

Virginia Beach

The city's 'AAA' IDR and GO rating reflect the city's historically strong operating performance supporting its 'aaa' financial resilience assessment. The 'aaa' assessment reflects an 'ample' level of budgetary flexibility and Fitch's expectation that reserves will be maintained at or above 7.5% of spending. FYE 2025 unrestricted (committed, assigned, and unassigned) general fund reserves were equal to approximately 29% of spending, and the city has maintained these reserves above 15% over the past decade.

Demographic and economic trend metrics are 'strong' relative to Fitch's local government rated portfolio, characterized by a low unemployment rate compared with the national average, high resident educational attainment and high median household income, partly offset by slow population growth. The city's long-term liability burden is assessed as 'midrange', with moderate fixed carrying costs relative to governmental revenues and expenditures, counterbalanced by 'weak' direct debt and net pension liabilities relative to personal income.

The rating additionally reflects the application of a positive 1-notch analytical factor that recognizes the city's role as the region's center and an important contributor to the Virginia Beach-Chesapeake-Norfolk, VA-NC MSA, which accounts for 0.5% of U.S. GDP.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- An approximate 60% increase in long term liabilities without commensurate growth in personal income or governmental resources.
- Although not expected, a sustained decline in available general fund balance below 7.5% of spending, which would reduce the city's financial resilience assessment to below 'aaa'.
- A sustained material erosion of the city's demographic and economic trends and levels metrics.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The 'AAA' GO bond rating is the highest rating in Fitch's rating scale. The 'AA+' PFRB rating is the highest appropriation security rating permissible under Fitch's local government tax supported rating criteria.

Security

The GO bonds are backed by the city's full faith and credit and unlimited taxing power.

VBDA public facility revenue bonds are backed by annual payments from the city to VBDA pursuant to a support agreement, subject to annual appropriation.

Ratings

Long-Term IDR	AAA
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Outlooks

Long-Term IDR	Stable
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New Issues

\$162,335,000 General Obligation Public Improvement Bonds, Series 2026A	AAA
\$67,030,000 General Obligation Public Improvement Refunding Bonds, Series 2026B	AAA

Sale Date

Competitive sale on Feb. 12.

Outstanding Debt

[Issuer Ratings Information](#)

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(April 2024\)](#)

Related Research

[Fitch Rates Virginia Beach, VA's \\$162MM 2026A GOs and \\$67MM 2026B Refunding GO's 'AAA' \(February 2026\)](#)

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Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Rating Headroom & Positioning

Virginia Beach Model Implied Rating: 'AAA' (Numerical Value: 10.72)

- **Metric Profile:** 'AA+' (Numerical Value: 9.72)
- **Net Additional Analytical Factor Notching:** +1.0

Individual Additional Analytical Notching Factors:

- **Economic and Institutional Strength:** +1.0

Virginia Beach's Model Implied Rating is 'AAA'. The associated numerical value of 10.72 is at the upper end of the range for a 'AAA' rating.

Current Developments

The City of Virginia Beach ended fiscal 2025 (June 30) with a net operating surplus of \$74.1 million, increasing the unrestricted general fund balance to \$422 million, equal to 28% of total general fund expenditures and transfers out. The positive results reflect continued growth in real estate property tax revenues, interest income, sales tax revenue, business licenses and meals tax revenues combined with expenditure savings from position vacancies.

The city's fiscal 2026 adopted general fund budget of \$1.6 billion is a 7% increase over the prior year's adopted budget, with no change to property tax rates. The adopted general fund budget increase includes spending for employee compensation, health care costs and new positions. The city also raised the restaurant meals tax by 0.5% to 6.0% to fund a new major projects fund for capital projects. According to city management, fiscal 2026 general fund operations are trending positive, with revenue and expenditure performance expected to outperform the budget, consistent with past performance.

