

Research Update:

Virginia Beach, VA Series 2026A-B GO Public Improvement Bonds Rated 'AAA'; Outlook Stable

February 2, 2026

Overview

- S&P Global Ratings assigned its 'AAA' rating to [Virginia Beach](#), Va.'s \$162.3 million series 2026A general obligation (GO) public improvement bonds and its \$67.03 million series 2026B GO public improvement refunding bonds.
- S&P Global Ratings also affirmed its 'AAA' rating on the city's existing GO debt.
- In addition, S&P Global Ratings affirmed its 'AA+' rating on the city's existing appropriation debt.
- The outlook is stable.

Rationale

Security

The city's full-faith-credit-and-resources pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the GO bonds. Annual payments by Virginia Beach to the authority, pursuant to a support agreement and subject to appropriation, secure the authority's public-facility revenue bonds. We rate these obligations one notch lower than the city's general creditworthiness to account for appropriation risk associated with the annual payment. We considered the affordability and likelihood of the annual payment, which is reflected in the 'AA+' rating, and our view of Virginia Beach's general creditworthiness. In our view, the support agreement's features and terms are standard with no unusual risks regarding timely debt payment. Under the agreements, the city cannot abate annual payments in the event of damage or destruction to the related property.

Officials intend to use series 2026A bond proceeds to fund various city and school capital projects citywide and series 2026B bond proceeds to refund existing debt.

Credit highlights

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The rating affirmation reflects the city's robust, multifaceted local economy, supporting consistently positive results. A well-established financial management policy framework, with a focus on long-term planning, also stabilizing the city's performance and reserve levels as it tackles its ongoing, sizable capital needs. Ongoing expansion of Virginia Beach's taxing base, demonstrated willingness to adjust tax rates, and new revenue sources support our view of its significant revenue-raising flexibility.

The rating also reflects our view of the city's:

- Growing, diversifying economy within the Hampton Roads Region, with an economic output slightly below national peers, and incomes that slightly exceed national levels. Growth in the city's manufacturing, technology sectors, and residential space continues.
- Well-embedded, forward looking financial policies and practices that drive budgetary decision-making.
- Demonstrated ability to consistently outperform the budget, while supporting ongoing pay-go capital projects, with a high reserve position, and cash balances.
- Manageable liabilities profile, that adhere to policy levels, with a robust slate of upcoming capital projects.
- Predictable operating environment within a very strong institutional framework. For more information on our institutional framework assessment for Virginia municipalities, see: "[Institutional Framework Assessment: Virginia Local Governments](#)," Sept. 11, 2024.

Environmental, social, and governance

Virginia Beach's physical risks are elevated due to its exposure to rising sea levels; it proactively manages these risks and includes ongoing remediation efforts as part of rolling capital projects. The city also collaborates with other oceanside communities and the commonwealth for larger-scale projects. Recently, residents passed a flood-protection-bond referendum, totaling \$567.5 million, dedicating 4.1 cents of its real estate tax to flood-control projects based on 2024 estimates; the dedication translates to \$33.8 million of revenue for projects.

Virginia Beach has completed a comprehensive sea-level-increase and recurrent-flooding study. It also maintains master-drainage stormwater models that assess future system performance and vulnerabilities. The city, as part of its "sea level wise" response to the study, identified seven goals; 29 objectives; and 175 action items, including zoning changes, beach nourishment, marsh restoration, drainage changes, and creating a seawall. To fund these initiatives, the city dedicates 2.5 cents of its real estate tax and stormwater fees. Furthermore, the city council voted to adopt new public-works-design standards with higher standards to safeguard against sea-level rise.

We view Virginia Beach's governance and social factors as in-line with the sector, and it has historically maintained a strong management and policy framework to respond to developing risk.

Rating above the sovereign

Virginia Beach's GO bonds are eligible to be rated above the sovereign because we think it can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "[Ratings Above The Sovereign--Corporate And Government Ratings--Methodology And Assumptions](#)," Nov. 19, 2013, on RatingsDirect, U.S. local governments are considered to have moderate sensitivity to national risk. The city has a predominately locally derived revenue source. In addition, Virginia Beach has a very high general fund balance and strong liquidity.

Outlook

The stable outlook reflects S&P Global Ratings' view that Virginia Beach's economy; robust management practices; and financial-management performance, including reserve maintenance, will likely continue to support its creditworthiness.

Downside scenario

Although we view this as unlikely, we could lower the rating if Virginia Beach's reserve position were to decrease significantly due to prolonged budgetary deterioration or if the city's debt and liability profile were to materially weaken.

Credit Opinion

Economy

Despite regional pressure stemming largely from cuts to federal government employment and contracts, Virginia Beach economic and taxing bases are resilient. City-level employment remains concentrated in the public administration and finance sectors, with federal government civilian employment totaling roughly 5% of total city employment. We note, ongoing diversification of employers within the city continues. The city is largely reliant on local property taxes and growth in valuations and property tax collections has remained consistent with prior years.

Additionally, projected future growth in personal incomes and economic output is anticipated for Virginia Beach; however, this growth is expected to trail the projected growth rate of the state and the nation during the same time period (2026-2029). We continue to monitor potential changes at the federal level or changes in consumer confidence that may impact the city's economic profile. For more information, please see "[Economic Outlook U.S. Q1 2026: Steady As She Goes But On A Narrow Path](#)," Nov. 24, 2025.

