

Research Update:

Prince William County, VA Series 2026 Special Obligation School Financing Bonds Rated 'AAA'

October 28, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the [Virginia Public School Authority's](#) \$174.2 million series 2026 special obligation school financing bonds, issued for [Prince William County](#).
- We also affirmed our 'AAA' rating on the county's general obligation (GO) debt outstanding and our 'AA+' rating on its lease appropriation debt outstanding.
- The outlook is stable.

Rationale

Security

The series 2026 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. The county will use bond proceeds to finance various school-related capital projects.

The county's full faith and credit pledge secures its existing GO debt. Its industrial development authority debt outstanding is payable from lease payments by Prince William County under certain lease agreements. The county is obligated to make basic contract payments sufficient for payment of principal and interest, subject to appropriation. We rate the obligations one notch below the GO rating on the county to reflect the appropriation risk associated with lease payments, based on the application of our criteria, "[Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness](#)," Nov. 20, 2019.

Credit highlights

The rating on Prince William County reflects increasing economic strength that supports ongoing material revenue growth, a longstanding commitment to financial balance underpinned by robust

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formal policies and practices, and consistent financial performance that continued with a large surplus in fiscal 2026, per preliminary results. The county has maintained reserves at solid levels and has recently adopted a higher unassigned fund balance target that we expect will lead to a strengthened reserve position, closer to those of similarly rated peers. Population growth and rising debt may lead to some expenditure pressure in future years, particularly as the county continues investments in local schools, although enrollment growth projections have moderated and management has made downward revisions to its planned school construction spending. Even as growth continues, we expect management to make budgetary adjustments, supported by new revenue growth from substantial ongoing and planned data center 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 Washington, D.C., metropolitan area, with above-average effective buying incomes;
- Well-embedded cautious management practices and planning culture;
- Positive operating performance fueled by data center-related revenue growth, with available reserves that are solid and increasing, although currently trailing those of similarly rated peers;
- Expectation for relatively stable carrying charges on a percentage basis, with well-funded retirement liabilities, although debt per capita is likely to increase as a result of school and county capital plans; and
- Very strong operating environment. (See "[Institutional Framework Assessment: Virginia Local Governments](#)," Sept. 11, 2024.)

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 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 financial performance or reserves materially weaken without a credible plan to strengthen them, or if its debt profile materially weakens beyond current expectations, we could lower the rating.

Credit Opinion

Economy

Prince William County, Southwest of D.C., has growing economy supported by ongoing industrial development and robust household incomes. Although the county's economic output is

significantly below the national average, it belies the strength of the local taxing base that derives ample and escalating computer equipment and peripherals tax revenue collected from data centers. Data center construction has driven real and personal property market value growth, although the county's residential tax base is steadily appreciating. Data center square footage with taxable computer equipment increased 49% in tax year 2025 to 12.1 million from 8.1 million.

We expect steady data center construction in Prince William over the next few years, supporting ongoing revenue growth, but shifting county policy toward data centers could reduce construction over the longer term. Last month, the county eliminated by-right data center development and proposed data centers to now require special use permits. Prince William County has 59 completed data center buildings and has 29 buildings under construction as well as 53 planned buildings that have received land use approvals from the Board of County Supervisors and are proceeding through the entitlement review and decision-making process; it is unclear whether the county would have legal authority to prevent these projects from proceeding in the future. These buildings are expected to be constructed over a several-year period, with energy availability constraining the construction pace. An additional 15 buildings have pending land use applications.

The county has also targeted employers in the life sciences, aerospace, and defense industries, supporting economic growth, and we expect it will continue benefiting from proximity to nearby Quantico and Fort Belvoir campuses.

Financial performance, reserves, and liquidity

We expect Prince William County will maintain generally balanced operations given its strong revenue from real and personal property taxes, coupled with sophisticated and cautious budgeting practices that consistently produce positive budgetary variance. Leading revenue sources in the fiscal 2027 general fund budget include real estate taxes (57%), and business tangible personal property tax including computer equipment and peripherals (17%).

Management preliminarily projects a \$90 million or greater surplus in fiscal 2026. About two-thirds of the surplus is attributable to higher-than-budgeted computer equipment and peripherals tax receipts. The county plans to use the surplus to add to its unassigned fund balance as it implements its elevated policy target.

The fiscal 2027 general fund budget totals \$2.20 billion, an 11.2% increase, and is balanced without one-time sources while incorporating a slight real property tax rate decrease. The budget increases personal property tax on computer equipment and peripherals to \$4.50 per \$100 assessed valuation (AV), an increase from \$4.15 in fiscal 2026 and the seventh annual tax rate increase since \$1.25 in 2019. Management states that the taxes are a relatively small portion of a data center's operating costs and has not observed reduced demand for data center construction or operation as the result of tax increases. Management also incorporates cautious computer equipment AV assumptions in the budget, reducing the risk of revenue underperformance.

