

## City of Brandon Ratings Affirmed At 'AA-' On Healthy Economy And Satisfactory Liquidity

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- We are affirming our 'AA-' long-term issuer credit and senior unsecured debt ratings on the City of Brandon.
- In part, the rating reflects our view of a healthy local economy, strong budgetary performance, and low debt levels compared with that of peers.
- The stable outlook reflects our expectation that the city's economic performance will remain healthy.
- The outlook also reflects our expectation that Brandon's financial results will remain fairly steady and debt levels will not exceed the capital plan's expectations.

TORONTO (Standard & Poor's) Feb. 11, 2011--Standard & Poor's Ratings Services today said it affirmed its 'AA-' long-term issuer credit and senior unsecured debt ratings on the City of Brandon, in the Province of Manitoba (AA/Stable/A-1+). The outlook is stable.

"In part, the rating reflects our view of a healthy local economy, strong budgetary performance, and low debt levels compared with that of peers," said Standard & Poor's credit analyst Bhavini Patel.

The city's economic base consists of a strong public sector and varied manufacturing base. It has suffered from the recession less than other Canadian municipalities, particularly those more heavily concentrated in the manufacturing sector. Economic indicators have remained relatively stable for Brandon. The unemployment rate increased in 2009 and 2010, back to historical levels of 5.2% from 3.0% in 2008.

At the end of fiscal 2009, free cash and liquid assets stood at about C\$9.3 million and represented about 42.5% of operating expenditures. Liquidity levels have been relatively stable in the past two years and we expect them to remain so since Brandon has a long established practice of maintaining healthy levels of liquidity support.

Debt outstanding at year-end fiscal 2009 was C\$19.9 million, representing 25.4% of operating revenues. This is a moderate increase compared with 15.0% the previous year. Standard & Poor's expects that as a result of expected debt issuance in the next three years, the city's debt outstanding should peak at about 80% of revenues by the end of fiscal 2012. Nevertheless, even after this increase, Brandon's debt level would still remain comparable with those of domestic and international peers.

The stable outlook reflects Standard & Poor's expectation that Brandon's economy will retain its stable long-term characteristics as a result of its well-diversified economic base. Standard & Poor's also expects that increases in the city's debt burden will be contained to currently forecast levels. Sustained strong budgetary performance and maintained adequate liquidity could result in a positive rating action. Alternatively, a significant increase in Brandon's debt and debt burden beyond expectations could exert downward pressure on the ratings.

#### RELATED CRITERIA AND RESEARCH

[Methodology For Rating International Local And Regional Governments](#), Sept. 20, 2010

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