DOCUMENT 2 – SUMMARY OF CREDIT RATINGS

This document provides an extract of the comments in the credit rating reports from the City's two rating agencies.

<u>MOODY's INVESTOR SERVICE – Aaa – Stable Outlook (May 24, 2012)</u>

Credit Strengths

Credit strengths for the City of Ottawa include:
--Effective fiscal planning and a history of strong financial results
--Low debt level and associated debt servicing costs
--Strong internal liquidity
--Mature, supportive, institutional framework governing municipalities in Ontario

Credit Challenges

Credit challenges for the City of Ottawa include:
--Significant infrastructure needs leading to incremental debt issuance

Rating Outlook

The rating outlook is stable.

What Could Change the Rating - Down

An acceleration of the recent trend in which debt levels rise in conjunction with declining cash and investment holdings, could result in lower liquidity and therefore place downward pressure on the rating.

<u>STANDARD & POOR'S – AA+/Stable (June 8, 2012)</u>

Strengths:

- Very positive liquidity, owing to high cash and investment balances
- Stable and wealthy local economy with high income levels
- Historically moderate tax-supported debt burden

Weaknesses:

- Weak financial performances that is likely to persist
- Large capital programs in 2012 and 2013 that are likely to push up debt burden in the long term

Outlook

The stable outlook reflects Standard & Poor's expectation that Ottawa will maintain very positive liquidity in the next two years and that local economic growth will remain healthy. We expect that the city will produce a modest operating surplus and a moderate after-capital deficit in 2012 and that the tax burden could reach a peak of about 80% in 2013 as a result of borrowing plans for 2012 and 2013. Continued weak financial results, a significant decline in liquidity, or a substantial increase in debt burden in the next two years could place downward pressure on the ratings. A sustained and material improvement in financial results (including a return or near-return to balanced capital results) and a decline in the debt burden, coupled with maintained liquidity, are preconditions for an upgrade.