

Rating Action: Moody's assigns Aa1 to Virginia Beach's (VA) Public Facility Revenue Bonds 2018A

Global Credit Research - 01 Mar 2018

\$35.98* Million of debt affected; not to exceed \$40 million

New York, March 01, 2018 -- Moody's Investors Service has assigned a Aa1 rating to the City of Virginia Beach, VA's \$35.98 (not to exceed \$40 million) million Public Facility Revenue Bonds, Series 2018A.

RATINGS RATIONALE

The Aa1 rating incorporates reflects the risk of non-appropriation; essential nature of majority of the financed projects to the city's mandate; adequate legal provisions and the sound long-term tax-backed credit profile of the city of Virginia Beach (Aaa stable).

RATING OUTLOOK

The stable outlook reflects our expectation that financial operations will remain sound in the near term. The outlook also reflects expected stability in the local economy.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Failure to appropriate debt service payment
- Downgrade of the US Government rating
- Substantial declines in reserves
- Increasing reliance on fund balance appropriations
- Deterioration of tax base or significant underperformance of economically sensitive revenues

LEGAL SECURITY

Debt service on the 2018A Public Facility Revenue Bonds is secured by the city's pledge to make annual debt service appropriations. Legal provisions are adequate and require that the city make annual payments, subject to appropriation, to the trustee for the life of the bonds. The city council pledges to budget annually for the payments and further, if an annual budget were adopted without the appropriation, the city council is required to take a roll call vote acknowledging the impact of its failure to appropriate the funds. No asset or leasehold interest in any asset has been pledged to bondholders and there is no debt service reserve fund.

USE OF PROCEEDS

Proceeds from the 2018A issuance will reimburse the city for a portion of previously spent funds for various capital projects including: A Police station replacement, energy performance contracts, Adam Thoroughgood House Visitor Center Construction, revenue collection system enhancements, roadways, school improvements and Town Center Phase IV.

PROFILE

Virginia Beach is the largest city in Virginia with a total population of 454,448. The city benefits from its dynamic local economy anchored by tourism and strong military presence .

METHODOLOGY

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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