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## Summary:

# Powhatan County Economic Development Authority, Virginia Powhatan County; Appropriations; General Obligation

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# Powhatan County Economic Development Authority, Virginia

## Powhatan County; Appropriations; General Obligation

### Credit Profile

Powhatan Cnty GO

*Long Term Rating*

AA-/Stable

Affirmed

#### **Powhatan Cnty Econ Dev Auth, Virginia**

Powhatan Cnty, Virginia

#### **Powhatan Cnty Econ Dev Auth (Powhatan Cnty) lse rev ser 2007**

*Unenhanced Rating*

A+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

### Rationale

Standard & Poor's Ratings Services has affirmed its 'AA-' long-term rating on Powhatan County, Va.'s general obligation (GO) debt. At the same time, we affirmed our 'A+' underlying rating (SPUR) on Powhatan County Economic Development Authority, Va.'s appropriation debt, supported by the county. The outlook on all the ratings is stable.

The 'AA-' rating reflects our opinion of the county's:

- Local economy that maintains its agricultural component, but continues to exhibit commercial growth;
- Participation in the nearby Richmond-Chesterfield regional employment base, which has resulted in strong economic indicators;
- Very strong financial position, coupled with projected stable operations in next two fiscal years; and
- Moderate per-capita debt burden.

The above credit strengths are partially offset, in our view, by the county's elevated debt service carrying charges and general fund's support of the water and sewer fund for operations.

The county's full faith and credit GO pledge secures the bonds.

Powhatan County (estimate population 28,900) is in the lower Piedmont area of Virginia, adjacent to Chesterfield County and approximately 30 miles west of downtown Richmond. The county's local economy has a large agricultural component but it continues to see economic development, primarily commercial, along the growing Route 60 and Route 288 corridor. A new Wal-Mart store opened along the Route 288 and is reported to have created around 300 jobs. Despite this growth, the county continues to adhere to adopted ordinances, intended to retain the rural nature of a large part of the county while minimizing the financial effect of providing utility services. The residents also benefit

from access to the Richmond-Chesterfield regional employment base which, we believe, has resulted in strong county economic indicators. Median household and per-capita effective buying income were 135% and 115% of the national average, respectively. County unemployment has historically remained below the commonwealth and national rates; it averaged 5.3% in 2012.

Powhatan County's tax base has seen contraction in recent years due to the real estate market downturn. Assessed value (AV) has decreased by 18.5% since fiscal 2009 to \$3.3 billion in fiscal 2013. Wealth, however, remains extremely strong, in our view, at around \$115,300 per capita. We consider the tax base very diverse, with the top 10 taxpayers accounting for 2.4% of the AV.

We view county's financial position to be very strong, mainly reflecting management's conservative budgeting practices. For fiscal 2014, officials have adopted a balanced budget which includes a 2% salary increase for employees. Management projects fiscal 2013 ending with a modest surplus as the year-to-date revenues and expenditures are tracking well against the budget. The general fund revenue base of the county is, in our view, stable as almost three-fourths of the total revenue is generated from property tax. The county has not increased property tax rates since fiscal 2010 and maintains one of the lowest tax rates in the greater Richmond region.

The county closed audited fiscal 2012 with a general fund surplus of \$2.4 million on a budget total of \$46.8 million. It received one-time revenue of \$2.1 million due to a switch in personal property tax collection to twice a year from the earlier once-a-year collection cycle. The ending available general fund balance was \$13.2 million, which we consider very strong at 36.2% of the operating expenditures. The water and sewer fund operations has not been self-sufficient and have relied on annual transfers from general fund. Management has budgeted for these transfers in fiscal years 2013 and 2014 as well.

Standard & Poor's considers Powhatan County's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or regularly monitor all of them.

In our view, the debt burden of the county is low at 2.8% of the market value or a moderate around \$3,200 per capita. Debt service carrying charges are, in our opinion, elevated at 15.8% of the governmental expenditures in fiscal 2012. We consider amortization of debt moderate, with 50% of principal retired over 10 years and full repayment by 2036. Management reports no plan to issue additional long-term debt in next two fiscal years.

The county participates in the state-administered fund to provide pension benefits and has made 100% of the annual required contribution in the past three fiscal years. The county also provides other postemployment benefits (OPEBs) funded on pay-as-you-go basis. The combined pension and OPEB annual payment in fiscal 2012 was approximately \$840,000, which represents 2% of the governmental expenditures.

## **Outlook**

The stable outlook reflects our expectation that the officials will maintain very strong reserves by taking proactive budget management steps. The growth in the local economy and the county's participation in the regional Richmond

employment base provide additional support to the current rating level. Therefore we do not expect to change the rating within the two-year outlook horizon.

## **Related Criteria And Research**

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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