Management

The city has a lengthy history of positive budgetary variances through economic and credit cycles. Management is proactive in identifying and addressing budgetary pressures, leveraging comprehensive budgeting, forecasting techniques. The formal reserve policy requires maintaining an unassigned general fund balance of 8%-12% of next year's revenue. The city measures its formal debt issuance policy in multiple ways.

The six-year rolling capital improvement plan (CIP) identifies all revenue sources. Virginia Beach's conservative investment policy does not permit derivatives. Officials provide updates to the city council throughout the year.

Financial performance, reserves, and liquidity

We expect the city will maintain long-term financial balance, given significant budgetary flexibility and robust planning. We note the city has additional reserves outside the general fund it could use to support operations that would require a city council motion, which we have included in its reserve calculation. Fiscal 2025 results were positive, adding to fund balance in addition to transferring out a portion of the surplus to various funds, including its capital fund. Revenues came in above budgeted levels, while expenditures savings are continuously generated. For the city and the school's net operating budget for fiscal 2026 of \$2.79 billion or a 4.75% year-over-

year increase from the previous budgeted year. The city did not change its real estate tax, but did increase its meals tax, increased its short-term rental permit fee and created a new pleasure boat registration fee, among other adjustments to revenues. The city reports budget to actuals are trending in line with expectations. We expect the city's performance will remain balanced to slightly positive as the broader economic conditions may impact the city's economically sensitive revenues.

The city is in the process of crafting its 2027 budget. We expect the city will adjust both revenue and expenditure to ultimately adopt a balanced budget, as it has in recent years. The city also consistently outperforms both budgeted revenue and expenditures with small variances, demonstrating that budgeted figures are reliable.

Debt and liabilities

We expect debt and liability profile will likely increase modestly due to the size and scope of Virginia Beach's currently planned projects. The proposed six-year capital plan, including prior appropriations, totals \$5.6 billion. Preliminarily, the city expects to issue \$1.3 billion of tax-supported debt. Due to debt amortization, we do not expect a material change to the city's debt profile. We adjusted the debt score to account for the city issuing for the school district, which maintains a financial profile independent of the city, given low debt-to-revenue despite elevated debt on a per-capita basis.

We do not view Virginia Beach's pension and other postemployment benefit (OPEB) liabilities as an immediate credit pressure, as its required contributions make up a manageable portion of total governmental expenditures. Liabilities and costs could rise if the Virginia Retirement System (VRS) adopts incrementally conservative assumptions, but we expect Virginia Beach will plan and budget for costs increases without pressuring its operating or capital budgets.

As of June 30, 2025, the latest measurement, the city participates in:

- VRS, which is 84% funded, with a proportionate net pension liability of \$437.6 million for city employees; and
- Virginia Beach's single-employer, defined-benefit OPEB plan that provides medical coverage for retired city employees; the unfunded liability for the city totals \$14.9 million. Virginia Beach's OPEB trust liability was 81% funded as of June 30, 2025.

The city also participates in a cost-sharing plan for school board employees and an agent multiple-employer plan for school board political subdivision employees. The school board pays all contributions as a discrete component unit of the city. Consistent with our analysis in Virginia, we have not incorporated the school board's financial performance into the city's general financial performance and have not considered the school board's retirement liabilities or contributions as part of Virginia Beach's liabilities.

Virginia Beach, Virginia--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.70
Economy	2.5
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	2.00

Virginia Beach, Virginia--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	--	79
County PCPI % of U.S.	--	--	--	103
Market value (\$000s)	--	91,321,762	85,337,647	77,784,711
Market value per capita (\$)	--	200,259	187,137	169,174
Top 10 taxpayers % of taxable value	--	4.9	4.1	4.4
County unemployment rate (%)	--	3.0	2.7	2.7
Local median household EBI % of U.S.	--	--	110	116
Local per capita EBI % of U.S.	--	--	104	108
Local population	--	--	456,018	459,790
Financial performance				
Operating fund revenues (\$000s)	--	1,556,121	1,486,556	1,372,416
Operating fund expenditures (\$000s)	--	1,320,604	1,292,839	1,369,388
Net transfers and other adjustments (\$000s)	--	(161,339)	(167,685)	10,146
Operating result (\$000s)	--	74,178	26,032	13,174
Operating result % of revenues	--	4.8	1.8	1.0
Operating result three-year average %	--	2.5	0.4	1.0
Reserves and liquidity				
Available reserves % of operating revenues	--	38.4	58.9	41.1
Available reserves (\$000s)	--	597,448	876,096	563,581
Debt and liabilities				
Debt service cost % of revenues	--	7.2	7.3	8.3
Net direct debt per capita (\$)	2,668	2,217	2,300	1,736
Net direct debt (\$000s)	1,216,839	1,010,791	1,048,789	798,053
Direct debt 10-year amortization (%)	68	71	70	--
Pension and OPEB cost % of revenues	--	5.0	5.0	5.0
NPLs per capita (\$)	--	960	960	949
Combined NPLs (\$000s)	--	437,672	437,672	436,352

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$162.335 mil GO pub imp bnds ser 2026A due 08/01/2046

Long Term Rating AAA/Stable

US\$67.03 mil GO pub imp rfdg bnds ser 2026B due 08/01/2036

Long Term Rating AAA/Stable

Ratings Affirmed

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Ratings List

Local Government

Virginia Beach, VA Lease Appropriation	AA+/Stable
Virginia Beach, VA Unlimited Tax General Obligation	AAA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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