Norfolk County

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This report does not constitute a rating action.

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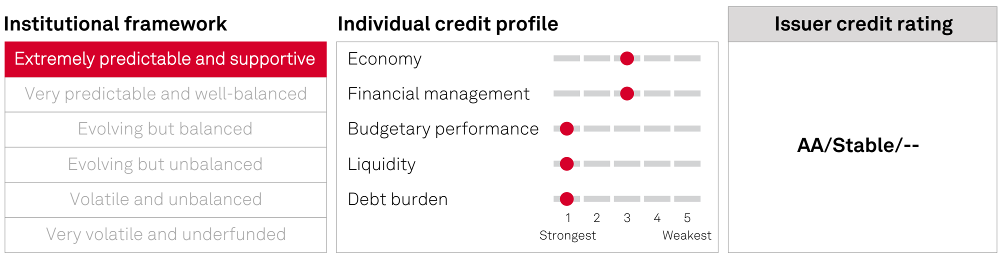
Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Norfolk County's socioeconomic profile is weaker than that of higher-rated peers, which could create longer-term financial pressures.	Steady revenue growth and senior government grants will help Norfolk generate strong operating surpluses.
Prudent management practices and policies will support stable financial policy execution in the medium term.	Elevated capital spending will result in modest after-capital deficits in the near term, although debt levels will remain low.
An extremely predictable and supportive local and regional government framework bolsters our view of the county's creditworthiness.	We expect Norfolk will maintain robust liquidity, which bolsters its credit strength.

S&P Global Ratings' long-term issuer credit rating on Norfolk County is 'AA'. We expect Norfolk will sustain its robust financial performance in 2026-2028, resulting in strong operating balances averaging 23% of operating revenue, and will maintain its capacity to increase revenues. We also believe the county will continue to receive a high level of support from senior levels of government, which strengthens its operating balances.

We expect Norfolk will move forward with higher capital expenditures, which will result in deficits after capital accounts of less than 5% of total revenues in 2027 and 2028, while its debt burden will increase to 32% in 2028. Norfolk's strong liquidity and the highly supportive and predictable institutional framework for Canadian municipalities remain significant strengths that enhance the county's creditworthiness. However, Norfolk has a weaker demographic profile than that of peers, which tempers our view of its economy.

Outlook

The stable outlook reflects our expectation that, over the next two years, Norfolk will maintain very strong financial results supported by ongoing provincial grants. We believe the county will continue to report after-capital surpluses even in the face of elevated capital investment. We also expect it will keep its debt burden modest and maintain robust liquidity.

Downside scenario

Although we view it as unlikely in the next two years, we could take a negative rating action if the county's revenue is significantly lower than expected due to a meaningful reduction in provincial support, or if rising capital spending weakens financial performance. This could result in sustained after-capital deficits larger than 5% of total revenues and a higher debt burden of close to 60%.

Upside scenario

We could raise the rating in the next two years if Norfolk advances on its capital plan without materially increasing debt beyond our current expectations. In this scenario, we would also expect solid economic growth to support the county's revenue-generating capacity, allowing it to maintain robust operating performance.

Rationale

Agriculture and manufacturing will continue to bolster the local economy; however, a weaker socioeconomic profile and limited growth prospects remain key constraints.

Norfolk County, in southwestern Ontario, has an economic base that relies on agriculture and manufacturing. Despite efforts to expand these industries, the county's growth is constrained by a smaller workforce, partially due to an aging population. We also believe the county faces economic constraints due to lower incomes and weaker growth prospects compared with those of domestic peers.

Furthermore, the county's location is less favorable than that of peers due to its relative remoteness from major cities and transportation routes. Our base-case assumption is that the local economy will remain largely resilient in the face of greater economic uncertainty related to international trade disputes and geopolitical conflicts (see "Economic Outlook Canada Q2 2026: Trade Uncertainty, Cautious Spending Constrain Growth," March 25, 2026). Although GDP per capita is not available at the local level, we believe Norfolk's GDP per capita is below the national average of approximately US$59,500 in 2026.

We believe management has sufficient expertise in implementing policy changes. Management presents to the county council a one-year, detailed, tax-supported operating budget; a one-year, rate-supported operating budget; and 10-year, tax- and rate-supported detailed capital plans, with corresponding funding sources. In 2025, the county implemented its approved debt management policy and continued to maintain prudent liquidity practices through a formal investment policy.

As do other Canadian municipalities, Norfolk 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 and, therefore, debt burdens, on average, are low relative to those of global peers and growth over time has been modest.

