CREDIT OPINION
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Send Your Feedback

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City of Seattle, WA

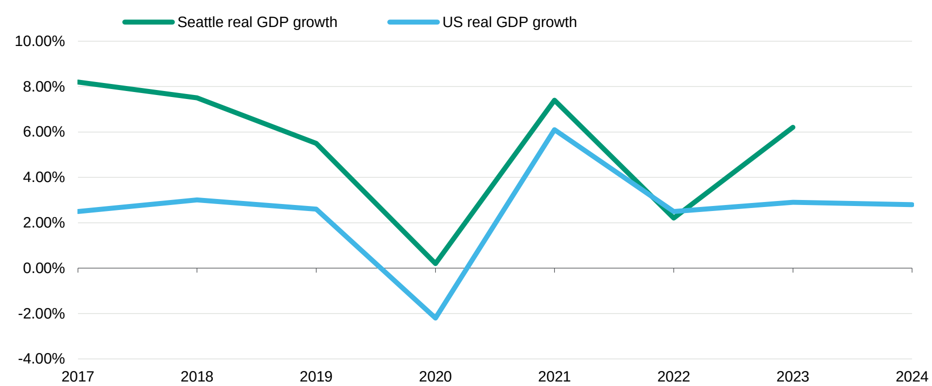
Update to credit analysis

Summary

Seattle, WA (Aaa stable) continues to benefit from a robust economy, including above-average resident incomes, very strong full value per capita and economic growth outpacing the US. This is consistent with the city's role as the economic center of the Pacific Northwest. The softened real estate market has reduced total assessed value slightly, but will not affect property tax revenue, given the mechanics of property assessment and taxation in the state. The city is well-positioned to weather economic headwinds, with very strong financial performance supported by its new payroll expense tax and prudent budget management. Exposure to federal employment and funding are minimal, though exposure to international trade would mean potential tariffs would pose a challenge. Leverage is moderate and fixed costs are low.

Exhibit 1

Seattle's real GDP growth has outpaced the US, but high reliance on trade means potential tariffs would pose economic headwinds



Source: Government data sources

Credit strengths

- Strong management team
- City serves as the regional economic center of the Pacific Northwest
- Strong resident wealth and income metrics for an urban area
- Healthy financial position that includes ample reserves and available liquidity
- Favorable debt profile with relatively moderate leverage

Credit challenges

- Modest exposure to economically sensitive revenue

» Somewhat dependent upon a small number of high profile private-sector firms for economic growth and increases in revenue

Rating outlook

The outlook is stable because the city's very strong finances and underlying economic fundamentals, as well as sophisticated management, will help it weather any economic or financial headwinds.

Factors that could lead to an upgrade

» Not applicable

Factors that could lead to a downgrade

» Significant and sustained decline in reserves nearing 30% of operating revenues and liquidity falling below 35% operating revenues

» A long term trend of negative economic growth relative to the US

» Material increase in leverage to above 300% or fixed cost rising above 15% of budget

Key indicators

Exhibit 2
Seattle (City of) WA

	2020	2021	2022	2023	Aaa Medians
Economy					
Resident income ratio (%)	132.3%	133.5%	135.4%	137.5%	168.9%
Full Value ($000)	$257,958,280	$262,134,062	$276,293,192	$308,874,491	$9,011,663
Population	741,251	726,054	734,603	741,440	36,103
Full value per capita ($)	$348,004	$361,039	$376,112	$416,587	$218,941
Annual Growth in Real GDP	0.2%	7.4%	2.2%	6.2%	2.4%
Financial Performance					
Revenue ($000)	$4,740,769	$5,360,375	$5,608,400	$5,961,515	$108,194
Available fund balance ($000)	$1,093,717	$1,486,589	$2,002,166	$2,404,498	$68,159
Net unrestricted cash ($000)	$1,930,013	$2,135,301	$2,858,901	$3,027,752	$99,090
Available fund balance ratio (%)	23.1%	27.7%	35.7%	40.3%	62.6%
Liquidity ratio (%)	40.7%	39.8%	51.0%	50.8%	95.0%
Leverage					
Debt ($000)	$5,710,450	$5,920,732	$6,310,833	$6,367,645	$72,678
Adjusted net pension liabilities ($000)	$5,221,259	$5,187,575	$4,424,919	$3,060,210	$89,696
Adjusted net OPEB liabilities ($000)	$622,055	$596,159	$472,930	$461,562	$10,915
Other long-term liabilities ($000)	$698,500	$639,089	$657,365	$791,305	$4,029
Long-term liabilities ratio (%)	258.4%	230.3%	211.6%	179.2%	217.2%
Fixed costs					
Implied debt service ($000)	$388,188	$408,941	$415,279	$440,747	$4,949
Pension tread water contribution ($000)	$123,903	$116,115	$74,494	$145,885	$2,629
OPEB contributions ($000)	$30,571	$31,450	$29,380	$30,845	$594
Implied cost of other long-term liabilities ($000)	$50,282	$50,021	$44,826	$45,910	$274
Fixed-costs ratio (%)	12.5%	11.3%	10.1%	11.1%	10.0%

For definitions of the metrics in the table above please refer to the US Cities and Counties Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published US Cities and Counties Median Report.
The real GDP annual growth metric cited above is for the Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area.
Sources: US Census Bureau, Seattle (City of) WA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

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 population of about 798,000.

