

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aaa to City of Seattle, WA's GOLT and GOULT Bonds, 2024**

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17 May 2024

New York, May 17, 2024 -- Moody's Ratings (Moody's) has assigned a Aaa rating to the city of Seattle, WA's approximately \$45.6 million Limited Tax General Obligation Improvement and Refunding Bonds, 2024 (GOLT) and approximately \$11.8 million Unlimited Tax General Obligation Refunding Bonds, 2024 (GOULT). Concurrently, Moody's has affirmed the Aaa issuer rating and outstanding GOLT and GOULT obligations at Aaa, as well as the city's guarantees on special obligation bonds issued by the Seattle Indian Services Commission and the Seattle Museum Development Authority, and the Aa1 ratings on the city's Local Improvement District 6751 bonds. The city's outstanding debt post issuance will include \$750 million GOLT bonds, \$221 million GOULT bonds and \$92.6 million local improvement district (LID) bonds for its two LIDs. Outstanding bonds for the commission and for the authority total \$0.4 million and \$22.8 million, respectively. The outlook is stable.

#### RATINGS RATIONALE

The Aaa issuer rating reflects the city's robust economy, including above-average resident incomes at 136% of national average, very strong FY22 full value per capita of \$376,112 and economic growth typically outpacing the US, all consistent with the city's role as the economic center of the State of Washington (Aaa stable) and the greater Pacific Northwest region. Softening in the real estate market has reduced total assessed value modestly, 2% in FY24, however it will not affect property tax revenue, given the mechanics of property assessment and taxation in the state. The city's financial performance is very strong, with available operational fund balance ratio at 35.7% and a liquidity ratio at 51%. Leverage is moderate and manageable at 211% of revenues, fixed costs are low at only 10% of budget.

The absence of a distinction between the city's issuer rating and its GOULT and GOLT ratings reflects the strength and breadth of the full faith and credit pledge in Washington. The GOULT rating additionally reflects an unlimited property tax pledge.

The absence of a distinction between the special obligation bond ratings and the city's

issuer rating reflects the city's guarantee agreements with the commission and authority supporting their respective bond issuances, which provide an unconditional pledge to pay debt service.

The Aa1 rating on the Local Improvement District 6751 bonds are one notch lower than the city's issuer rating. Debt service for the bonds is backed by special assessments collected within the district, with additional security provided by a statutorily authorized guaranty fund that can be used to pay interest when due and principal only at maturity, if special assessment collections are insufficient. While the ability to levy a citywide tax provides the city flexibility to replenish the fund, it is subject to practical and political considerations, which are reflected in the one-notch distinction from city's issuer rating.

#### RATING OUTLOOK

The stable outlook reflects the city's healthy finances, strong economic fundamentals and sophisticated management.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant and sustained decline in reserves to below 25% of operating revenues and liquidity falling below 30% operating revenues
- A long term trend of negative economic growth relative to the US
- Material increase in leverage to above 350% or fixed cost rising above 15% of budget.

#### LEGAL SECURITY

The GOULT bonds are backed by the city's full faith, credit and resources and unlimited property tax pledge, while the GOLT bonds are backed by the city's full faith, credit, and resources and pledge to levy taxes annually within the constitutional and statutory tax limitation provided by law without a vote of the people.

#### USE OF PROCEEDS

The GOLT bonds will go to various capital improvement needs including a new fire station, various infrastructure improvements and criminal justice information system projects in addition to refunding GOLT 2014 debt. The GOULT bonds will refund outstanding GOULT 2014 debt.

#### PROFILE

The City of Seattle is located in King County (Aaa stable) in northwestern Washington. The city is bound by the Puget Sound on the west and Lake Washington on the east. The city is a full-service city, with a relatively affluent population of 779,200 and a large and well-educated labor force.

## METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Amanda Richter

Lead Analyst  
REGIONAL\_WEST  
Moody's Investors Service, Inc.  
405 Howard Street  
Suite 300  
San Francisco 94105  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Eric Hoffmann  
Additional Contact  
REGIONAL\_WEST  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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