

Rating Action: Moody's Revises Burlington, VT's Outlook to Positive; Affirms A3

Global Credit Research - 13 Mar 2017

New York, March 13, 2017 -- Issue: General Obligation Public Improvement Bonds, Series 2017A; Rating: A3; Rating Type: Underlying LT; Sale Amount: \$1,000,000; Expected Sale Date: 03/15/2017; Rating Description: General Obligation;

Summary Rating Rationale

Moody's Investors Service has assigned an A3 rating to the City of Burlington, Vermont's \$1 million General Obligation Public Improvement Bonds, Series 2017A. Concurrently, we have affirmed the A3 rating on the city's outstanding general obligation debt, the Baa1 rating on the outstanding Series 2016B certificates of participation (COPS), and the Baa2 rating on the outstanding Series 2016A COPS. The outlook on all debt has been revised to positive from stable.

The A3 GO rating reflects the city's improved financial position with sound reserves following four consecutive years of operating surpluses, as well as the city's strength as the economic center of Vermont (Aaa stable). The rating also incorporates the manageable debt burden that will continue to increase, and the enterprise risk from Burlington Telecom (BT).

The Baa1 COP rating reflects the city's general credit profile, appropriation risk of the certificates, and the essentiality of the projects financed.

The Baa2 COP rating reflects the city's general credit profile, appropriation risk of the certificates, and the non-essential nature of the projects financed.

Rating Outlook

The revision of the outlook to positive reflects our expectation that the city will maintain structurally balanced operations and modestly improve its reserve levels, as it has done for the past few years, despite rising costs for debt service, salaries, and employee benefits. Additionally, the tax base is an important strength of the overall credit profile, and we expect the moderate growth to continue given new planned development. Finally, in calendar year 2017 the city will actively search for a buyer of BT, and the results of that sale will be an important consideration in future reviews.

Factors that Could Lead to an Upgrade

Continued surplus operations and material growth in reserves and liquidity

Final resolution of BT sale

Factors that Could Lead to a Downgrade

Structurally imbalanced operations, reducing financial flexibility

Renewed reliance on cash flow borrowing

Material increase in the debt burden

Legal Security

The bonds are secured by the city's general obligation unlimited tax pledge.

Use of Proceeds

Bond proceeds will finance various city-wide capital projects.

Obligor Profile

Burlington is located in northwestern Vermont along the coast of Lake Champlain. The population is approximately 42,200.

Methodology

The principal methodology used in the general obligation rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the lease rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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