



FOR IMMEDIATE RELEASE

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For more information contact:
Thomas L. Mattis, City Manager
(804) 520-9265 (office)
(804) 882-2736 (cell)

Standard & Poor's Raises Colonial Heights Credit Rating Based on Consistent Financial Performance and Strong Local Economy

The City of Colonial Heights has received an independent confirmation of its financial viability from Standard & Poor's Ratings Services who conducted a review the city's finances and raised its credit rating of the city from "AA-" to "AA/Stable Upgraded", while predicting a secure financial outlook for the future.

Standard & Poor's of New York has been in business for more than 150 years and is widely recognized as one of the world's leading providers of independent credit ratings. S&P has published more than a million credit ratings on debt issued by municipal, corporate and financial sector entities. In 2013 alone, S&P rated \$6.6 trillion in new debt; and of all ratings issued, just 1% have defaulted over the most recent five-year period.

The credit rating is S&P's opinion on the general creditworthiness of the City with respect to debt or other financial obligation. Over the years, credit ratings have achieved wide investor acceptance as convenient tools for differentiating credit quality.

The S&P rating is a result of a broad, overall assessment of the City's finances and management practices; and reflects S&P's assessment of the city, which states, in part:

"We consider Colonial Heights's economy to be strong. The city is roughly 25 miles south of Richmond, the state capital and maintains ample retail, service, and government sectors, which anchor the local economy. Fort Lee, Home of the Combined Arms Support Command, is located one mile outside of the city. With easy access via several major thruways, residents find ample employment opportunities throughout the broad and diverse Richmond metropolitan statistical area (MSA).

The Colonial Heights-Dinwiddie County combined area unemployment level was 7.8% in 2013. Projected per capita effective buying income was 93.6% of the U.S. in 2013 with per capita market value of \$94,566. The tax base has declined almost 3% over the past five years as a result of the recession and softening of the housing market. Assessed value totaled \$1.66 billion in 2013 and we expect it to decrease another 1% for fiscal 2014. However, ongoing economic development, which includes

two new supermarkets, an anchor department store and the conversion of an existing car dealership into a medical facilities building, should help stabilize the tax base in the near term.

In our opinion the city's budgetary flexibility remains very strong with reserves above 15% of expenditures for the past three fiscal years and no plans to significantly spend them down. Audited fiscal 2013 reserves were \$9.6 million or 18.6% of expenditures. Nearing the close of fiscal 2014, management estimates closing on a break even basis with reserves in line with the prior year.

The city's budgetary performance has been strong overall in our view with a surplus of 0.2% for the general fund in fiscal 2012, but a slight deficit of 0.9% of total governmental funds. Fiscal 2013 closed with a \$119,000 surplus and a total available fund balance of \$9.6 million or 18.6% of expenditures. Management estimates fiscal 2014 to close on a break even basis as certain local revenues, primarily lodging and meals taxes, have modestly softened as a result of federal sequestration. However, management has held expenditures in check and we expect the city to come in slightly under budget. Property taxes account for 41% of total general fund revenues followed closely by local taxes at 31%.

We view the city's management conditions as strong with good financial practices. In our opinion, the city's debt and contingent liabilities profile is strong, with total governmental fund debt service at 7.4% of total governmental fund expenditures, and with net direct debt at 67.4% of total governmental fund revenue and slated to modestly rise to approximately 76.6% following a planned issuance of between \$4 million to \$5 million in the next 12-24 months. In addition, overall net debt was 2.2% of market value.

The stable outlook reflects our view of the city's consistent financial performance and strong economy, which is supported by strong management.

“This upgrade is a significant accomplishment for the City, especially when you consider it is happening during a time when the standards for credit ratings and debt worthiness are coming under more scrutiny,” said City Manager Tom Mattis. “This positive assessment of our financial stability sends the right message; not only to our existing business community but also to new business prospects that may be considering Colonial Heights as their new home.”

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About Colonial Heights

The City of Colonial Heights is a full-service independent Virginia city that is home to just over 17,000 residents and serves as the market center for the Tri-Cities Area (which includes the cities of Petersburg and Hopewell, Prince George and Dinwiddie Counties and Fort Lee). For more information about Colonial Heights, please visit www.colonialheightsva.gov.