

ISSUER COMMENT

10 April 2020

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 385,143 and a moderate population density of 741 people per square mile. The county's median family income is \$153,521 (1st quartile) and the February 2020 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.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety. We do not see any material immediate credit risks for Leesburg. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Leesburg changes, we will update our opinion at that time.

Credit Overview

The credit position for Leesburg is exceptional. Its Aaa rating is much stronger than the US cities median of Aa3. The notable credit factors include a robust financial position, a large tax base with a strong wealth and income profile, a light debt burden and a moderate pension liability.

Finances: Leesburg has a robust financial position, which is aligned with the assigned rating of Aaa. The cash balance as a percent of operating revenues (40%) is roughly equivalent to the US median. In addition, the town's fund balance as a percent of operating revenues (43.2%) is slightly stronger than other Moody's-rated cities nationwide. Because Virginia cities' operating funds include school operations, the median operating fund balance is generally lower than national medians. However, given the strong institutional framework we assign to VA cities, which reflects their significant revenue raising and expenditure cutting abilities, their overall financial positions can remain strong despite lower reserve levels.

Economy and Tax Base: The economy and tax base of Leesburg are strong and consistent with its Aaa rating. The median family income equals a robust 168.5% of the US level. Moreover, the full value per capita (\$141,846) is stronger than the US median, and rose modestly between 2015 and 2019. Lastly, the total full value (\$7.6 billion) is materially above other Moody's-rated cities nationwide.

Debt and Pensions: Overall, the town has small debt and pension burdens that are roughly aligned with the assigned rating of Aaa. Leesburg's net direct debt to full value (0.7%)

is slightly below the US median, and did not change from 2015 to 2019. Moreover, the Moody's-adjusted net pension liability to operating revenues (1.1x) favorably is slightly lower than the US median. Because Virginia cities are responsible for school operations, including capital borrowing, the median direct debt burden is generally higher than national medians. However, given the strong institutional framework we assign to VA cities, which reflects their significant revenue raising and expenditure cutting abilities, their overall debt profile can remain affordable despite elevated debt levels.

Management and Governance: Virginia Cities have an institutional framework score ³ of "Aaa", which is very strong. 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. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Virginia Cities

Economic growth continues to improve and will match the U.S. in 2019. Federal defense stimulus and white-collar industry expansions will reliably drive the improvement. Exposure to federal spending cuts is fading and Virginia remains a desirable place to do business. Projected job growth 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. The economy will continue to perform strongly. Overall, Virginia cities' credit strength will benefit from their typically strong financial management, growing revenues, and fund balances that average 30% of revenues.

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.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 1

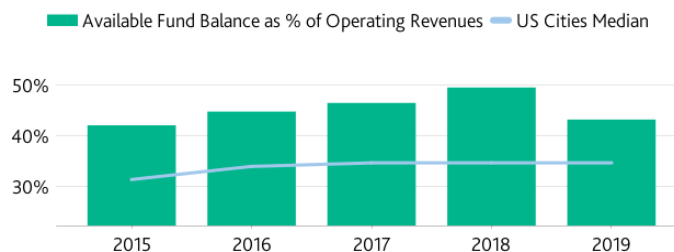
Key Indicators 4.5 Leesburg

	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$6,549M	\$6,751M	\$6,835M	\$7,197M	\$7,647M	\$1,904M	Improved
Full Value Per Capita	\$136,823	\$136,668	\$133,999	\$133,493	\$141,846	\$94,106	Stable
Median Family Income (% of US Median)	176%	167%	169%	169%	169%	111%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	42.0%	44.8%	46.5%	49.5%	43.2%	34.6%	Stable
Net Cash Balance as % of Operating Revenues	45.2%	45.4%	48.1%	51.5%	40.0%	39.6%	Weakened
Debt / Pensions							
Net Direct Debt / Full Value	0.9%	1.0%	0.9%	0.8%	0.7%	1.1%	Stable
Net Direct Debt / Operating Revenues	1.08x	1.25x	1.11x	1.01x	0.92x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.7%	0.7%	0.9%	0.9%	0.9%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.92x	0.87x	1.03x	1.11x	1.13x	1.56x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	47,872	49,401	51,015	53,917	53,917	N/A	
Available Fund Balance (\$000s)	\$21,636	\$24,462	\$26,434	\$28,505	\$25,355	\$8,028	
Net Cash Balance (\$000s)	\$23,256	\$24,822	\$27,340	\$29,642	\$23,468	\$9,530	
Operating Revenues (\$000s)	\$51,460	\$54,647	\$56,875	\$57,544	\$58,715	\$23,172	
Net Direct Debt (\$000s)	\$55,810	\$68,115	\$63,225	\$58,404	\$54,165	\$19,139	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$47,220	\$47,759	\$58,426	\$63,790	\$66,234	\$35,448	

Source: Moody's Investors Service

EXHIBIT 2

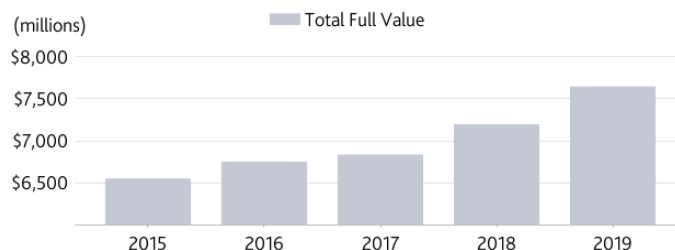
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

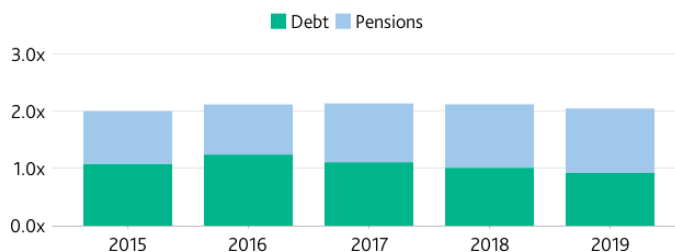
Full value of the property tax base increased from 2015 to 2019



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2015 to 2019



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 - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.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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