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McGRAW HILL FINANCIAL

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Summary:
Leesburg, Virginia; General Obligation

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Summary:

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Credit Profile		
US$18.4 mil GO & rfdg bnds ser 2014 due 01/15/2044		
Long Term Rating	AAA/Stable	New
Leesburg		
Long Term Rating	AAA/Stable	Upgraded
Leesburg GO		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on Leesburg, Va.'s outstanding general obligation (GO) bonds to 'AAA' from 'AA+' based on its local GO criteria released on Sept. 12, 2013. At the same time, Standard & Poor's assigned its 'AAA' rating to Leesburg's, series 2014 GO and refunding bonds. The outlook is stable.

A pledge of the town's full faith credit and resources and an agreement to levy ad valorem property taxes without limitation as to rate or amount secure these bonds.

Proceeds from this issue will be used to finance the cost of various town capital projects, refund a portion of the town's series 2005 public improvement bonds, and restructure a portion of the town's series 2006 public utility bonds.

The rating reflects our assessment of the following factors for the town:

- Very strong economy, which benefits from participation in the broad and diverse Washington, D.C.-Northern Virginia regional economy;
- Very strong budgetary flexibility with 2013 audited reserves at 35% of general fund expenditures;
- Adequate budgetary performance, which takes into account a relatively stable and diverse revenue stream;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong management with strong financial policies with a consistent ability to maintain balanced budgets; and
- Very strong debt and contingent liabilities position, driven mostly by the town's low net direct debt coupled with the self-supporting nature of the utility fund.

Very strong economy

We consider Leesburg's economy to be very strong with access to the broad and diverse Washington, D.C.-Northern Virginia area economy. Leesburg occupies roughly 12.5 square miles in Loudoun County, about 40 miles northwest of Washington. Despite the national recession, the town's participation in the Washington metropolitan statistical area and access to Washington Dulles International Airport has continued to drive growth in the town. Three major land development projects have been approved with construction in various stages: 2 mixed-use sites and a retail site. Given its location and participation in the regional economy, unemployment, at 4.2% in 2013, has historically been well below commonwealth and national levels. Furthermore, residents, many of which are well-educated, have historically attracted higher paying jobs. As such, per capita effective buying income, is strong, in our opinion, at 151% with a per capita market value of $139,961. The town's tax base, which declined during the recent recession, has turned around, increasing 12% since 2009 to $6.4 billion in 2014. We project assessed value will continue to grow modestly, due to ongoing economic development both in the commercial and residential sectors.

Very strong budget flexibility

In our opinion the town's budgetary flexibility remains very strong, with reserves above 30% of expenditures for the past several years and no plans to significantly spend them down. The town anticipates reserves for 2014 will further increase as the town is projecting to close with a $2.3 million general fund operating surplus; increasing reserves modestly. For audited fiscal 2013, reserves were $17.2 million or 35% of expenditures.

Adequate budgetary performance

The town's budgetary performance has been adequate overall in our view with a surplus of 2.1% for the general fund but a deficit of 8.8% for total governmental funds in fiscal 2013. In our opinion, the town has a relatively stable and diverse revenue stream with property taxes accounting for 29% of total general fund revenues, followed by state aid at 17%, meals taxes at 10%, sales taxes at 9%, and business license taxes at 6.5%. Despite, the recent recession, these somewhat economically sensitive revenues held constant. Fiscal 2013, closed with a $1.02 million operating surplus with total available reserves at $17.2 million or 35% of expenditures. Management projects a general fund surplus of $2.3 million for fiscal 2014, which should increase reserves. The town's adopted fiscal 2015 budget totals $50.8 million; an increase of 6.3% over the 2014 budget. It does not include a property tax rate increase; although a one cent increase was recommended in the biennial budget. We expect that revenues, overall, will remain at least level, and the town maintains, adequate reserves.

Very strong liquidity

Supporting the town's finances is liquidity we consider very strong, with total government available cash at 60% of total governmental fund expenditures and 666% of debt service. We believe the town has exceptional access to external liquidity. Leesburg has issued bonds frequently during the past 15 years, including GO bonds and utility revenue bonds.

Very Strong management conditions

We view the town's management conditions as very strong, with strong financial practices combined with a consistent ability to maintain balanced budgets. The town maintains formal policies in investment and debt management in addition to an adopted reserve policy requiring the town to establish an undesignated general fund balance at a minimum of 15% of budget. The town also maintains a formalized multi-year financial plan. Furthermore, the town has committed itself to raising its fund balance policy from 15% of expenditures to 20% in the five-year period from 2015-2019; the town is already above 15%.

Very strong debt and contingent liability profile

In our opinion, the town's debt and contingent liability profile is very strong with total governmental fund debt service at 9% of total governmental fund expenditures, and with net direct debt at 16% of total governmental fund revenue and not slated to rise. The town has a five-year capital improvement plan with bond issuances scheduled for every two years. Overall net debt is 2.7% of market value. The town's GO utility debt is self-supporting.

The town participates in the commonwealth pension plan and makes the required annual contributions. The combined annual required contribution pension costs and other postemployment benefit (OPEB) pay-as you-go costs for fiscal 2013 totaled 7.5% of expenditures. In addition, the town does not anticipate these costs to increase substantially in the near term.

Very strong institutional framework

We consider the Institutional Framework score for Virginia cities and towns with a population over 3,200 as very strong.

Outlook

The stable outlook reflects our view of the town's consistent financial performance and very strong economy, which is supported by very strong management and strong, well embedded fiscal policies. The town's very strong liquidity and budgetary flexibility provide stability to the rating. We do not expect to revise the rating in the next two years because we believe the town will maintain its consistent fiscal position and healthy reserve levels. However, if the town encounters fiscal problems and reserves are used to bridge any structural imbalances, we might lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Virginia Local Governments

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