

<b>TO:</b>	<b>CHAIR AND MEMBERS FINANCE &amp; ADMINISTRATIVE SERVICES COMMITTEE MEETING ON NOVEMBER 5, 2012</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>CITY OF LONDON'S CREDIT RATING</b>

<b>RECOMMENDATION</b>
-----------------------

It is recommended that this report **BE RECEIVED** for information.

<b>BACKGROUND</b>
-------------------

Moody's Investors Service (Moody's) is a leading provider of credit ratings, research, and risk analysis. The firm's ratings and analysis track debt covering more than 110 countries, 11,000 corporate issuers, 22,000 public finance issuers, and 94,000 structured finance obligations. Each year Moody's Investors Service reviews the credit worthiness of the City of London and then assigns the City a credit rating for the year.

The rating process involves a review of the City's 2011 financial statements, 2012 approved budget and forecasts. Moody's also utilizes independent research from a variety of sources such as Statistics Canada, comparisons with other municipalities, and local media. Along with reviewing and analyzing documents, Moody's arranges a site visit to the city and interviews with City staff.

On October 10, 2012, Moody's Investors Service published their credit analysis of the City of London. Consistent with prior years, the City of London has maintained its Aaa credit rating. The City of London has held the Aaa rating since 1977, making 2012, the 36<sup>th</sup> consecutive year of the Aaa rating and reaffirming that the City of London's debt has the highest rating possible. A downgrade or negative outlook from Moody's would cause investors to lose confidence in the quality of the City's debt and financial management affecting the City's ability to raise future financing. The Aaa rating was integral in securing buyers of the City's bonds for an overall interest rate of 2.817% (ten-year term) during the City's most recent debt issuance of \$70 million on September 24, 2012.

Below are excerpts from Moody's Credit Analysis Report that highlight the City's strengths in debt management. These strengths contributed to the City receiving its Aaa credit rating.

"Similar to other highly rated municipalities in Ontario, the City of London displays strong governance and management characteristics. In addition to multi-year planning for operating and capital budgeting and a recent history of meeting fiscal targets and applying strict controls on debt issuance, management adheres to conservative debt and investment management policies, which limits the city's exposure to market-related risks and helps to ensure relatively smooth debt servicing costs. These fiscal management measures are also supported by comprehensive, transparent and timely financial reporting that is typical of government in advanced industrial countries."

"London's debt management practices have traditionally been prudent and conservative, which supports its high credit rating. The city's debt burden, measured by the ratio of net debt as a percentage of total revenues, declined in recent years to 30.2% in 2010, from 54.8% in 2004. This progressive reduction in the city's debt burden reflects tighter controls on debt issuance

through a self-imposed debt cap limiting the amount of debt issued for capital projects, as well as increased reliance on pay-as-you-go financing.”

The City of London’s Strategic Plan for 2011-2014 includes the principle of Fiscal Responsibility, which specifies to invest wisely to continue building our community ***while maintaining a solid financial position***. The City’s achievement of being Aaa rated for 36 consecutive years is a testament to the accomplishment of the City maintaining its solid financial position.

PREPARED BY:	REVIEWED BY:
<b>Annette Ripepi</b> <b>Manager of Modelling, Forecasting &amp; System Control</b>	<b>Ian Collins</b> <b>Manager of Financial Planning &amp; Policy</b>
CONCURRED BY:	RECOMMENDED BY:
<b>Larry Palarchio</b> <b>Director of Financial Planning &amp; Policy</b>	<b>Martin Hayward</b> <b>Managing Director, Corporate Services and City Treasurer, Chief Financial Officer</b>

Attach.