Research Update:

Virginia Beach Series 2026 A, B And C Public Facility Revenue Bonds Assigned 'AA+' Rating; Outlook Stable

August 25, 2026

Overview

- S&P Global Ratings assigned its 'AA+' rating to Virginia Beach Development Authority's $46.0 million series 2026A public facility revenue bonds (PFRB), $121.6 million series 2026B taxable PFRB, and $35.7 million series 2026C refunding PFRB, issued for Virginia Beach.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on Virginia Beach's existing general obligation (GO) debt and its 'AA+' rating on the city's existing appropriation debt.
- The outlook is stable.

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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 PFRBs. We rate these obligations one notch lower than the city's general creditworthiness to account for appropriation risk associated with the annual payment. We incorporated the affordability and likelihood of the annual payment 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 agreement, the city cannot abate annual payments in the event of damage or destruction to the related property. Authority bonds will fund certain capital expenses while refunding certain series (2026C) for budgetary savings.

Credit highlights

The rating 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 stabilizes the city's performance and reserve levels as it tackles its sizable capital

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needs. Ongoing expansion of Virginia Beach's taxing base, its demonstrated willingness to adjust tax rates, and new revenue sources support our view of its significant revenue-raising flexibility.

Virginia Beach anticipates utilizing a portion of its reserve position for one-time capital expenses at fiscal year-end 2026. Outside of the utilization of reserves, the city's revenue and expenditure came in as anticipated, with no significant variances. The city's adopted budget across all funds is $2.9 billion, which is a 3.36% increase over the amended fiscal year 2026 budget. About $1.26 billion (or 44%) of the total budget is related to the schools, while $1.63 billion is dedicated to city operations. The city elected to keep the tax rate stable but offered residents a personal property tax relief credit of up to $80 per vehicle. The city is striving for expenditure efficiencies by eliminating unneeded expenses, while also adding additional staff in growing departments.

We expect the debt and liability profile will likely increase modestly due to the size and scope of Virginia Beach's planned projects, but will remain manageable. The proposed six-year capital plan, including prior appropriations, totals $5.3 billion. Preliminarily, the city expects to issue $1.2 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 Virginia Beach 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.

The rating also reflects the following factors:

- Virginia Beach has a growing, diversifying economy within the Hampton Roads Region, with an economic output slightly below that of national peers, and incomes that slightly exceed national levels. Growth in the city's manufacturing, technology sectors, and residential space continues. Tourism continues to be an integral part of the city's local economy.
- Well-embedded, forward-looking financial policies and practices drive budgetary decision-making. Management proactively identifies and addresses budgetary pressures, leveraging comprehensive budgeting and forecasting techniques on a financial and capital project basis. 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 city has demonstrated an ability to consistently outperform the budget while supporting ongoing pay-go capital projects, with a high reserve position, and cash balances. We expect the city will maintain at least balanced operations.
- The manageable liabilities profile adheres to policy levels, with a robust slate of upcoming capital projects. We do not view Virginia Beach's pension and other postemployment benefit liabilities as an immediate credit pressure, as required contributions make up a manageable portion of total governmental expenditures.
- The predictable operating environment is 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.

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, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013, 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.

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Outlook

The stable outlook reflects our 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.

Virginia Beach--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--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	83	80
County PCPI % of U.S.	--	--	105	104
Market value ($000s)	--	91,321,762	85,337,647	77,784,711
Market value per capita ($)	--	201,961	187,137	169,174
Top 10 taxpayers % of taxable value	--	4.9	4.1	4.4
County unemployment rate (%)	--	3.2	2.8	2.7
Local median household EBI % of U.S.	--	106	110	116
Local per capita EBI % of U.S.	--	103	104	108
Local population	--	452,176	456,018	459,790
Financial performance				
Operating fund revenues ($000s)	--	1,556,121	1,486,556	1,371,689
Operating fund expenditures ($000s)	--	1,320,604	1,292,839	1,188,918
Net transfers and other adjustments ($000s)	--	(161,339)	(167,685)	(169,597)
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

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Virginia Beach--key credit metrics

	Most recent	2025	2024	2023
Debt and liabilities				
Debt service cost % of revenues	--	7.2	7.3	8.9
Net direct debt per capita ($)	2,883	2,235	2,399	1,842
Net direct debt ($000s)	1,303,804	1,010,791	1,093,927	847,013
Direct debt 10-year amortization (%)	65	71	67	--
Pension and OPEB cost % of revenues	--	5.0	5.0	5.0
NPLs per capita ($)	--	968	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.

Climate And Other Evolving Factors

Virginia Beach's physical risks are elevated due to its exposure to rising sea levels; however, 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 real estate tax to flood control 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. As part of its "Sea Level Wise" program response to the study, Virginia Beach identified seven goals, 29 objectives, and 175 action items, including zoning changes, beach nourishment, marsh restoration, drainage changes, and seawall creation. 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.

Ratings List	
New Issue Ratings	
US$121,590,000 Virginia Beach Development Authority, Public Facility Revenue Bonds (Federally Taxable), Series 2026B, dated: Date of Delivery, due: October 15, 2046	
Long Term Rating	AA+/Stable
US$35,175,000 Virginia Beach Development Authority, Public Facility Refunding Revenue Bonds, Series 2026C, dated: Date of Delivery, due: October 15, 2036	
Long Term Rating	AA+/Stable
US$46,530,000 City of Virginia Beach Development Authority, Public Facility Revenue Bonds, Series 2026A, dated: Date of Delivery, due: October 15, 2046	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Local Government	
Virginia Beach, VA Lease Appropriation	AA+/Stable
Virginia Beach, VA Unlimited Tax General Obligation	AAA/Stable

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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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