

Bulletin:

Vermont Flooding And Storm Damage Unlikely To Have Negative Credit Implications

July 17, 2023

CHICAGO (S&P Global Ratings) July 17, 2023--S&P Global Ratings today said that it does not expect an immediate negative credit impact on rated U.S. public finance obligors in Vermont in the wake of last week's storm, which brought torrential downpours and heavy flooding in many parts of the state, including inundating Montpelier, the state capital.

Over a two-day period over July 9-11, parts of Vermont saw as much as nine inches of rain, triggering what state officials report as historic flooding, surpassing the damage experienced during Tropical Storm Irene in 2011 and destroying thousands of homes and businesses. On Tuesday, July 11, President Biden issued an emergency declaration authorizing the Federal Emergency Management Agency (FEMA) to coordinate the immediate disaster response and to provide federal disaster relief assistance. No official damage estimates are yet available.

S&P Global Ratings maintains a small number of credit ratings on Vermont issuers (see table), and we have been in contact with these issuers to assess near-term exposure. However, we do not believe that there is any imminent risk of credit deterioration. The state of Vermont (AA+/Stable) passed its fiscal 2024 budget in June and ended fiscal 2023 with budgetary stabilization reserves that were funded at the statutory maximum of 5% of appropriations in the general, education, and transportation funds. The state's unrestricted cash balance was more than \$2.3 billion as of March, and management indicates that Vermont has sufficient cash on hand to meet immediate recovery needs without external borrowing.

In the aftermath of such a natural disaster, we look to several key areas to assess short-term financial stability and to understand the near-term recovery path. These include but are not limited to:

- The extent of the damage and impact on revenue performance from economic disruption;
- Available liquidity to address the immediate crisis, fund regular operations, and meet upcoming debt service payments;
- Short-term borrowing needs, if any, to support the recovery or other costs;
- The likelihood, timing, and amount of FEMA support;
- Storm-related capital costs, how these will be funded, and over what time frame; and
- The initial response and pace of payouts from property and casualty insurers.

PRIMARY CREDIT ANALYST

Scott Nees
Chicago
+ 1 (312) 233 7064
scott.nees
@spglobal.com

SECONDARY CONTACTS

Geoffrey E Buswick
Boston
+ 1 (617) 530 8311
geoffrey.buswick
@spglobal.com

Sussan S Corson
New York
+ 1 (212) 438 2014
sussan.corson
@spglobal.com

Anne E Cosgrove
New York
+ 1 (212) 438 8202
anne.cosgrove
@spglobal.com

Autumn R Mascio
New York
+ 1 (212) 438 2821
autumn.mascio
@spglobal.com

Tiffany Tribbitt
New York
+ 1 (212) 438 8218
Tiffany.Tribbitt
@spglobal.com

See complete contact list at end of article.

Vermont--Ratings

Obligor	Rating	Outlook
State of Vermont	AA+	Stable
University of Vermont & State Agricultural College (UVM)	A+	Positive
Middlebury College	AA	Stable
St. Michael's College	BBB-	Stable
Champlain College	BBB-	Stable
University of Vermont Medical Center	A	Stable
Vermont Electric Cooperative, Inc.	A+	Stable
Vermont Bond Bank	AA+	Stable

This report does not constitute a rating action.

Contact List

PRIMARY CREDIT ANALYST

Scott Nees
Chicago
+ 1 (312) 233 7064
scott.nees@spglobal.com

SECONDARY CONTACT

Geoffrey E Buswick
Boston
+ 1 (617) 530 8311
geoffrey.buswick@spglobal.com

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Sussan S Corson
New York
+ 1 (212) 438 2014
sussan.corson@spglobal.com

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Anne E Cosgrove
New York
+ 1 (212) 438 8202
anne.cosgrove@spglobal.com

SECONDARY CONTACT

Autumn R Mascio
New York
+ 1 (212) 438 2821
autumn.mascio@spglobal.com

SECONDARY CONTACT

Tiffany Tribbitt
New York
+ 1 (212) 438 8218
Tiffany.Tribbitt@spglobal.com

SECONDARY CONTACT

Nora G Wittstruck
New York
+ (212) 438-8589
nora.wittstruck@spglobal.com

SECONDARY CONTACT

Jessica L Wood
Chicago
+ 1 (312) 233 7004
jessica.wood@spglobal.com

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