Profile

Virginia Beach is located in the Hampton Roads region of Virginia along the Atlantic Ocean and the Chesapeake Bay. It is the most populous city in the commonwealth, with a 2024 census estimated population of roughly 454,808, up 4% since 2010. Economic activity is heavily influenced by the federal government owing to the presence of several U.S. naval installations in the region, in addition to a strong tourism component. The local economy is further diversified with real estate, agriculture, information technology and cybersecurity services, advanced manufacturing, health care, maritime and logistics, and the trade and retail industries.

The city is home to the Oceana Naval Air Station, the Navy's only east coast master jet base, and the Joint Expeditionary Base Little Creek-Fort Story, the primary east coast base supporting overseas contingency operations. The Naval Air station employs approximately 15,000 (10,000 active-duty personnel and 4,500 civilians) and is vital for training naval members in both the Pacific and Atlantic fleets. The Joint Expeditionary Base provides support and services to 18 home imported ships and 155 shore-based resident commands, employing about 17,000 (14,000 active-duty personnel and 3,000 civilians). The base is one of the largest on the east coast, encompassing 4,000 acres of land, with 7.5 miles of beachfront training area and 61 piers.

Tourism is also an economic mainstay of the region due to the city's beachfront location and year-round convention center events. The city also benefits from sports tourism events, which help promote the city as a year-round destination for sports, other special events, and convention center activity.

The Port of Virginia, with operations in nearby Portsmouth, Newport News and Norfolk, supports a large trade component of the regional economy and has experienced increased volume following recent infrastructure

investments and the widening of the Panama Canal. Noteworthy infrastructure improvements include the Hampton Roads Transportation Accountability Commission's nearly \$4 billion I-64 Hampton Roads bridge and tunnel expansion project, which is on target for completion in 2027. Fitch expects this activity to support economic growth and development.

Key Drivers

Issuer: Virginia Beach (VA)	Financial Profile	0.0	Issuer Position Within AAA Model Implied Rating 	
Type: City General Obligation	Demographic & Economic Strength	1.0		
Current: AAA, RO:Sta (2025/03/06)	Long-Term Liability Burden	0.0	Rating position post application of analytical overlay	
Fiscal Year	AAF Notching Total(4)	1.0		
Metric Profile	MIR - Metric	10.72		
Metric Profile Mapping	MIR - Mapping	AAA		

Metric	Analyst Input		Metric		Composite		
	2025	2025	Percentile	Weight	Percentile / Value	Assessment	Weight
Financial Profile							
Financial Resilience Components							
Available Reserves (FB/Expenditures: 5-Year Low) (%)	23.5						
Revenue Control Assessment	High	High					
Expenditure Control Assessment	High	High				aaa	35%
Budgetary Flexibility	Ample	Ample					
Financial Resilience	aaa	aaa		100%			
Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%)	-8.2					Weak	0%
Revenue Volatility(1)	1.00	1.00	30%	100%			
Demographic and Economic Strength							
Trend							
Population Trend (%) (2)	0.0		11%	100%	11%	Weakest	8%
Unemployment Rate as Percentage of National Rate (%) (5)	67.5		91%	33%			
Population w/ Bachelor's Degree and Higher (%) (2)	40.4		75%	33%	78%	Strong	26%
MHI as a % of the Portfolio Median (2)	117.1		68%	33%			
Concentration & Size							
Population Size (2) (3)	453,779	454,808	100%	50%	100%	Strongest	9%
Economic Concentration (%) (2) (3)	30.9		100%	50%			
Long-Term Liability Burden							
Liabilities/Personal Income (%)	7.9	7.8	31%	35%			
Liabilities/Governmental Revenues (%) (6)	144.5	135.4	70%	25%	56%	Midrange	21%
Carrying Costs/Governmental Expenditures (%)	11.2	12.2	69%	40%			

