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MOODY'S DOWNGRADES BURLINGTON'S CREDIT RATING

Burlington, VT – July 9, 2010. Moody's Investors Services announced this afternoon that it has downgraded the City of Burlington's general obligation credit rating two notches from Aa3 to A2. Moody's moved the City's status from a "negative watch" to "negative outlook," which means that the credit rating company will not review Burlington's status until the City next pursues a bond sale. The Moody's action follows its decision in March of this year to downgrade the City's credit rating and place Burlington on a 90-day negative watch period. That action resulted in an A2 rating, which was subsequently raised back to Aa3 when Moody's recalibrated all municipal credit ratings to reflect general improvements in the municipal bond arena.

The Moody's analysis leading to today's action reflects concerns that are similar to those from the March analysis. Primarily, this is the uncertainty regarding the financial situation of Burlington Telecom and the enterprise's approximately \$16.9 million debit to the City's pooled cash account. The Moody's report states that "while the city is actively pursuing a viable solution for the telecommunications system there remains a high degree of uncertainty regarding the city's ability to place the enterprise on a more sustainable path and ultimately repay the funds owed to the city's pooled cash account." The report notes that the City's credit rating could go back up based on the reduction or elimination of the amount due from BT to the pooled cash account, or could move down without progress on repayment to pooled cash and the lack of a viable plan to make Burlington Telecom more financially sustainable.

"While the Moody's decision today is disappointing, we are optimistic that ultimately the City will be able to address their concerns. To that end we are working to resolve BT's challenging financial circumstances," said Burlington Mayor Bob Kiss. "We continue to be involved in productive negotiations with CitiCapital regarding our lease purchase agreement. Burlington Telecom is an asset to the City of Burlington and its nearly 4800 customers. It is signing up new customers every week. The recently-approved City FY11 budget, with a near-level property tax rate, demonstrates that the City continues to provide efficient and effective services to the people of Burlington. With more time, we remain optimistic that we'll be able to address BT's financial issues and keep moving forward."

A copy of the Moody's announcement and analysis can be found at:  
<http://www.ci.burlington.vt.us/docs/2258.pdf>