S&P Global Ratings

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City of Sault Ste. Marie

September 16, 2025

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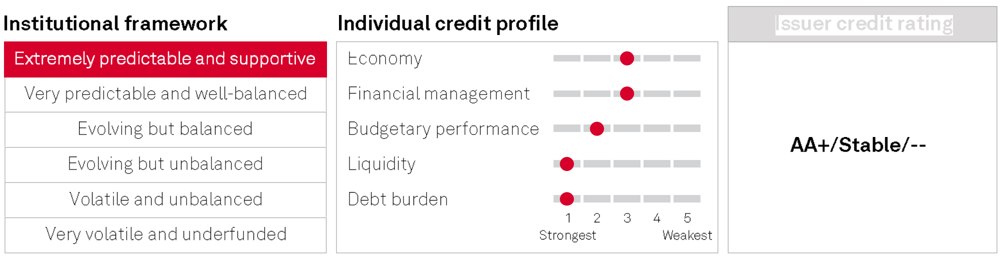
This report does not constitute a rating action.

Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Despite slower economic growth, we expect Sault Ste. Marie's revenue base will remain resilient.	Stable property tax receipts should support healthy operating balances and enable larger capital plans.
Prudent managerial practices and policies should support stable financial policy execution over the medium term.	We expect capital plans to primarily rely on robust reserves and grants, with some recourse to debt financing.
We expect that the relationship with the Province of Ontario will remain supportive and stable.	Liquidity should remain robust and more than sufficient to cover debt service.

Despite tariff impacts that are likely to hamper the city's employment levels, we expect Sault Ste Marie's local economy to support ongoing growth and local revenue generation, notwithstanding socioeconomic and geographic hurdles. We expect that, to support key maintenance and growth-related projects, the city will issue some debt in the coming years while maintaining a low debt burden. The city intends to fund the majority of its capital plan internally--although this is offset by some level of senior government grants--that we expect will drive small capital deficits throughout the forecast horizon. In addition, we expect Sault Ste. Marie's liquidity position will remain robust and more than sufficient to cover debt service needs.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that, in the next two years, Sault Ste. Marie will continue recording operating surpluses and small after-capital deficits, on average. We also expect tax-supported debt will remain well below 30% of operating revenues, and that the city will preserve a healthy liquidity position.

Downside scenario

We could lower the rating in the next two years if larger-than-expected capital spending requirements cause budgetary results to deteriorate, leading to average after-capital deficits of more than 5% of total revenues and higher reliance on debt funding for capital, increasing the city's debt burden above 30% of operating revenues.

Upside scenario

Although unlikely within the next two years, we could take a positive rating action if the local economy expands with growth prospects notably picking up and management demonstrates a sustained commitment to developing robust financial practices and policies.

A stable economy and sound financial management practices will continue to support Sault Ste. Marie's creditworthiness.

Sault Ste. Marie is the third-largest city in Northern Ontario and its economy is traditionally resource-based, specifically in steel manufacturing and forestry. Despite the city's diversification into other sectors (including tourism), we believe that medium-term economic growth will remain muted compared with that of Canada. A key employer in the city and region, Algoma Steel, is subject to the current tariff regime on its exports to the U.S. While we expect that the remainder of the regional economy will be able to absorb the shock and the life of the tariffs remain uncertain, this could hinder local economic growth somewhat with potential for layoffs. Furthermore, in our view, Sault Ste. Marie is subject to a more strained demographic profile than peers. The city has struggled historically with outmigration and population declines, and approximately a quarter of the local population was over the age of 65 at the last census. The city continues to take steps to mitigate this; with the conclusion of the prior Rural and Northern Immigration Pilot, Sault Ste. Marie was selected as a participant in its successor program, the Rural Communities Immigration Program. Under the new program, the city can prioritize the recruitment of health care professionals in particular, which had been a key area of concern in outmigration. Altogether, while GDP per capita is not available at the local level, we estimate it would be somewhat below the national level of about US$55,300 in 2025, based on the city's income data.

We expect the city's financial management will remain satisfactory. Disclosure and transparency practices are good, and Sault Ste. Marie is preparing to build out its longer-term financial planning capabilities over the medium term. The city also prepares one-year operating and capital budgets annually, as well as a four-year capital forecast. Sault Ste. Marie implemented separate tax- and rate-supported budgets starting in the 2023 budget cycle, demonstrating an ongoing maturation of extant planning practices. Senior staff are experienced, and we believe that debt and liquidity management practices are prudent.

