	551	619	524	611
Balance after capital accounts	(33)	(141)	(10)	(89)	(27)	(80)
Balance after capital accounts (% of total revenue)	(1.8)	(7.5)	(0.5)	(4.1)	(1.2)	(3.5)
Debt repaid	71	7	26	51	59	65
Gross borrowings	0	11	0	255	150	150
Balance after borrowings	(104)	(137)	(36)	114	64	5
Direct debt (outstanding at year-end)	1,375	1,359	1,313	1,516	1,607	1,692
Direct debt (% of operating revenue)	82.3	77.1	68.6	77.5	79.8	81.6
Tax-supported debt (outstanding at year-end)	1,409	1,391	1,341	1,546	1,638	1,722

City of Winnipeg Selected Indicators						
Tax-supported debt (% of consolidated operating revenue)	84.3	78.9	70.1	79.1	81.3	83.1
Interest (% of operating revenue)	4.0	3.6	3.3	3.8	4.2	4.5
Local GDP per capita ($)	--	--	--	--	--	--
National GDP per capita ($)	52,496.8	55,509.4	53,431.2	53,401.8	56,837.7	60,185.5

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	2
Budgetary performance	2
Liquidity	1
Debt burden	3
Stand-alone credit profile	aa+
Issuer credit rating	AA+

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, Oct. 7, 2024. An interactive version is available at http://www.spratings.com/sri

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: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- S&P Global Ratings Definitions, Oct. 15, 2024
- Economic Outlook Canada Q4 2024: Further Rate Cuts Will Accelerate Growth, Sept. 24, 2024
- Institutional Framework Assessment: Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures, April 2, 2024
- Sovereign Rating Methodology, Dec. 18, 2017

Ratings Detail (as of November 25, 2024)*	
Winnipeg (City of)	
Issuer Credit Rating	AA+/Stable/--
Senior Unsecured	AA+
Issuer Credit Ratings History	
01-Jun-2022	AA+/Stable/--
14-Jan-2003	AA/Stable/--
11-Sep-2002	AA-/Watch Pos/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.