



Tagging Info

Fitch Rates Leesburg, VA's GO Bonds 'AAA' & Upgrades GOs to 'AAA' from 'AA+'; Outlook Stable

Ratings Endorsement Policy

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Fitch Ratings-New York-17 March 2015: Fitch Ratings has assigned an 'AAA' rating to the following general obligation (GO) bonds of Leesburg, VA (the town):

--\$49 million GO and refunding bonds, series 2015.

The proceeds of the bonds will be used to finance the costs of various capital improvement projects and refund a portion of outstanding GO bonds for debt service savings without extending final maturity. The bonds are expected to sell competitively on March 25, 2015.

In addition, Fitch upgrades the following ratings:

--\$63.3 million GO bonds to 'AAA' from 'AA+';
--\$68 million GO utility bonds to 'AAA' from 'AA+'.

The Rating Outlook is Stable.

SECURITY

The bonds are backed by the town's full faith and credit and unlimited ad valorem taxing ability.

KEY RATING DRIVERS

'AAA' RATING UPGRADE: The rating upgrade to 'AAA' reflects the town's demonstrated ability to achieve strong financial performance and maintain ample reserves. The town's strong economic indicators further support the 'AAA' rating.

HEALTHY FINANCIAL POSITION: Strong financial management has contributed to a pattern of generally positive operating results, healthy reserves, and high liquidity.

AFFLUENT ECONOMIC BASE: The town's strong economic profile reflects residents' high income metrics and educational attainment, healthy population gains, and history of low unemployment relative to the state and nation. The town's small employment base is augmented by its commuting access to the Washington-Arlington-Alexandria metropolitan statistical area (MSA).

MODERATE DEBT LEVELS: Limited intermediate-term debt issuance will allow the town to maintain the current manageable debt position.

MANAGEABLE CARRYING COSTS: Carrying costs for debt service, pension, and other post-employment benefits (OPEB) are expected to remain manageable despite future debt service increases.

RATING SENSITIVITIES

MAINTENANCE OF STRONG FINANCIAL MANAGEMENT: The rating is sensitive to shifts in fundamental credit characteristics including the town's strong financial profile. The Stable Rating Outlook reflects Fitch's expectation that such shifts are unlikely.

CREDIT PROFILE

Located in Loudoun County (rated 'AAA'; Outlook Stable) in northern Virginia, Leesburg has a 2013 population

of 47,673 and continues to experience rapid growth, with the population rising 68.4% since the 2000 census. The town lies 20 miles from Washington-Dulles Airport and 35 miles from the nation's capital.

WEALTHY TAX BASE/STRONG REGIONAL ECONOMY

Leesburg, the county seat of Loudoun County, is primarily a residential community that is located at the confluence of state highway 7 and I-15, making it accessible to the nearby job markets of Loudoun and Fairfax counties and Washington D.C.

With a well-educated workforce and close proximity to vibrant labor markets, the town has maintained low unemployment rates and high wealth indicators. As of December 2014, the town's unemployment rate of 3.4% was well below that of the state's 4.5% and nation's 5.4%, and stayed at 5% or below on an annual basis throughout the economic downturn. Median household income is approximately 90% higher than that of the nation, according to census data. Per capita income levels for the town are also high.

STRONG FISCAL POSITION

The town's reserve levels and financial flexibility are ample. Fiscal 2014 ended with a general fund operating surplus after transfers of \$2.7 million, increasing the unrestricted fund balance to \$19.7 million, or a sound 40.6% of general fund spending. The general fund balance sheet is highly liquid with cash and investments equal to 5.1x total liabilities less deferred revenues.

The adopted fiscal 2015 budget increased spending by 2.7% or \$1.3 million over the fiscal 2014 budget, while funding a \$1.6 million contribution to fund balance. Town management has stated that fiscal 2015 year-to-date general fund revenues and expenditures appear positive when compared to the budget.

The proposed fiscal 2016 budget increases spending by 5.4%, or \$2.7 million over the fiscal 2015 budget. The budget funds a \$1.4 million contribution to fund balance, while maintaining the property tax rate of 18.3 cents per \$100 of assessed valuation. The town's overall tax rate, inclusive of the county rate, is above average within the region. Favorably, the tax rate and levy are not subject to statutory or charter restriction.

The town restructured its debt in 2011 to create budget relief through fiscal 2016 and minimize tax rate increases, which is unusual for such a highly rated credit. Debt service is projected to increase from \$4.8 million in fiscal 2015 to \$8.1 million in fiscal 2017. An assigned reserve within the general fund was created to prepare for the increase and had a fiscal 2014 balance of \$5.7 million. As part of the budget process the town prepares a multi-year financial plan that projects draws on the debt service reserve fund of \$1-1.5 million annually through fiscal 2020. Given the town's strong history of conservative budgeting and the modest growth assumptions of the plan, Fitch expects the town to outperform its projections given anticipated economic, thus revenue, growth.

MODERATE DEBT PROFILE

The town's total debt levels are moderate, with overall debt equal to \$3,883 per capita, or 2.5% of market value. Prudent capital planning, reasonable debt policies, and above-average amortization (roughly 68.4% of outstanding debt is repaid within 10 years) are expected to keep the town's debt burden manageable. The town's current capital improvement plan for fiscal years 2015 – 2020 totals \$75.6 million and includes \$10.2 million in debt funding in addition to the current issuance.

LIMITED OTHER LONG-TERM LIABILITIES

All town employees participate in the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan administered by the commonwealth. The town's portion of the VRS liability is funded at 75.3%.

OPEB liabilities remain relatively low and the town has fully funded its OPEB ARC for the past three fiscal years, which Fitch considers a credit positive. The town has also established an OPEB trust to fund future benefits, which had a balance of \$8.2 million as of June 30, 2014. Carrying costs for debt service, pension, and OPEB (14.7% of governmental spending in fiscal 2014) are projected to remain manageable at under 20% using a conservative no growth assumption, despite the scheduled increase in debt service in fiscal 2017.

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In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, National Association of Realtors, Underwriter, Bond Counsel, Underwriter Counsel, and Trustee.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria' (Aug. 14, 2012);

--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

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Tax-Supported Rating Criteria

U.S. Local Government Tax-Supported Rating Criteria

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