

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aa3 and stable outlook to Burlington, VT's GO bonds, Series 2024A**

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12 Sep 2024

New York, September 12, 2024 -- Moody's Ratings (Moody's) has assigned an Aa3 rating to the City of Burlington, VT's General Obligation Bonds, Series 2024A with an estimated par amount of \$35.5 million. Concurrently, we have affirmed the city's Aa3 issuer rating, Aa3 rating on the city's outstanding general obligation unlimited tax (GOULT) bonds, and A2 rating on the outstanding certificates of participation. Post-issuance the city will have approximately \$299 million in debt outstanding. The outlook is stable.

#### RATINGS RATIONALE

The Aa3 issuer rating reflects the city's prominence as the state's primary economic center with a concentration in higher education. The city's economy reflects a young population compared to the rest of the state and a resident income ratio of 81.1%. The city's financial position is expected to remain stable over the next few years as the city continues to reduce its reliance on one-time revenue sources and maintain healthy reserves and liquidity. The city ended fiscal 2023 with an available fund balance ratio of 35.6% of revenue. The city's leverage and fixed costs are likely to remain stable and in-line with Aa-rated peers given a modest capital improvement plan and ongoing funding of pension and OPEB liabilities.

The Aa3 GOULT rating is placed at the same level as the issuer rating because of the city's full faith and credit pledge and unlimited taxing authority.

The A2 rating on the city's Series 2016A refunding certificates of participation (Lakeview Garage Project) is two notches below the issuer rating given the debt service is subject to appropriation and the less essential nature (parking garage) of the project.

#### RATING OUTLOOK

The stable outlook reflects the expectation that the city will continue to adhere to conservative fiscal management to maintain healthy reserves and liquidity while the strength of the economy will support sufficient growth in the tax base.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Trend of structurally balanced budgets and operating results
- Stable to increasing available fund balance ratio
- Decline in leverage as a percent of revenue
- Upgrade of the city's issuer rating (certificates of participation)

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decline in available fund balance ratio to 25% or below
- Material increase in leverage ratio to 350% or above
- Significant increase in the fixed costs ratio to 20% of revenue
- Downgrade of the city's issuer rating (certificates of participation)

#### LEGAL SECURITY

The bonds are general obligations of the city backed by the city's full faith and credit pledge and unlimited taxing powers to levy unlimited ad valorem taxes to pay debt service.

#### USE OF PROCEEDS

Bond proceeds in the amount of approximately \$7 million will be used for 2024 capital improvements for the city, electric department and school district. Around \$7.7 million for the school district's integrated arts academy, \$15 million for the remaining costs associated with the Burlington High School project and \$5.8 million for various other capital improvements on city infrastructure.

#### PROFILE

Burlington is the largest city in the State of Vermont (Aa1 stable) located along the coast of Lake Champlain, approximately 216 miles northwest of Boston, MA and 96 miles south of Montreal, QC, Canada. The city is the regional economic center of the state and is home to the University of Vermont & State Agricultural College, VT (UVM, Aa3 stable). The population is approximately 42,645 (American Community Survey 2020). The city has multiple enterprise funds including the Burlington (City of) VT Airport Enterprise (Baa2 Stable); City of Burlington, Vermont Water Enterprise (Aa3); and Burlington (City of) VT Electric Enterprise (A3 Stable).

## METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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