

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns enhanced Aa2 to Vermont Municipal Bond Bank's (VT) Vermont State Colleges System Bonds, 2020 Series A; outlook stable**

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14 Jan 2020

New York, January 14, 2020 -- Moody's Investors Service has assigned an enhanced Aa2 rating to the approximately \$23 million Vermont Municipal Bond Bank (d/b/a Vermont Bond Bank (VBB)), VT's Vermont State Colleges System Bonds, 2020 Series A (fixed rate, maturing in 2040). At the same time we have affirmed the enhanced Aa2 rating on approximately \$68 million of outstanding 2017 Series A bonds. The outlook for the enhanced rating is stable reflecting the programmatic rating outlook, which currently mirrors the outlook of the State of Vermont (Aa1 stable).

#### RATINGS RATIONALE

The Aa2 enhanced rating and stable outlook incorporates the program-level Aa2 rating and stable outlook of the Vermont State Aid Intercept Program, which is notched off of the State of Vermont's general obligation rating, as well as financing-level attributes related to sufficiency of the financing structure. The Aa2 rating for the financing-level rating is the same as the Aa2 programmatic rating due to the debt service coverage of interceptable revenues in excess of 100%, sufficient timing of state aid payments relative to debt service payments, and more than adequate notice of shortfalls to the Vermont Bond Bank and state treasurer, to ensure timely state treasurer debt service transfers to the trustee. The state treasurer transfers appropriation amounts to cure the shortfall within 24 calendar days and no less than 8 calendar days before the applicable payment due date.

#### RATING OUTLOOK

The stable outlook on the enhanced rating reflects the outlook for the programmatic level rating which currently mirrors the outlook for the State of Vermont.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Upgrade of the state or programmatic intercept rating

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Downgrade of the state or programmatic intercept rating
- Reduction in debt service coverage by interceptable funds
- Observation that the program does not function as contemplated

#### LEGAL SECURITY

The Vermont State Colleges System (VSCS) outstanding Series 2017A and planned Series 2020A bonds are special and direct obligations of the VBB. The VSCS bonds are secured under a separate resolution from the approximately \$583 million in outstanding bonds secured by the bank's General Resolution municipal pool. There is a first lien on the VSCS bonds, VSCS bond payments, all other monies and securities in the funds, and accounts established under the general bond resolution. There is no required debt service reserve established for the Series 2017A or planned Series 2020A bonds. Under a loan agreement between VSCS and VBB, the system is required to make loan payments to the VBB one month in advance of debt service payments due to bondholders.

#### USE OF PROCEEDS

Proceeds will be used to refinance the Series 2010 bonds and pay costs of issuance.

#### PROFILE

The Vermont Bond Bank is an instrumentality of the state created in 1969 to facilitate governmental unit borrowing at a lower cost. Nearly all of VBB's revenues comprise loan repayments from governmental unit borrowers, including the Vermont State Colleges.

Vermont State Colleges System is a consortium of public colleges created in 1961 governed by a common board of trustees, a chancellor and Council of Presidents. Component colleges each have their own leadership and management team and include three 4-year residential colleges (Castleton University, Northern Vermont University and Vermont Technical College) and the Community College of Vermont. Combined full time equivalent (FTE) enrollment across the system was 9,209 in fall 2019.

#### METHODOLOGY

The principal methodology used in these ratings was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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