

RatingsDirect®

Summary:

Leesburg, Virginia; General Obligation

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Summary:

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Credit Profile		
US\$39.0 mil GO rfdg bnds ser 2015 due 01/15/2037		
<i>Long Term Rating</i>	AAA/Stable	New
US\$11.0 mil GO bnds ser 2015 due 01/15/2037		
<i>Long Term Rating</i>	AAA/Stable	New
Leesburg		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Leesburg GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating on Leesburg, Va.'s general obligation (GO) refunding bonds series 2015. At the same time, we affirmed our 'AAA' rating on the town's outstanding GO 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 refund all or a portion of the town's GO and refunding bonds series 2006B and GO public utility bonds series 2006B, as well as finance various capital projects.

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 2014 audited available reserves at almost 41% 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
- Adequate debt and contingent liabilities position, driven mostly by the town's moderate 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. Population,

currently estimated at 44,000, is expected to rise to 55,000 at build-out. Three major land development projects have been approved with construction in various stages: two mixed-use sites and a retail site. More recent economic development projects include the Victory Brewing Co. (300-seat restaurant), K2M Group Holdings Inc. (a global medical device company) and several new companies that have located in the Mason Enterprise Center (MEC). 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 154% with a per capita market value of \$148,816. The town's tax base, which declined during the recent recession, has turned around, increasing 14% since 2009 to \$6.5 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. More than midway through fiscal 2015, the town is projecting a modest surplus as revenues, primarily property taxes, are slightly over budget while expenditures are just slightly under budget. As such, reserves are expected to remain in line with fiscal 2014. For audited fiscal 2014, reserves were \$19.7 million or 40.6% of expenditures.

Adequate budgetary performance

The town's budgetary performance has been adequate overall in our view with a surplus of 5.5% for the general fund but a deficit of 5.2% for total governmental funds in fiscal 2014. 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 6.7%. Despite, the recent recession, these somewhat economically sensitive revenues held constant. Fiscal 2014, closed with a \$2.6 million operating surplus with total available reserves at \$19.7 million or 40.6% of expenditures. Management projects another, more modest, general fund surplus for fiscal 2015, which should increase reserves. The town's proposed fiscal 2016 budget totals \$53.18 million; an increase of 4.7% over the 2015 budget. It does not include a property tax rate increase, but does include a 3% salary increase for employees, a 12% increase in health insurance costs and accounts for an increase in debt service costs. We expect that revenues, overall, will remain at least level and that the town maintains at least adequate reserves in line with their own formal policies.

Very strong liquidity

Supporting the town's finances is liquidity we consider very strong, with total government available cash at 68% of total governmental fund expenditures and 932% 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. Management has confirmed it has no contingent liquidity risks from financial instruments with payment provisions that change upon the occurrence of certain events.

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%. The new formal reserve policy was adopted Jan. 26, 2015.

Adequate debt and contingent liability profile

In our opinion, the town's debt and contingent liability profile is adequate with total governmental fund debt service at 7.3% of total governmental fund expenditures, and with net direct debt at 139% of total governmental fund revenue, yet 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 2.9% 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 2014 totaled 7.8% 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
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

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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