

Research Update:

Prince William County, VA's \$94.77 Million Series 2025 Special Obligation School Financing Bonds Assigned 'AAA' Rating

October 27, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the [Virginia Public School Authority's](#) \$94.77 million series 2025 special obligation school financing bonds, issued for [Prince William County](#).
- The outlook is stable.

Rationale

Security

The series 2025 bonds are limited obligations of the authority and secured solely by principal and interest payments on the local school bonds issued by the county and held by the authority. The local school bonds are a general obligation of the county, secured by revenue from ad valorem taxes, which are unlimited as to rate or amount. The authority assigned all of its rights to receive payments on the local school bonds to the state treasurer, who will act as paying agent on the bonds. Bond proceeds will be used to finance various school-related capital projects.

Credit highlights

The rating on Prince William County reflects increasing economic strength supporting ongoing material revenue growth, a longstanding commitment to financial balance underpinned by robust formal policies and practices, and consistent financial performance that continued in fiscal 2025, per preliminary results. Though the county has maintained reserves at solid levels, they lag those of similarly rated peers and somewhat offset the aforementioned credit strengths. Population growth and rising debt may lead to some expenditure pressure in future years, particularly as the county continues investments in local schools, though enrollment growth projections have moderated in the last year, and management has revised downward its planned school construction spending. Even as growth continues, we expect management to make budgetary

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adjustments--supported by new revenue growth from substantial ongoing and planned development--to maintain a stable financial profile.

Credit fundamentals supporting the rating include Prince William's:

- Growing tax base supported by investment in data center construction and operations, with access to employment centers throughout the broader D.C. metropolitan area, with above-average effective buying incomes;
- Well-embedded cautious management practices and planning culture;
- Generally predictable operating performance that we expect will continue, with available reserves that are solid, while trailing similarly-rated peers;
- Expectation of stable carrying charges on a percentage basis, with well-funded retirement liabilities, though debt per capita is likely to increase as a result of school and county capital plans; and
- A very strong operating environment (see "[Institutional Framework Assessment: Virginia Local Governments](#)," Sept. 11, 2024).

Environmental, social, and governance

We view environmental, social, and governance factors as neutral in our credit analysis. The county has established an office of sustainability, and its appropriation of funding for a sustainability plan supports its resiliency and preparedness measures. The county's cyber security measures are commensurate with those of its peers.

Rating above the sovereign

Prince William County's GO bonds are eligible to be rated above the sovereign because we think the county can maintain better credit characteristics than the nation in a stress scenario. The county has a predominately locally derived revenue sources with taxing authority and treasury management independent from the federal government.

Outlook

The stable outlook reflects our view of the county's history of strong financial performance and robust planning, as well as its economic diversity, which benefits from its proximity to D.C.

Downside scenario

If the county's reserve profile materially weakens without a credible plan to strengthen, or if its debt profile materially weakens, we could lower the rating.

Credit Opinion

Economy

Southwest of D.C., Prince William County's rapidly growing economy is supported by ongoing industrial development and robust household incomes. Though the county's economic output is significantly below the national average, it belies the strength of the local taxing base that derives ample computer equipment and peripherals tax revenue collected from data centers.

New development, particularly data center construction, has fueled market value growth rather than incremental appreciation in existing property values.

We project that population and personal income growth will continue to outpace the commonwealth and nation, while moderating somewhat from recent years, while GCP growth will decrease to levels more typical for Virginia counties. Nevertheless, we expect continued significant tax base and employment growth, driven by our view that future data center development including a \$2.2 billion innovation park, distribution hubs, investment in life science campuses and higher education expansion, will drive economic growth in both the near and long-terms. We expect the county to continue to benefit from proximity to nearby Quantico and Fort Belvoir campuses.

In August, a judge ruled that the county board's rezoning action for the planned \$24.7 billion Prince William Digital Gateway Project was void due to notice issues. The county board and two data center co-defendants have appealed the ruling. The county's five-year budget plan does not assume any revenue from the Digital Gateway project.

Financial performance, reserves, and liquidity

We expect Prince William County to maintain generally balanced operations given its strong revenues from real and personal property taxes, coupled with sophisticated and cautious budgeting practices that consistently produce positive operations. Leading revenue sources in the fiscal 2026 budget include real estate tax (52%), personal property tax including computer equipment and peripherals (22%), and other local taxes (12%).

County management anticipates closing fiscal 2025 with a slight fund balance increase, with expenditure savings and higher-than-budgeted investment income more than offsetting slight agency revenue shortfalls. The fiscal 2026 general fund budget totals \$1.98 billion (including transfer to county schools), an 8.8% increase, and is balanced without one-time sources, though management plans to use \$10 million in capital reserve funds for one-time purposes. The budget increases personal property tax on computer equipment and peripherals to \$4.15 per \$100 assessed valuation (AV), an increase from \$3.70 in fiscal 2025, the sixth annual tax rate increase since its \$1.25 rate in 2019. Management states that the taxes are a relatively small portion of a data center's operations and has not observed reduced demand for data center construction as the result of tax increases. If computer equipment and peripheral AVs declined, either due to reduced demand for data centers in the county or industry valuation changes, the associated decreases in tax revenue could pressure the county's operations, though we believe management has ample budgetary flexibility and would likely adjust to maintain budgetary balance. The county's newly established data center revenue stabilization reserve, sized at 10% of tax revenue generated from data center computer equipment & peripherals, also would help mitigate any revenue volatility.