While we believe Prince William County's business tangible revenue will likely continue outpacing overall budget growth, supporting positive operating results; any decreases to computer equipment and peripheral AV represent a downside risk. Changes to chip valuations, reduced hardware refreshes, scaled back operations, or chip supply constraints could all lead to volatile tax collections, pressuring county operations. However, we believe management has ample revenue-raising flexibility and would likely adjust to maintain budgetary balance. The county's data center revenue stabilization reserve, sized at 10% of tax revenue generated from data

center computer equipment and peripherals, also would help mitigate any revenue volatility. For more information, see [“Everywhere, All At Once: How The Growth Of Data Centers Could Carry Risks For U.S. Local Governments,”](#) March 24, 2026.

We expect the county's available fund balance will incrementally increase as it deliberately grows its unassigned fund balance. 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 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. These practices continued during the transition to a new CFO in late 2025.

Highlights of Prince William's policies and practices include:

- Quarterly reporting of budget-to-actual results and investment holdings to the board of supervisors.
- A 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.
- A 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 AV, leading to a manageable debt burden despite ongoing capital investments to support population growth. Management is considering reducing the debt service-to-levy target.
- A formal fund balance policy revised in April 2026 to increase the county's unassigned fund balance target and requiring maintenance of the unassigned general fund balance at 15% (previously 7.5%) of general fund revenue, a revenue stabilization fund at 2.0% of general fund revenue, 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 data center revenue stabilization reserve sized at 10% of tax revenue generated from data center computer equipment and peripherals in the previous fiscal year.

Debt and liabilities

While currently manageable, we expect the county's new issuance will outpace debt amortization, resulting in increased debt per capita and a potentially weaker debt score over the outlook horizon. Following this issuance, we calculate net debt at approximately \$1.4 billion. The county identified approximately \$1.60 billion in capital needs in its 2027-2032 CIP, of which approximately \$680 million is projected to be debt funded. The county plans to issue \$564 million in school-related debt through fiscal 2031 in addition to the series 2026 bonds. Management projections show future debt service costs incrementally increasing relative to the budget, although we believe carrying charges will likely remain below 14% of governmental revenue. We believe the county's proactive capital planning practices will continue enabling it to adjust its

bonding plans to reflect evolving needs. Of note, the county recently removed a new high school construction project from its CIP because school enrollment growth has slowed relative to the last decade. Therefore, we expect the county will maintain manageable debt relative to budget, although the rating could be pressured should new money debt issuances significantly outpace total revenue and expenditure growth.

Pension and other postemployment benefits

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 do not expect budgetary pressure from school district retirement liabilities.

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

- Virginia Retirement System: 90% funded, with a \$190 million net pension liability (NPL)
- A supplemental pension plan for public safety employees: 110% funded, with a \$6.7 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 \$29 million. We do not expect financial pressure from OPEB liabilities.

Climate And Other Evolving Factors

While climate factors are material for the local government sector, we view Prince William County’s risks as low relative to that of peers and in a nominal sense. The county has established an office of sustainability, and its appropriation of funding for a sustainability plan supports its resiliency and preparedness measures.

Prince William County, Virginia--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

Prince William County, Virginia--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	65	65
County PCPI as % of U.S.	--	--	97	97
Market value (\$000s)	--	106,757,544	94,521,794	83,144,684
Market value per capita (\$)	--	189,236	168,981	150,582
Top 10 taxpayers as % of taxable value	--	10.2	8.8	6.6

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Prince William County, Virginia--key credit metrics

County unemployment rate (%)	--	3.2	2.7	2.5
Local median household EBI as % of U.S.	--	147	147	150
Local per capita EBI as % of U.S.	--	119	118	122
Local population	--	564,151	559,362	552,157

Financial performance

Operating fund revenue (\$000s)	--	1,796,321	1,655,644	1,477,168
Operating fund expenditures (\$000s)	--	1,777,375	1,593,057	1,493,722
Net transfers and other adjustments (\$000s)	--	16,378	(15,930)	(1,943)
Operating result (\$000s)	--	35,324	46,657	(18,497)
Operating result as % of revenue	--	2.0	2.8	(1.3)
Operating result three-year average %	--	1.2	1.2	1.2

Reserves and liquidity

Available reserves as % of operating revenue	--	17.9	17.4	17.4
Available reserves (\$000s)	--	321,454	287,840	256,896

Debt and liabilities

Debt service cost as % of revenue	--	7.5	7.1	7.8
Net direct debt per capita (\$)	2,458	2,095	2,044	1,900
Net direct debt (\$000s)	1,386,920	1,182,147	1,143,597	1,049,072
Direct debt 10-year amortization (%)	65	74	74	76
Pension and OPEB cost as % of revenue	--	4.0	3.6	3.4
NPLs per capita (\$)	--	350	352	293
Combined NPLs (\$000s)	--	197,456	197,035	161,900

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

US\$174,215,000 Virginia Public School Authority, Special Obligation School Financing Bonds, Prince William County, Series 2026, dated: Date of Delivery, due: October 1, 2046

Long Term Rating	AAA/Stable
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Ratings Affirmed

Local Government

Prince William Cnty, VA Lease Appropriation	AA+/Stable
Prince William Cnty, VA Unlimited Tax General Obligation	AAA/Stable

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

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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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