FitchRatings

RATING ACTION COMMENTARY

Fitch Rates Virginia Beach Development Auth., VA's $204MM 2026A, B & C PFRBs 'AA+'; Outlook Stable

Thu 27 Aug, 2026 - 3:16 PM ET

Fitch Ratings - New York - 27 Aug 2026: Fitch Ratings has assigned a 'AA+' rating to the Virginia Beach Development Authority (VBDA), VA's $46,530,000 public facility revenue bonds (PFRBs), series 2026A and $121,590,000 PFRBs, series 2026B (federally taxable) and $35,700,000 PFRBs, series 2026C.

The bonds will be sold competitively on or about Sept. 16, 2026. The series 2026A and 2026B proceeds will be used to fund various governmental projects; series 2026C proceeds will be used to refund outstanding bonds for savings.

Fitch has also affirmed the city of Virginia Beach, VA Issuer Default Rating (IDR) and outstanding general obligation (GO) bonds at 'AAA' and outstanding PFRBs issued by the VBDA at 'AA+'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Virginia Beach (VA) [General Government]	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

Virginia Beach (VA) /Appropriation - CVBDA/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
Virginia Beach (VA) /General Obligation - Unlimited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The city's 'AAA' IDR and GO bond rating reflect it's 'aaa' financial resilience and Fitch's expectation that unrestricted general fund reserves (sum of committed, assigned and unassigned) will exceed 7.5% of spending. Fiscal 2025 reserves equaled 29% of spending, and reserves have exceeded 15% over the past decade.

Demographic and economic trends are 'strong' relative to Fitch's local government portfolio and long-term liabilities are considered 'Midrange', with moderate fixed carrying costs relative to governmental revenues and expenditures, counterbalanced by slightly elevated direct debt and net pension liabilities relative to personal income.

The rating also reflects a positive one-notch additional analytical factor that recognizes the city's role as the region's economic center and an important contributor to economic activity to the Virginia Beach-Chesapeake-Norfolk, VA-NC MSA.

The 'AA+' rating on VBDA obligations reflects the slightly higher degree of optionality associated with appropriation payments made by the city.

RATING SENSITIVITIES

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

-- An approximate 40% increase in long-term liabilities and carrying costs without commensurate growth in personal income or governmental resources;

-- Although not expected a sustained decline in unrestricted general fund balance below 7.5% of spending would reduce the city's financial resilience assessment to below 'aaa';

-- A sustained material erosion of the city's demographic and economic trend and level 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 VBDA public facility revenue bonds are backed by annual payments subject to appropriation from the city to the VBDA, pursuant to a support agreement.

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

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.

RATINGS HEADROOM & POSITIONING

Virginia Beach Model Implied Rating: 'AAA' (Numerical Value: 10.52)

-- Metric Profile: 'AA+' (Numerical Value: 9.52)-- 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 10.52 is in the middle of the range for a 'AAA' rating.

KEY RATING DRIVERS

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% (2025)

-- 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: -3.6% (2025)

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% 2024 median of 10-year annual percentage change in population (12th percentile)

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 2025 are assessed as 'Strong' on a composite basis, performing at the 75th 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: 74.4% 2025 (83rd percentile), relative to the national rate of 4.3%

-- Percent of population with a bachelor's degree or higher: 40.9% (2024) (76th percentile)

-- MHI as a percent of the portfolio median: 114.3% (2024) (66th percentile)

Economic Concentration and Population Size - 'Strongest'

With a large population in 2025 and an economy that was not concentrated, Virginia Beach qualified for Fitch's highest overall category for Concentration and Population Size.

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: 453,737 (2025) Analyst Input (above the 15th percentile) (vs. 453,763 2024 Actual)

-- Economic concentration: 29.7% Analyst Input (above the 15th percentile) (vs. 28.4% 2025 Actual)

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

A one-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 total metropolitan areas contributions to 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 nonrecurring events that may otherwise skew the time series.

The population trend and size data were updated to include the Census Bureau's 2025 population estimate. The economic concentration data include 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 has weakened while liabilities to personal income remain moderately weak and liabilities to governmental revenue remain moderately strong. The long-term liability composite metric in 2025 is at the 52nd percentile, roughly in line with Fitch's local government rating portfolio.

-- Liabilities to personal income: 8.2% Analyst Input (28th percentile) (vs. 7.7% 2025 Actual)

-- Liabilities to governmental revenue: 143.2% Analyst Input (67th percentile) (vs. 132.7% 2025 Actual)

-- Carrying costs to governmental expenditures: 13.0% Analyst Input (64th percentile) (vs. 11.5% 2025 Actual)

Net direct debt was adjusted to reflect debt outstanding as of Aug. 31, 2026 and includes $46.5 million for the PFRB 2026A issuance and $121.6 million for the PFRB 2026B issuance. Debt service and total governmental expenditures were adjusted to reflect pro-forma debt service for fiscal 2028, which includes the estimated debt service for the current issuance.

PROFILE

Virginia Beach, in Hampton Roads along the Atlantic Ocean and Chesapeake Bay, has an economy anchored by U.S. naval installations and tourism and diversified by real estate, technology, cybersecurity, manufacturing, health care and maritime/logistics industries supported by the Port of Virginia.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Virginia Beach (VA) [General Government].

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.

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer’s available public disclosure.

APPLICABLE CRITERIA

U.S. Public Finance Local Government Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Virginia Beach Development Authority	EU Endorsed, UK Endorsed

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Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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