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HANOVER COUNTY ACHIEVES 'AAA' BOND RATING

Fitch Ratings has upgraded Hanover County to an 'AAA' municipal bond rating, the highest possible, becoming the smallest county by population in the United States to receive this distinction. Hanover County is one of only 32 county governments nationwide (out of more than 3,100 counties) to have achieved the 'AAA' bond rating from Fitch and the seventh in Virginia.

The bond rating will be effective for bonds that are scheduled to sell competitively on September 27. Concurrently, Fitch upgraded from 'AA+' to 'AAA' the rating on the County's \$130.5 million of outstanding general obligation debt.

The 'AAA' municipal bond ratings will also be assigned to \$14 million in public improvement refunding bonds, which also are scheduled to sell competitively on September 27.

According to Fitch, "the upgrade from 'AA+' to 'AAA' is based on Hanover County's continuing economic growth and diversification, coupled with the maintenance of a sound financial position despite declines in state support. The rating is further supported by extensive institutionalized management and planning practices, low debt and unemployment levels, consistently positive financial results, strong tax base performance, high income levels, and excellent growth prospects of the entire Richmond region."

"This is great news for Hanover taxpayers," said Charles D. McGhee, Chairman of the Board of Supervisors. "It means that Hanover County will be able to borrow money at lower interest rates as we begin the capital projects that were overwhelmingly approved by County voters in the 2005 Bond Referendum."

“It is very rewarding to see a nationally recognized independent credit rating firm such as Fitch recognize the strong depth and diversity of the County’s economic base as well as the continued outstanding management of the County,” said Jim Johnson, Managing Director for Morgan Keegan & Co., Inc., who has been Hanover County’s financial advisor for over 15 years. “Attainment of the AAA credit rating represents years of hard and dedicated work by this and previous Boards of Supervisors and managers of the County and they all share in this high distinction.”

“The County’s financial management is strong,” noted Fitch in a press release from the agency’s headquarters in New York. Fitch cited the Board’s annual adoption of a balanced five-year financial plan “that includes conservative revenue assumptions and projects rising operational and capital costs consistent with expected population growth and the comprehensive plan.”

Fitch also noted that for the year ended June 30, 2005, the County’s unreserved, undesignated General Fund balance represented 10.7% of expenditures and other uses, higher than the 10% minimum required by County policy. Projections for fiscal year 2006 estimate that a \$3 million fund balance addition will bring reserves to 11.5% of General Fund revenue. “County debt levels are low, and should remain so given conservative debt affordability policies,” Fitch stated.

Hanover School Superintendent D. Stewart Roberson was glad to hear the news of the bond rating upgrade. “This is a clear illustration of what can happen when you ‘keep your eye on the prize’ or ‘begin with the end in mind’”, Roberson said. “Our County’s leaders are to be applauded and commended for inspiring the kind of teamwork which makes this accomplishment very, very meaningful.”

County Administrator Cecil R. “Rhu” Harris Jr., Deputy County Administrators Joseph P. Casey and John H. Hodges, Finance Director Terry S. Adams and Economic Development Director Marc Weiss were among the County officials who met with Fitch representatives recently and provided a detailed overview of Hanover County’s fiscal and economic accomplishments since 2002, when Fitch gave the County a ‘AA+’ rating.

“The Board of Supervisors and the staff have worked very hard to give Hanover County citizens the highest quality of financial management and we are glad that Fitch chose to recognize these accomplishments,” Harris said. “This ‘AAA’ bond rating will produce significant benefits for Hanover County over a long period of time.”

Other factors cited by Fitch in upgrading Hanover County’s bond rating:

- 12.9% population growth since 2000.
- Unemployment rate (2.6% in June) has “historically been significantly below state and national averages.”
- Assessed valuation, reflecting new investment across the County, has averaged 9% annually since 1996.

- A “constant” low real property tax rate, currently 86 cents and not projected to increase over the five years of the Board’s adopted five-year financial plan.
- “The five-year financial plan contains reasonable growth assumptions and adheres to all County financial policies.”
- “County debt levels are low, and should remain so given conservative debt affordability policies. Overall debt per capital totals \$1,685 and represents 1.43% of market value.
- Debt funding, including that authorized through last year’s Bond Referendum, will fund 47% of the Capital Improvements Plan. “County debt amortizes rapidly, with 66.3% to be retired over the next 10 years.”

Standard and Poor’s (S&P) has upgraded Hanover County’s bond rating from ‘AA’ to ‘AA+’. Many of the reasons noted by Fitch were also mentioned by S&P as to the reasons for the upgrade. Hanover County had been at an ‘AA’ rating with S&P since 1997.

Not since 1991 when Moody’s Investors Service upgraded Hanover from ‘A+’ to ‘AA’ and S&P from ‘A’ to ‘AA-’ has the County received upgrades from two rating agencies in the same year

“The County’s three ratings now from the three firms are AAA, AA+ and Aa1, which are representative of a very strong and solid credit rating,” said Deputy County Administrator Joseph P. Casey. “We will continue to work through future bond rating presentations to illustrate the on-going fiscal, economic, debt and management strengths of the County.”

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