Operating results are very strong, supported by consistent senior government funding; debt will remain low despite a sizable capital plan.

Despite demographic-driven social spending pressures, we believe Norfolk will achieve very strong operating performance, with balances averaging 24% of operating revenues during 2024-2028. Provincial and federal grants, at about 25% of total revenues, help address the county's socioeconomic needs. The county has raised property taxes and water rates materially in recent years, and we believe further increases could prove difficult to implement as residents face growing affordability constraints.

In our view, capital investment is crucial for driving growth and keeping county assets in good repair. The county is evaluating options to enhance water supply capacity, including the Inter Urban Water supply project and other alternatives. Our base case excludes this project due to the uncertainty surrounding its timing and funding structure, which could include significant funding from senior levels of government. While we view investments in expanding water supply as an important enable of future growth, material increases in capital expenditures could also weaken our view of the county's budgetary performance.

Our base case assumes that the county will make progress on its significant backlog of previously approved projects, with capital spending expected to increase in the next several years. We will monitor capital expenditures and reserves, as the county plans to internally finance most of its spending. As a result, we expect surpluses after capital expenditures will average 5% of total revenue in 2024-2028, with deficits near 5% of total revenues in 2027 and 2028.

As Norfolk moves forward with its capital plan, we estimate debt will reach 32% of operating revenues by 2028. We believe that the combination of the use of reserves and provincial grants will allow the county to manage its debt burden and reduce its reliance on additional issuance. We expect additional borrowing of about C$41 million in the next two years. Interest payments will remain modest, averaging 1% of operating revenues over the outlook period. In our opinion, the county has minimal contingent liabilities, stemming largely from retirement-related benefits and landfill post-closure costs.

In our view, the county's liquidity is exceptional. We estimate total free cash is about C$291 million and covers about 30x estimated debt service over the next 12 months. We expect this ratio will remain above 100% during the outlook horizon. We also believe Norfolk has strong access to external liquidity, similar to that of domestic peers, in part reflecting the county's access to debt funding through Infrastructure Ontario, a provincial Crown agency that lends to municipalities for capital programs at favorable interest rates.

Norfolk County Selected Indicators

Mil. C$	2023	2024	2025bc	2026bc	2027bc	2028bc
Operating revenue	241	266	269	278	284	291
Operating expenditure	169	194	201	210	218	225
Operating balance	71	73	67	68	66	65
Operating balance (% of operating revenue)	29.6	27.3	25.0	24.5	23.3	22.5
Capital revenue	16	10	24	35	18	12
Capital expenditure	56	59	51	69	98	88
Balance after capital accounts	31	24	40	35	(14)	(11)
Balance after capital accounts (% of total revenue)	12.0	8.8	13.6	11.0	(4.5)	(3.6)
Debt repaid	7	7	7	6	6	7
Gross borrowings	7	0	0	14	0	27
Balance after borrowings	31	17	33	44	(20)	9
Direct debt (outstanding at year-end)	85	78	71	80	73	93
Direct debt (% of operating revenue)	35.3	29.1	26.4	28.7	25.8	32.2
Tax-supported debt (outstanding at year-end)	85	78	71	80	73	93
Tax-supported debt (% of consolidated operating revenue)	35.3	29.1	26.4	28.7	25.8	32.2
Interest (% of operating revenue)	1.1	1.0	0.9	0.8	1.0	0.9
Local GDP per capita ($)	--	--	--	--	--	--
National GDP per capita ($)	54,847.5	55,015.7	55,697.7	59,475.2	62,139.1	64,935.5

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	3
Financial management	3
Budgetary performance	1
Liquidity	1
Debt burden	1
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, April 13, 2026. An interactive version is available at https://www.spglobal.com/ratings/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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Canada's Rating Profile Remains Solid Despite Growing Challenges, May 4, 2026
- Institutional Framework Assessment: Canadian Municipalities Leverage Fiscal Flexibility To Address Capital Challenges, March 26, 2026
- Economic Outlook Canada Q2 2026 Published: Trade Uncertainty, Cautious Spending Constrain Growth, March 25, 2026
- S&P Global Ratings Definitions, Dec. 16, 2025
- Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressure, Sept. 25, 2025

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 And Research'). 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 Ratings Score Snapshot 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 And Research').

Ratings Detail (as of June 24, 2026)*

Norfolk County	
Issuer Credit Rating	AA/Stable/--

Ratings Detail (as of June 24, 2026)*

Issuer Credit Ratings History	
01-Jun-2022	AA/Stable/--
18-Jun-2015	AA-/Stable/--
24-Jun-2014	A+/Stable/--

*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.