

ISSUER COMMENT

22 March 2019

RATING

General Obligation (or GO Related) ¹

Aaa Stable

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Town of Leesburg, VA

Annual Comment on Leesburg

Issuer Profile

The Town of Leesburg is located in Loudoun County in far northern Virginia, approximately 40 miles northwest of Washington, DC. The county has a population of 374,558 and a moderate population density of 721 people per square mile. The county's median family income is \$146,662 (1st quartile) and the December 2018 unemployment rate was 2.1% (1st quartile) ². The largest industry sectors that drive the local economy are professional/scientific/technical services, retail trade, and local government.

Credit Overview

Leesburg has an excellent credit position, and its Aaa rating is much higher than the median rating of Aa3 for US cities. Key credit factors include a robust financial position, a very strong wealth and income profile and an ample tax base. The rating also reflects an affordable debt burden and a mid-ranged pension liability.

Finances: The town's financial position is robust and is in line with the assigned rating of Aaa. Leesburg's cash balance as a percent of operating revenues (51.5%) is above the US median, and increased between 2014 and 2018. Furthermore, the fund balance as a percent of operating revenues (49.5%) is notably higher than other Moody's-rated cities nationwide.

Economy and Tax Base: Leesburg has a very strong economy and tax base which are in line with its Aaa rating. The median family income is a robust 166.6% of the US level. The town's full value per capita (\$132,759) is above the US median, and did not change materially between 2014 and 2018. Total full value (\$7.2 billion) is much stronger than other Moody's-rated cities nationwide.

Debt and Pensions: Overall, the debt and pension liabilities of Leesburg are affordable, if slightly weak when compared to the assigned rating of Aaa. The net direct debt to full value (0.8%) is slightly under the US median, and stayed flat from 2014 to 2018. The town's Moody's-adjusted net pension liability to operating revenues (1.1x) favorably is slightly below the US median.

Management and Governance: Virginia cities have an Institutional Framework score ³ of Aaa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector has one or more major revenue sources that are not subject to any caps. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Virginia is a Right to Work state, providing significant expenditure-cutting ability. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Virginia Cities

Economic growth continues to improve, but will lag the nation. Exposure to federal spending cuts is fading and Virginia remains a desirable place to do business. Projected job growth, primarily in service industries, will benefit cities going forward. Assessed values are expected to grow at a modest 1% to 2% throughout the state as the housing market continues to recover. Economically sensitive revenues saw a decline during the recession, but are beginning to rebound. Overall, Virginia cities' credit strength will benefit from their typically strong financial management, growing revenues, and fund balances that average 30% of revenues.

EXHIBIT 1

Key Indicators ⁴ ⁵ Leesburg

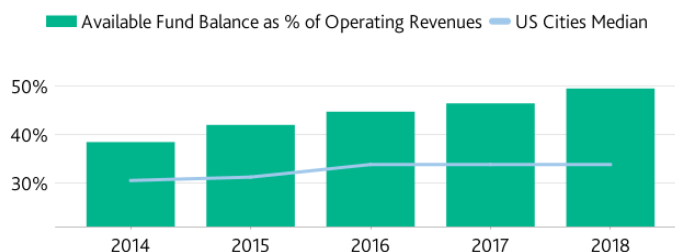
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$6,196M	\$6,549M	\$6,751M	\$6,835M	\$7,197M	\$1,867M	Improved
Full Value Per Capita	\$134,102	\$136,823	\$136,668	\$126,090	\$132,759	\$89,200	Stable
Median Family Income (% of US Median)	172%	176%	167%	167%	167%	113%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	38.5%	42.0%	44.8%	46.5%	49.5%	33.9%	Improved
Net Cash Balance as % of Operating Revenues	42.0%	45.2%	45.4%	48.1%	51.5%	36.9%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.6%	0.9%	1.0%	0.9%	0.8%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.75x	1.08x	1.25x	1.11x	1.01x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.7%	0.7%	0.7%	0.9%	0.9%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.81x	0.92x	0.87x	1.03x	1.11x	1.51x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	46,211	47,872	49,401	54,215	54,215	N/A	
Available Fund Balance (\$000s)	\$19,706	\$21,636	\$24,462	\$26,434	\$28,505	\$7,419	
Net Cash Balance (\$000s)	\$21,499	\$23,256	\$24,822	\$27,340	\$29,642	\$8,404	
Operating Revenues (\$000s)	\$51,173	\$51,460	\$54,647	\$56,875	\$57,544	\$21,930	
Net Direct Debt (\$000s)	\$38,495	\$55,810	\$68,115	\$63,225	\$58,404	\$18,580	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$41,604	\$47,220	\$47,759	\$58,426	\$63,790	\$32,507	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

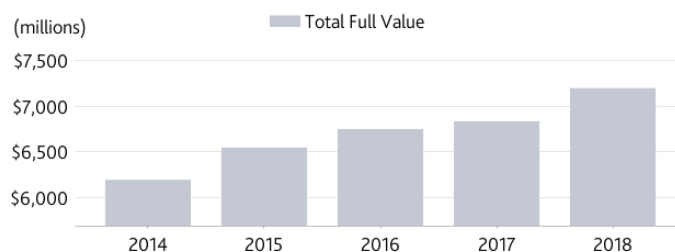
Available fund balance as a percent of operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

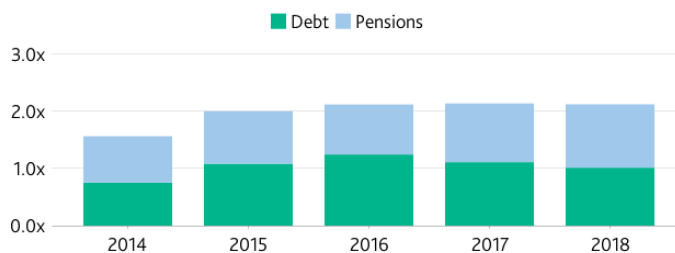
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues was stable from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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