



## Washington (County of) VA

### Contacts

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### Moody's Rating

MOODY'S ASSIGNS AN A3 ISSUER RATING TO WASHINGTON COUNTY, VA

### Opinion

Moody's Investors Service has assigned an A3 issuer rating to Washington County, Virginia. This issuer-requested rating represents Moody's assessment of the county's implied unlimited general obligation credit quality. This rating reflects the county's moderate economic growth due largely to residential development, strong financial operations characterized by ample reserves, and a favorable debt burden with limited borrowing planned. The county currently has no publicly traded debt outstanding.

#### RESIDENTIAL AND INDUSTRIAL GROWTH DRIVEN BY PROXIMITY TO TRI-CITIES REGION

Moody's expects that the county will continue to experience moderate economic growth, driven primarily by its proximity to the Tri-Cities region, which encompasses the cities of Bristol, VA (underlying GO rated A1); Kingsport, TN (underlying GO rated A1); and Johnson City, TN (GO rated A1). Eastman Chemical Company, located in Kingsport, TN, is a major source of jobs in the region, employing approximately 9,000 locally. Because of the I-81 corridor and Tri-Cities area, shopping, entertainment and other amenities are readily available. The county's economic development staff is working to attract additional manufacturing to two industrial parks, including a regional industrial park located in the county. Target industries include parts manufacturing to serve the regional automotive manufacturing sector, including the Volvo truck manufacturing plant located near Pulaski, VA (programmatic rating of A1). Bristol Compressors, the county's largest employer with a workforce of 2,500, manufactures compressors for residential air conditioners and reportedly remains stable. Bristol Compressors has expanded its operations three times since 1993. While the county remains largely rural, it has become a desirable location for retirement homes, with new home prices in the \$300,000 range. Above average unemployment, at 6.2% in November 2002, has been driven by several plant closures in neighboring Smyth County, in the textiles and furniture sectors. Wealth indicators fall at approximately 75% of state levels and roughly 80% of wealth levels for the southern portion of the state.

#### STABLE FINANCIAL POSITION CHARACTERIZED BY AMPLE RESERVE LEVELS AND CONSERVATIVE MANAGEMENT

Moody's believes that the county's financial position, characterized by healthy reserve levels, will remain stable despite pressures associated with state budget cuts. While the county ended fiscal 2001 with a \$1.05 million General Fund deficit due to one-time capital

expenditures, the county maintained a General Fund balance of 23.8% of revenues (\$8.9 million). The 2002 ending fund balance was \$9.15 million (23.3% of General Fund revenues), reflecting a slight increase driven by better than budgeted sales tax and property tax revenues. This growth was due to the opening of a Wal-Mart Superstore in 1994, which is performing substantially better than projected, generating approximately three times the anticipated sales tax revenue. Reflecting its conservative management approach, county agencies closely monitor expenditures and often end with operating surpluses. The county also sets aside approximately \$1-2 million each year as unencumbered fund balance. Fiscal 2003 revenues are meeting budget, with sales taxes about \$67,000 over budget. While the county is projected to lose approximately \$400,000 due to mid-year cuts from the commonwealth, growth in sales tax and property tax revenue will enable the county to absorb these modest cuts.

#### DEBT BURDEN REMAINS MANAGEABLE WITH LIMITED FUTURE BORROWING PLANNED

Moody's expects the county's debt burden to remain manageable due to limited planned borrowing and an already modest debt burden. At 1.5% of full valuation, the current debt burden is modest, with the majority comprised of debt issued on behalf of the water and sewer enterprises, which are not currently self-supporting. All of the county's outstanding debt has been sold to Virginia state funds and is not publicly traded. The county has no immediate plans to issue additional general obligation debt. However, this spring the county is expected to participate in the Southwest Virginia Regional Jail Authority's projected bond sale for construction of a regional jail. The county's share of the authority's obligation is \$10.6 million, which will be repaid through annual general fund appropriations. Future capital needs will largely be funded with pay-as-you-go sources and utility projects may be funded through lease or revenue secured bonds through the county's Industrial Development Authority and Service Authority. Payout of principal is slightly above average with approximately 55% of principal repaid within 10 years.

#### KEY STATISTICS

2001 Population (estimated): 51,253

Full Valuation: \$2.38 billion

Full Value Per Capita: \$46,361

Unemployment Rate (11/02): 6.2%

Debt burden: 3.9 %

10-Year Payout: 54.9%

1999 County Per Capita Income as a % of State: 76.5%

1999 County Median Family Income as a % of State: 74.1%

Fiscal 2002 General Fund reserves: \$9.15 million (23.3% of General Fund revenues)

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