As do other Canadian municipalities, Sault Ste. Marie 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 transitrelated 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 a track record of strong budget results; debt burdens, on average, are low compared with those of global peers

Strong budgetary performance will continue to support the city's capital plan.

With a focus on building out its housing-enabling infrastructure and maintaining existing assets, Sault Ste. Marie will continue to invest in key capital projects over the next several years. We expect to see the city ramping up capital investment over the two-year outlook horizon, particularly as its plans for the West End Treatment Plan and Biosolids Facility come to fruition. Therefore, we expect that the city will generate average after-capital deficits below 0.5% in the base-case period 2023-2027, rising in-line with increased capital needs. In our estimation, capital expenditure will average C$60 million through the forecast years. At the same time, the city's healthy operating balances will support its ability to finance capital works, despite cost pressures from inflation and ballooning police services costs. We expect that, anchored primarily by stable property tax receipts, Sault Ste. Marie will generate operating results averaging 12% over the forecast period.

While the city intends to fund much of its capital plans from reserves and senior government grants, we also expect debt issuance will play a role in financing capital projects. We anticipate it will issue approximately C$7 million in debt in the three forecast years. We expect that this will bolster a tax-supported debt burden just below 9% by 2027. Our calculation of the debt burden also includes approximately C$5 million in debt of the Public Utility Commission (PUC) of Sault Ste. Marie, which the city guarantees. The guarantee comprises a loan--set to expire in 2026--and the draw on the PUC's operating line; under the terms of the guarantee, the full sum borne by the city is limited to C$8 million. Although future issuance could increase both the city's debt and interest burdens, we expect that both will remain low, with the interest burden representing less than 1% of operating revenues throughout the forecast horizon. We do not consider the debt of Sault Ste. Marie's government-related entities, PUC Inc. and PUC Services Inc., as a contingent liability, because we believe the likelihood of the city providing extraordinary support in a stress scenario is low. Overall, we view the city' s low debt burden as a key credit strength compared among peers.

In our view, the city maintains a robust liquidity position and satisfactory access to external liquidity for financing needs. We estimate that its free cash will average C$118 million in the next 12 months and cover approximately 9x estimated debt service for the period.

City of Sault Ste. Marie Selected Indicators

Mil. C$	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	224	245	254	261	270	282
Operating expenditure	187	200	214	227	238	251
Operating balance	36	44	40	34	32	32
Operating balance (% of operating revenue)	16.3	18.2	15.8	13.1	11.9	11.2
Capital revenue	26	20	13	17	20	23

City of Sault Ste. Marie Selected Indicators

Capital expenditure	61	57	44	52	59	69
Balance after capital accounts	2	7	10	(0)	(7)	(14)
Balance after capital accounts (% of total revenue)	0.8	2.7	3.6	(0.1)	(2.5)	(4.7)
Debt repaid	0	1	1	1	1	1
Gross borrowings	0	18	1	0	0	7
Balance after borrowings	2	24	10	(1)	(8)	(8)
Direct debt (outstanding at year-end)	3	17	16	15	14	20
Direct debt (% of operating revenue)	1.4	7.0	6.1	5.7	5.2	7.1
Tax-supported debt (outstanding at year-end)	6	22	21	20	19	25
Tax-supported debt (% of consolidated operating revenue)	2.6	9.0	8.1	7.6	7.1	8.8
Interest (% of operating revenue)	0.0	0.1	0.2	0.2	0.2	0.3
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	3
Financial management	3
Budgetary performance	2
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.

Sovereign Risk Indicators
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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Economic Outlook Canada Q3 2025: U.S. Tariff Uncertainty And Slower Population Growth Weigh On Momentum, June 24, 2025

Canadian Municipalities Are Well Positioned To Weather Temporary Trade Disruption, June 2, 2025

Subnational Government Outlook 2025: Canadian LRG Revenues Will Play Catchup To Meet Higher Operating Costs And Stabilize Debt Growth, Jan. 16, 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

Sault Ste. Marie (City of)	
Issuer Credit Rating	AA+/Stable/--
Issuer Credit Ratings History	
01-Jun-2022	AA+/Stable/--
11-Sep-2019	AA/Stable/--
06-Oct-2015	AA-/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.