

Research Update:

City of Greater Sudbury Ratings Affirmed At 'AA+'; Outlook Is Stable

September 24, 2025

Overview

- The City of Greater Sudbury's large capital projects will pressure its budgetary performance until 2027 and will increase its reliance on debt.
- Nevertheless, we believe the city's debt will remain manageable and that its operating balances will remain high owing to its expanding property tax base and user fee revenues. Sudbury also benefits from ample liquidity.
- S&P Global Ratings affirmed its 'AA+' long-term issuer credit and senior unsecured debt ratings on Sudbury.
- The stable outlook reflects our expectation that the city will post after-capital deficits, in the next two years, as it proceeds with its capital plan. It also reflects our expectation of increasing but manageable debt that will peak in 2026.

Rating Action

On Sept. 24, 2025, S&P Global Ratings affirmed its 'AA+' long-term issuer credit and senior unsecured debt ratings on the City of Greater Sudbury, in the Province of Ontario. The outlook is stable.

Outlook

The stable outlook reflects our expectation that, in the next two years, the city will maintain strong operating balances but, unlike the past couple of years, will post after-capital deficits of about 5% of total revenues, on average, as it proceeds with its capital plan. In addition, we expect debt to increase to 67% of operating revenues in 2026 and decrease thereafter.

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Downside scenario

We could lower the rating in the next two years if Sudbury's revenue growth is materially lower than expected, with increasing capital needs, resulting in after-capital deficits greater than 10% of total revenue on a sustained basis and a higher-than-expected debt burden.

Upside scenario

We could raise the ratings in the next two years if Sudbury demonstrated sustained economic strengthening and diversification, and its revenue increased faster than expected, resulting in sustained after-capital surpluses and decreasing debt.

Rationale

We expect Sudbury will continue to post strong operating surpluses in the next two years, but that its large projects and asset renewal plans will result in elevated capital requirements, part of which it will fund through debt issuances. We estimate this will result in after-capital deficits of about 5% of total revenues, on average, in the next two years, and debt peaking at 67% of operating revenues in 2026. Nevertheless, we believe that Sudbury's strong economy, robust liquidity, and the extremely supportive and predictable institutional framework for Canadian municipalities remain key strengths that support the city's creditworthiness.

A healthy resource sector complemented by a sizable public-sector presence, built on an extremely predictable and supportive institutional framework, bolsters the ratings.

We expect Sudbury's economy and population will continue to expand and diversify moderately, in the next two years, with high median incomes and estimated GDP per capita in line with that of the national economy at about US\$55,300 in 2025. The city's population continues to increase, aided by immigration and special programs such as the Francophone Community Immigration Pilot and the Rural Community Immigration Pilot. We view Sudbury's public sector as a stabilizing force, aiding economic diversification from the city's historical concentration in the resource sector--primarily nickel mining as well as related support services. Although the resource sector accounts for a significant proportion of total local employment, the city is a major retail, health care, finance, and educational center for northern Ontario. Nevertheless, the city still faces challenges meeting the demand for skilled labor. Furthermore, the regional economy's relatively high reliance on mining and, in particular, its exposure to the volatility of nickel prices, could affect Sudbury's revenue growth and expenditure needs. In addition, innovations in battery technology could reduce demand for regionally mined metals. In our view, this partially constrains the city's economic profile. Nevertheless, high demand for nickel from the energy transition and electric vehicle battery manufacturers will support the mining sector and help spur employment opportunities in the city. Our base-case assumption is that the local economy will remain stable in the current uncertain economic environment (for further information, see "[Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#)," June 2, 2025, and "[Economic Outlook Canada Q3 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum](#)," June 24, 2025).

Sudbury's financial management practices are strong and largely in line with those of similarly rated peers, in our view. The city discloses pertinent information in a transparent, easy-to-access manner and prepares robust operating and capital budgets. It implemented its first multiyear budget in 2024 with a two-year operating budget and four-year capital budget. The budget reflects the broad goals outlined in the 10-year financial plan, which contains what we view as

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realistic assumptions. We believe that the council will continue to prepare sizable capital plans in line with its asset management plans. Similar to Canadian peers, Sudbury can issue debt only to finance capital expenditure (capex). We believe it has prudent and conservative policies as well as a stable and well-qualified management team to govern its debt and liquidity management.

