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## Research Update: Peterborough, ON, 'A+' Ratings Affirmed; Outlook Stable

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**Credit  
Rating:**

A+/Stable/--

### Rationale

On Nov. 8, 2005, Standard & Poor's Ratings Services affirmed its 'A+' issuer credit and senior unsecured debt ratings on the City of Peterborough, based on the city's low debt burden. The outlook is stable.

The ratings on Peterborough, located in the province of Ontario reflect the city's well-above-average operating performance, its low current debt burden, and greater certainty surrounding its capital expenditure plans for flood reduction infrastructure improvements. The ratings on Peterborough are constrained by declining liquidity and debt levels that are expected to rise in the next few years.

Peterborough continued its tradition of posting above-average budgetary surpluses. As a percentage of operating revenues, the city's operating balance was 19.3% in 2004 and has averaged nearly 20% in each of the past five years, which compares strongly with its rated peers, both domestically and globally.

Well-above-average surpluses have enabled Peterborough to fund capital expenditures over the years while maintaining its cash and reserve balances and a low debt burden. Peterborough's capital expenditures have gradually more than doubled since 2000, and its cash balances have remained steady since that time. The city's liquidity, however, as measured by cash and committed facilities, were at an average 49% of operating expenditures in 2004 and have been declining in each year since 2000.

Peterborough's low current debt burden is expected to increase moderately due to water and sewer capital improvements related to recommendations from a flooding reduction study.

### Outlook

The stable outlook reflects Standard & Poor's expectation that Peterborough will maintain its strong surpluses without significantly drawing down its liquidity when embarking on its flood reduction infrastructure improvements. It also reflects the expectation that the city's economic performance will at a minimum remain relatively stable. Not meeting any of these expectations could exert downward pressure on the ratings. Downward pressure on the ratings could also be triggered by significantly exceeding the expected rise in debt.

## Ratings List

Peterborough (City of)

Issuer credit rating           A+/Stable/--

Senior unsecured debt        A+

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