(1) Model directly uses revenue volatility. Percentiles are for information only: metric percentile represents the issuer; composite percentile represents the average of the issuer's class. The Revenue Volatility metric represents the issuer's revenue volatility relative to the median revenue volatility of the total issuer portfolio.
 Revenue Volatility is treated asymmetrically, where weight is marginal for issuers that exhibit low to moderate revenue volatility. For issuers with higher revenue volatility, this factor will moderately lower the metric profile, implying a somewhat reduced weighting for all other variables in these instances.
 (2) Population, Concentration, MHI and Educational Attainment data is lagged by one year e.g. 2021 data is used and displayed for fiscal year 2022.
 (3) Percentiles represent the class. Economic concentration is defined as the sum of the absolute deviation of the issuer from the national average proportion across major economic sectors. Sector data is on the county level for all entities or the MSA level for cities that span multiple counties. If data is unavailable for an issuer, median figures based on reported data for all counties within the issuer's state are used as proxy values.
 (4) Additional Analytical Factors (AAF) have a potential notching range of +2/-2 for each of the three categories and an overall IDR notching range of +3/-3.
 (5) County level data used for sub-county entities when prior year's data is unavailable. If county data is unavailable, MSA data is used. MSA level data is used for cities that span multiple counties.
 (6) As a proxy for per capita personal income for sub-county levels of local government, Fitch calculates the ratio of money income to per capita income for the county in which the rated entity is located and applies that ratio to the entity's money income. The estimated per capita personal income figure is multiplied by population to estimate total personal income.

Source: Fitch Ratings

Financial Profile

Financial Resilience - 'aaa'

Virginia Beach's financial resilience is driven by the combination of its 'High' revenue control assessment and 'High' expenditure control assessment, culminating in a 'Ample' budgetary flexibility assessment.

- **Revenue control assessment: High**
- **Expenditure control assessment: High**
- **Budgetary flexibility assessment: Ample**
- **Minimum fund balance for current financial resilience assessment: >=7.5%**
- **Current year fund balance to expenditure ratio: 28.5% Analyst Input (vs. 23.5% 2024 Actual)**
- **Lowest fund balance to expenditure ratio for the fiscal-year period 2021-2025: 23.5% (2024)**

Revenue Volatility - 'Weak'

Virginia Beach's weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

- **Lowest three-year revenue performance (based on revenues dating back to 2005):** 8.2% decrease for the three-year period ending fiscal 2012
- **Median issuer decline:** -4.3% (2024)

State-Specific Revenue/Expenditure Context & Budgetary Control

General property tax (real estate and personal property) revenues represent the largest revenue source for the city and comprised 58% of the city's fiscal year 2025 general fund revenues. Other local revenues, which include general sales tax and restaurant, meals and hotel room tax revenues, comprised about 20% of general fund revenues in fiscal 2025.

Virginia Beach retains broad legal control to raise revenues without limit as it is not subject to a statutory cap or limit on its property tax rate or levy. The city has exercised its ability to adjust tax rates in response to shifts in the tax base and currently maintains a more competitive and affordable tax rate than other local governments in the Hampton Roads region.

Effective May 1, 2021, Virginia localities are permitted to engage in collective bargaining agreements with public employees. City officials have not approved participation in collective bargaining.

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series

Audited fiscal 2025 general fund results were used for the current year fund balance to expenditure ratio.

Demographic and Economic Strength

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, Virginia Beach's population trend is assessed as 'Weakest'.

Population trend: 0.0% Analyst Input (11th percentile) (vs. 0.0% 2023 median of 10-year annual percentage change in population)

Unemployment, Educational Attainment and MHI Level - 'Strong'

The overall strength of Virginia Beach's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strong' on a composite basis, performing at the 78th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

- **Unemployment rate as a percentage of national rate:** 67.5% 2024 (91st percentile), relative to the national rate of 4.0%
- **Percent of population with a bachelor's degree or higher:** 40.4% (2023) (75th percentile)
- **MHI as a percent of the portfolio median:** 117.1% (2023) (68th percentile)

Economic Concentration and Population Size - 'Strongest'

Virginia Beach's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- **Population size:** 454,808 Analyst Input (above the 15th percentile) (vs. 453,779 2023 Actual)
- **Economic concentration:** 30.9% (2024) (above the 15th percentile)

Additional Analytical Factors and Notching

Demographic and Economic Strength Additional Analytical Factors and Notching: +1.0 notch (for Economic and Institutional Strength)

A +1.0-notch uplift has been applied under the Economic and Institutional Strength Additional Analytical Factor reflecting Fitch's view of Virginia Beach's economic importance as the core city and an important contributor to the Virginia Beach-Chesapeake-Norfolk, VA-NC MSA. The MSA plays an integral role in the national economy, accounting for 0.5% of U.S. GDP in 2023, according to the Bureau of Economic Analysis. The city is the most populous in the state and hosts four military bases and several corporate headquarters across a diverse array of industries including high-tech, advanced manufacturing, defense contracting, and service industries.