As do other Canadian municipalities, Sudbury 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 capex and future liabilities (such as postemployment obligations) through reserve contributions. Municipalities have demonstrated a track record of strong budget results and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

Debt will increase but remain manageable amid execution of an elevated capital plan.

We believe that moderate population growth will continue to steadily increase the city's assessment base. As a result, we expect that operating revenues will remain strong with moderate tax levies and user fee increases. We expect operating balances will average 16.2% of operating revenues in 2023-2027. The city continues to make progress on large capital projects: a new downtown event center consisting of an arena; a cultural hub with a new central library; the Art Gallery of Sudbury; and the Sudbury Multicultural and Folk Arts Assn., in addition to material infrastructure renewal. These large capital projects will pressure the city's budgetary performance until 2027 and will increase its reliance on debt. As a result, unlike the past couple of years, we estimate the city will post after-capital deficits of more than 5% of total revenues, on average, in 2025-2027. This includes higher-than-historical annual capital spending of more than C\$770 million in those years. Nevertheless, we also expect capex will steadily decrease after completion of these projects.

The city intends to issue about C\$124 million in 2025 and C\$135 million in 2026 to support its capital plan. As a result, we estimate debt will peak at C\$548 million or 67% of operating revenues in 2026, up from C\$311 million or 41% of operating revenues in 2024. We expect debt will drop steadily after 2026 as Sudbury does not intend to issue more debt in the medium term. In addition, the city's direct debt represents less than five years of operating surpluses, which, in our opinion, mitigates the debt burden. We expect interest costs will remain manageable at about 1.5% of operating revenue on average in 2024-2026.

Sudbury's credit profile is bolstered by what we view as an exceptional liquidity position. Although we expect cash and reserve levels will fall as the capital projects are completed in the next few years, overall liquidity should remain sufficient to cover all debt servicing requirements. We estimate total free cash in the next 12 months will be enough to cover more than 23x the estimated debt service for the period and will remain strong.

City of Greater Sudbury Selected Indicators

Mil. C\$	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	650	713	768	786	817	848

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Operating expenditure	565	605	633	658	688	714
Operating balance	85	108	136	129	129	134
Operating balance (% of operating revenue)	13.1	15.2	17.7	16.4	15.8	15.8
Capital revenue	37	54	33	73	77	83
Capital expenditure	100	129	162	241	254	275
Balance after capital accounts	22	33	7	(39)	(48)	(58)
Balance after capital accounts (% of total revenue)	3.3	4.3	0.9	(4.6)	(5.4)	(6.2)
Debt repaid	9	11	14	10	13	13
Gross borrowings	103	0	0	124	135	0
Balance after borrowings	116	21	(7)	75	74	(71)
Direct debt (outstanding at year-end)	337	326	311	425	548	535
Direct debt (% of operating revenue)	51.9	45.7	40.5	54.1	67.0	63.1
Tax-supported debt (outstanding at year-end)	337	326	311	425	548	535
Tax-supported debt (% of consolidated operating revenue)	51.9	45.7	40.5	54.1	67.0	63.1
Interest (% of operating revenue)	1.5	1.4	1.3	1.3	1.9	1.6
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	56,256.8	54,220.3	54,340.4	55,309.7	59,043.9	62,291.8

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	2
Financial management	2
Budgetary performance	2
Liquidity	1
Debt burden	2
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](#), July 7, 2025

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

- [Economic Outlook Canada Q3 2025](#), June 24, 2025
- [Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption](#), June 2, 2025
- [S&P Global Ratings Definitions](#), Dec. 2, 2024
- [Institutional Framework Assessment: Canadian Municipalities Employ Flexibilities Within Fiscal Framework To Temper Cost Pressures](#), April 2, 2024

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

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Ratings Affirmed

Greater Sudbury (City of)

Issuer Credit Rating	AA+/Stable/--
Senior Unsecured	AA+

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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