We expect the county's available fund balance to remain at roughly current, healthy levels. We adjusted available reserves to include the county's committed capital reserve, data center, and general revenue stabilization funds. Additionally, the county maintains other reserves that are not readily available but could be accessed to pay debt service in a stress scenario.

Management

The county's financial policies and practices derive from its Principles of Sound Financial Management (PSFM) guide, established in 1988 and updated every four years. Driving the county's planning are its 40-year vision plan, a 20-year comprehensive plan (last updated in 2022) and a four-year strategic plan (updated in 2025), as well as regular review of its financial policies

and practices which we believe will continue to support balanced operations and improve predictability of long-term financial and capital needs. Highlights of Prince William's policies and practices include:

- Quarterly reporting of budget-to-actual results and investment holdings to the board of supervisors;
- Five-year budget plan, annually adopted by the board of county supervisors and integrated with the six-year capital improvement plan (CIP) that identifies funding sources--the five-year budget plan must be balanced in all years without appropriating unassigned general fund balance, enabling maintenance of healthy reserves;
- Formal debt management policy that delineates a 13% limit on debt service to general fund and fire levy expenditures and total bonded debt to 3.0% of net AV, leading to a manageable debt burden despite ongoing capital investments to support population growth;
- Formal fund balance policy requiring maintenance of the unassigned general fund balance at 7.5% of general fund revenues, a revenue stabilization fund at 2.0% of general fund revenues, a capital reserve with a target balance of a minimum 2% of the current capital projects fund appropriation included in the county's adopted six-year CIP, and a newly created data center revenue stabilization reserve sized at 10% of tax revenue generated from data center computer equipment and peripherals.

Debt and liabilities

Following this issuance, we calculate net debt at approximately \$1.3 billion. The county identified approximately \$1.05 billion in capital needs in its 2026-2031 CIP, of which approximately \$419 million is projected to be debt funded. The county additionally plans to issue \$739 million in school-related debt through fiscal 2030 in addition to this issuance. We anticipate that the county's debt per capita will increase, though management's projections show future debt service costs remaining approximately level relative to total governmental fund revenue. We do not expect a material change in the county's debt profile in the near-term, but the rating could be pressured should new money debt issuances outpace total revenue and expenditure growth.

We do not view pension and other postemployment benefits (OPEB) liabilities as a likely source of credit pressure. Consistent with our analysis across Virginia counties, we have not included school department retirement liabilities within our analysis but note that its school pension and OPEB funded ratios are also high.

As of the most recently available reporting dates, the county participated in the following retirement plans:

- Virginia Retirement System: 91% funded, with a \$154 million net pension liability (NPL).
- A supplemental pension plan for public safety employees: 103% funded, with a \$1.9 million net pension asset.
- A length of service award program for volunteer firefighters: 76% funded, with a \$7 million NPL.

The county contributes to OPEB plans with an aggregate liability of approximately \$31 million. We do not expect financial pressure from OPEB liabilities.

Prince William County, Virginia--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.65

Prince William County, Virginia--credit summary

Economy	2.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	2.25

Prince William County, Virginia--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	64	63
County PCPI % of U.S.	--	--	97	98
Market value (\$000s)	--	94,521,794	93,973,659	82,833,973
Market value per capita (\$)	--	190,550	190,631	170,282
Top 10 taxpayers % of taxable value	--	8.8	6.6	6.2
County unemployment rate (%)	--	2.7	2.5	2.5
Local median household EBI % of U.S.	--	147	150	147
Local per capita EBI % of U.S.	--	118	122	121
Local population	--	496,046	492,962	486,453
Financial performance				
Operating fund revenues (\$000s)	--	1,655,644	1,477,168	1,319,611
Operating fund expenditures (\$000s)	--	1,593,057	1,493,722	1,314,069
Net transfers and other adjustments (\$000s)	--	(15,930)	(1,943)	21,040
Operating result (\$000s)	--	46,657	(18,497)	26,582
Operating result % of revenues	--	2.8	(1.3)	2.0
Operating result three-year average %	--	1.2	1.2	2.5
Reserves and liquidity				
Available reserves % of operating revenues	--	17.4	17.4	19.1
Available reserves (\$000s)	--	287,840	256,896	251,892
Debt and liabilities				
Debt service cost % of revenues	--	7.1	7.8	10.8
Net direct debt per capita (\$)	2,672	2,305	2,128	2,264
Net direct debt (\$000s)	1,325,624	1,143,597	1,049,072	1,101,567
Direct debt 10-year amortization (%)	66	74	--	--
Pension and OPEB cost % of revenues	--	4.0	3.0	4.0
NPLs per capita (\$)	--	325	328	360
Combined NPLs (\$000s)	--	161,312	161,900	175,359

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

Ratings List

US\$94.77 mil spl oblig sch fincg bnds (Prince William County) ser 2025 dtd 11/19/2025 due 10/01/2045	
Long Term Rating	AAA/Stable

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