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The population trend and size data were updated to include the 2024 Census estimated population. The economic concentration data includes a standard statewide county median as a proxy for the missing natural resources and mining data.

Long-Term Liability Burden

Long-Term Liability Burden - 'Midrange'

Virginia Beach's carrying costs to governmental expenditures and liabilities to governmental revenue remain strong while liabilities to personal income remain weak. The long-term liability composite metric in 2024 is at the 56th percentile, roughly in line with Fitch's local government rating portfolio.

- **Liabilities to personal income:** 7.8% Analyst Input (31st percentile) (vs. 7.9% 2024 Actual)
- **Liabilities to governmental revenue:** 135.4% Analyst Input (70th percentile) (vs. 144.5% 2024 Actual)
- **Carrying costs to governmental expenditures:** 12.2% Analyst Input (69th percentile) (vs. 11.2% 2024 Actual)

Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 83.4%, or an estimated 76.1%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted NPL was equal to \$1,378.8 million, or about 4.2% of personal income.

Additional Insight

The city's fiscal 2026 to fiscal 2031 adopted capital improvement plan totals \$5.6 billion including prior appropriations, with projects focused on addressing public safety and stormwater management, road and playground improvements, new information technology initiatives, school modernization, flood protection and coastal projects. Projects will be funded from a combination of debt, pay-as-you-go transfers, state and federal contributions, fees, and miscellaneous sources.

In fiscal 2026, the city created a new Major Projects Special Revenue Fund to further strengthen its pay-go funding of capital projects from a combination of sources to include a dedicated \$0.3 cents real estate tax rate from an existing agriculture reserve program; a 0.5% increase in the meals tax (to 6.0%); a portion of the meals tax revenue allocated from the open space special revenue fund; and 40% of the town center tax increment fund revenues.

Following the current issuance, the city has approximately \$660 million in authorized but unissued GO bond authorization and \$604 million in authorized but unissued public facility revenue bonds. Fitch Ratings expects the city's long-term debt liability to remain manageable as the city continues to balance new borrowing against existing resources and scheduled amortization of existing obligations.

Analyst Inputs to the Model

Net direct debt was adjusted to reflect fiscal year end 2025 debt outstanding, less scheduled principal amortization and includes \$162,335,000 for the GO bond 2026A issuance. The net pension liability, total governmental revenues, actual other post-employment contributions, and pension actuarially determined contributions reflect FYE 2025 audited results. Debt service and total governmental expenditure were adjusted to include the FYE 2025 debt service and estimated debt service of \$15,262,293 for the current issuance.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Financial Summary

