

Rating Action: Moody's assigns positive outlook to City of Burlington VT Water Enterprise; affirms A1 rating

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New York, August 28, 2019 -- Moody's Investors Service has assigned a positive outlook to the City of Burlington, Vermont Water Enterprise's outstanding bonds. Additionally, Moody's affirms the A1 rating on the enterprise's outstanding revenue bonds.

RATINGS RATIONALE

The enterprise's A1 rating reflects historically sound financial metrics, although debt service coverage is expected to decrease given new debt that will be issued over the coming years and liquidity took a one time hit in 2019 as a result of overbilling customers. The system is small in size but has a stable service area with average income levels. Sound legal provisions somewhat offset the increasing debt burden. Other long term liabilities are limited, a credit positive.

RATINGS OUTLOOK

The positive outlook reflects the enterprise's currently strong financial position. However, that position could weaken over the near term due to a one-time draw to liquidity in fiscal 2019 resulting from overbilling a major customer and increasing fixed costs from planned future debt issuances.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Stability in debt service coverage and liquidity
- Significant and sustained growth in customer base
- Material improvement in service area income levels
- Improved general obligation credit profile of the city

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Unmitigated decline in debt service coverage or liquidity
- Material increase in debt ratios beyond expectations
- Declines in customer base or weakening of income levels
- Reduced general obligation credit profile of the city

LEGAL SECURITY

The bonds are secured by a pledge of the water system's net revenues.

PROFILE

The City of Burlington (Aa3) is located in northwestern Vermont along the coast of Lake Champlain and has a population is approximately 42,200. The water enterprise serves approximately 9,300 residential commercial, industrial and institutional metered customers in the city. The system also provides wholesale water to Fire District II of the Town of Colchester.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Utility Revenue Debt published in October 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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