MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades Burlington, VT to Aa2 and assigns Aa2 to 2025 GOs; also upgrades Burlington Water Enterprise revenue bonds to Aa2; outlook stable

23 Oct 2025

New York, October 23, 2025 -- Moody's Ratings (Moody's) has upgraded to Aa2 from Aa3 the City of Burlington, VT's issuer and outstanding general obligation unlimited tax (GOULT) ratings. Concurrently, we have assigned a Aa2 rating to the city's proposed $31 million General Obligation Public Improvement Bonds, Series 2025A. We have also upgraded to Aa2 from Aa3 the rating on the City of Burlington, Vermont Water Enterprise revenue bonds. Post issuance, the city will have approximately $365.7 million in general obligation debt outstanding and $7.7 million in water revenue debt outstanding. The outlook is stable for both the city and the water enterprise.

The upgrade of the issuer and GOULT ratings is driven by the city's demonstrated ability to close budget gaps with a mix of proactive revenue increases and expenditure cuts while maintaining healthy reserves and liquidity that are comparable to peers in the higher rating category.

The upgrade to the water enterprise revenue bonds reflects the improved credit strength of the city's issuer rating and the enterprise's ability to grow revenue and maintain strong debt service coverage of over 3x.

RATINGS RATIONALE

The Aa2 issuer rating reflects the city's prominence as the state's primary economic center supported by the institutional presence of the University of Vermont. The city's economy reflects favorable demographics including a low median age compared to the rest of the state. The city's resident income ratio of 81.1% is below-average for the Aa median in part because of the large student population.

The city's financial position is likely to remain stable with healthy reserves and liquidity. In maintaining the city's balanced operations the city has had to close larger than expected budget gaps in prior years and recently reduced some department budgets while implementing a small decline in the budget for fiscal 2026 compared to 2025. The city's prudent approach to balancing tax revenue increases against expenditure cuts reflects its commitment to long-term fiscal stability. The city ended fiscal 2024 with an available fund balance ratio of 34.2%.

The city's long-term liabilities and fixed costs will remain relatively stable over the next few years given future borrowing plans and the city's commitment towards its unfunded pension liability. The city ended fiscal 2024 with a long-term liabilities ratio of 201.2% and fixed costs ratio of 12.6%.

The Aa2 GOULT rating is placed at the same level as the issuer rating because of the city's general obligation, full faith and credit pledge.

The Aa2 water revenue bond rating reflects the enterprise's stable financial position with growing revenue that continues to support healthy annual debt service coverage of over 3x and sound liquidity of 301 days cash on hand as of June 30, 2024. The rating also incorporates the relatively small system size with a stable service area and favorable income profile. The rating also factors in the manageable debt burden with debt to operating revenue at the end of fiscal 2024 equal to 3.7x revenue. The city has recently approved a sizeable bond authorization for water and sewer capital projects that could increase the debt burden over the medium term. The enterprise is expected to continue to increase user rates as needed to cover the capital plan and maintain the credit profile.

RATING OUTLOOK

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

The stable outlook on the water enterprise incorporates a recent rate increase that will continue to grow revenue to maintain strong debt service coverage, a stable financial position and cover anticipated capital needs.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material strengthening of local economy reflected in improved resident income ratio and full value per capita

- Decline in the long-term liabilities ratio to below 200%

- Increase in available fund balance ratio to around 40%

- Significant growth in the customer base (water enterprise)

- Strengthening of service area income ratio (water enterprise)

- Upgrade of the city's issuer rating (water enterprise)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decline in the available fund balance ratio to below 30%

- Material increase in leverage ratio to 350% or more

- Significant increase in the fixed costs ratio to 20%

- Decline in annual debt service coverage and erosion in liquidity (water enterprise)

- Material increase in the debt to revenue ratio (water enterprise)

PROFILE

Burlington is the largest city in the State of Vermont (Aa1 stable) located on the shore 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 (Baa1 Stable); City of Burlington, Vermont Water Enterprise (Aa2); and Burlington (City of) VT Electric Enterprise (A3 Stable).

The Burlington water enterprise serves approximately 9,300 residential, commercial and industrial 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 the issuer and general obligation ratings was US Cities and Counties published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425429. The principal methodology used in the revenue ratings was US Municipal Utility Revenue Debt published in March 2024 and available at https://ratings.moodys.com/rmc-documents/416489. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Nicholas Lehman
Lead Analyst

Thomas Jacobs
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653