(\$000, Audited Fiscal Years Ending Jun. 30)	2021	2022	2023	2024	2025
General Fund Revenues					
Property Tax	712,040	730,323	782,738	852,797	895,551
Sales Tax	87,763	95,600	97,417	98,624	101,108
Income Tax	-	-	-	-	-
Other Tax	178,452	194,021	192,229	198,233	209,397
Total Taxes - Undifferentiated	-	-	-	-	-
Intergovernmental	189,262	194,018	206,052	222,232	230,330
Other Revenue	69,657	78,998	93,253	114,671	119,736
Total	1,237,174	1,292,959	1,371,689	1,486,556	1,556,121
General Fund Expenditures					
General Government	87,354	67,935	83,243	128,350	87,664
Public Safety	143,909	174,662	193,782	203,197	218,840
Educational	415,985	445,455	456,472	463,231	465,301
Debt Service	51,732	53,813	51,661	48,152	64,517
Capital Outlay	-	-	-	-	-
Other Expenditures	361,622	368,921	403,761	449,909	484,282
Total	1,060,602	1,110,785	1,188,918	1,292,839	1,320,604
Transfers In and Other Sources	6,288	796	12,947	37,840	2,612
Transfers Out and Other Sources	139,176	200,714	182,543	205,525	163,952
Net Transfers & Other	-132,888	-199,918	-169,596	-167,685	-161,340
Adjustment for Bond Proceeds and Extraordinary One-Time Uses	-	-	-	-	-
Net Op. Surplus (Deficit) After Transfers	43,683	-17,745	13,175	26,032	74,178
Net Op. Surplus (Deficit)/(Total Expenditures + Transfers Out and Other Uses)(%)	3.64	-1.35	0.96	1.74	5
Total Fund Balance	349,491	331,747	342,071	368,103	442,281
Unrestricted Fund Balance	334,407	317,206	330,699	352,184	422,812
Other Available Fund Balances	-	-	-	-	-
Total Available Unrestricted Reserves (GF + Other)	334,407	317,206	330,699	352,184	422,812
Available Reserves as % of Spending (Adj for Bond Proceeds and Other One-Time Uses)	27.87	24.19	24.11	23.5	28.48

Sources: Fitch Ratings, Fitch Solutions, Virginia Beach (VA) [General Government]

Long-Term Liability Burden (\$000)

(\$000, Audited Fiscal Years Ending Jun. 30)	2025
Direct Debt	1,125,820
Less: Self-Supporting Debt	-
Net Direct Debt	1,125,820
Fitch Adjusted NPL	1,376,661
Net Direct Debt + Fitch-Adjusted net pension liabilities (NPL)	2,502,480
Population	454,808
Per Capita Personal Income	72,091
Estimated Personal Income (\$000)	32,787,564
Net Debt + Fitch-Adjusted NPL / Personal Income (%)	7.6
Total Governmental Revenues	1,889,074
Net Direct Debt + Fitch Adjusted NPL as Percentage of Governmental Revenue (%)	132.47
Debt Service (Net of State Support)	135,849
Actuarially Determined Pension Contributions	73,781
Actual OPEB Contributions	12,199
Total Governmental Expenditures	1,929,833
Carrying Costs/Governmental Expenditures (%)	11.49

Note: Figures above do not reflect any Analyst Input Adjustments.

Sources: Fitch Ratings, Fitch Solutions, Virginia Beach (VA) [General Government]

Summary

Description	Final Value
Budgetary Flexibility Assessments	
Revenue Control Assessment	High
Expenditure Control Assessment	High
Collective Bargaining and Resolution Framework	High
Workforce Outcomes	High
Cost Drivers	Midrange
Metrics Assessments	
Financial Profile - Financial Resilience	aaa
Financial Profile - Revenue Volatility	Weak
Demographic & Economic Strength - Trend	Weakest
Demographic & Economic Strength - Level	Strong
Demographic & Economic Strength - Concentration & Size	Strongest
Long-Term Liability Burden	Midrange
Metric Profile Mapping	AA+
Metric Profile	9.72
Additional Analytical Factors	
Total Notching - capped	1
Financial Profile	
Fiscal Oversight	
Revenue Capacity	
Contingent Risks	
Non-Recurring Support or Spending Deferrals	
Political Risks	
Management Practices	
Demographic & Economic Strength	1
Economic and Institutional Strength	1
Revenue Concentration Risks	
School District Resources	
Long-Term Liability Burden	
Pension Funding Assumptions	
Pension Contributions	
OPEB	
Debt Structure	
Capital Demands and Affordability	
Model Implied Rating - Mapping	AAA
Model Implied Rating - Metric	10.72
Outliers and Developing Situations Considerations	No
Notching Rationale - 1	
Notching Rationale - 2	
Issuer Default Rating/Issuer Default Credit Opinion	AAA
Outlook/Watch	RO:Sta
Source: Fitch Ratings	

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