Seattle Local Improvement District No. 6751, known as the Waterfront LID, was formed in 2019 to provide a portion of the financing for the Seattle Central Waterfront Program, a multi-year plan to build a new waterfront for the city. Comprising the area bordered on the west by Puget Sound, the east by Interstate 5, the north by Denny Way and the south by streets south of Pioneer Square, 6,398 properties located in the LID were determined to benefit from the planned waterfront improvements and assessed for their share of project costs in proportion to that benefit.

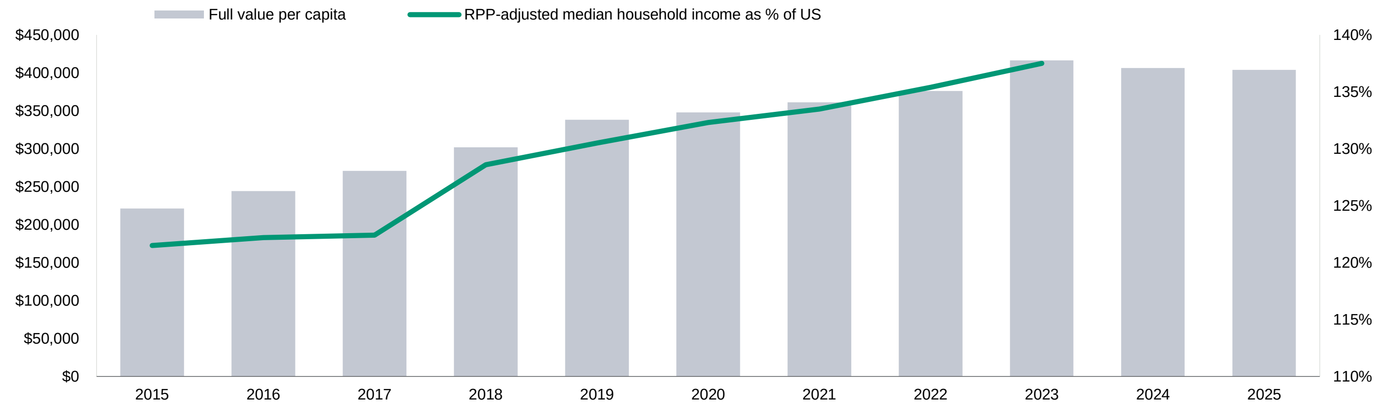
Detailed credit considerations

Economy: multi-year robust economic growth is reflected in strong resident wealth and incomes, though slowdown is likely

Seattle serves as the major center of the Pacific Northwest, with an economic expansion that has lasted more than a decade. The city's economy has been unusually robust, with real GDP growth outpacing the US by 1.9% over the five years ending in 2023, resident incomes increasing to 137.5% of national average, and full value per capita reaching $406,000 in 2025. However, we expect strength to be challenged over the next couple of years.

Exhibit 3

Resident wealth and incomes have materially risen over the last decade, though tax base growth is currently stagnant



Resident incomes are measures as the Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI.
Source: Government data sources

Management reported 2024 economic metrics weaker than the nation, including a higher rate of inflation, weaker consumer spending and slower employment growth, as well as a decline in sales tax from the trade sector. The city's unemployment rate is consistently lower than the state and US, though it has been edging up from the post-pandemic low of 3.1% in 2022 to 3.9% in March 2025. Specifically, in 2024, growth in employment in education, healthcare, government and hospitality sectors was largely offset by declines in construction, trade, information technology, and professional services. Notably, the city has limited federal employment presence, minimizing the risk of cuts to federal agencies.

However, exposure to international trade is high, given the two largest employers in the region are Amazon and Boeing. While the Port of Seattle did not see a decline in activity in the early months of 2025, officials are bracing for the ripple effects of potential US tariffs and the associated uncertainties for job loss, higher costs and supply chain disruptions. The potential impact on Seattle would be economic rather than fiscal in nature, as there is no direct financial connection between the city and the port, as it is a legally separate entity that operates primarily as an airport, with its smaller maritime facilities operated through the Seaport Alliance by the Port of Tacoma.

The city's slow return to office work and high office vacancy rates will continue to be a challenge for the vibrancy of Seattle's central business district, though Amazon's move to three days in the office in 2023 and five days in 2025 has yielded an uptick in workplace presence in the technology-focused South Lake Union neighborhood. The vacancy rate for office space in Seattle's central business district is expected to peak in 2025 at about 30% and 20% citywide, with meaningful decline not expected for nearly a decade.

Softening in the real estate market associated both with these trends and the modest slowdown in residential sales reduced the city's total assessed value very modestly for two years. Importantly, however, this will not affect the city's property tax revenue, given the mechanics of property assessment and taxation in the state. The amount of property taxes collected automatically increases under state statute by 1% plus the amount of taxes generated by new development, but are not subject to a reduction when property values fall. Tax rates are subject to a statutory maximum and will increase when assessed values fall, but the city's rates are currently well under the statutory maximum rate.

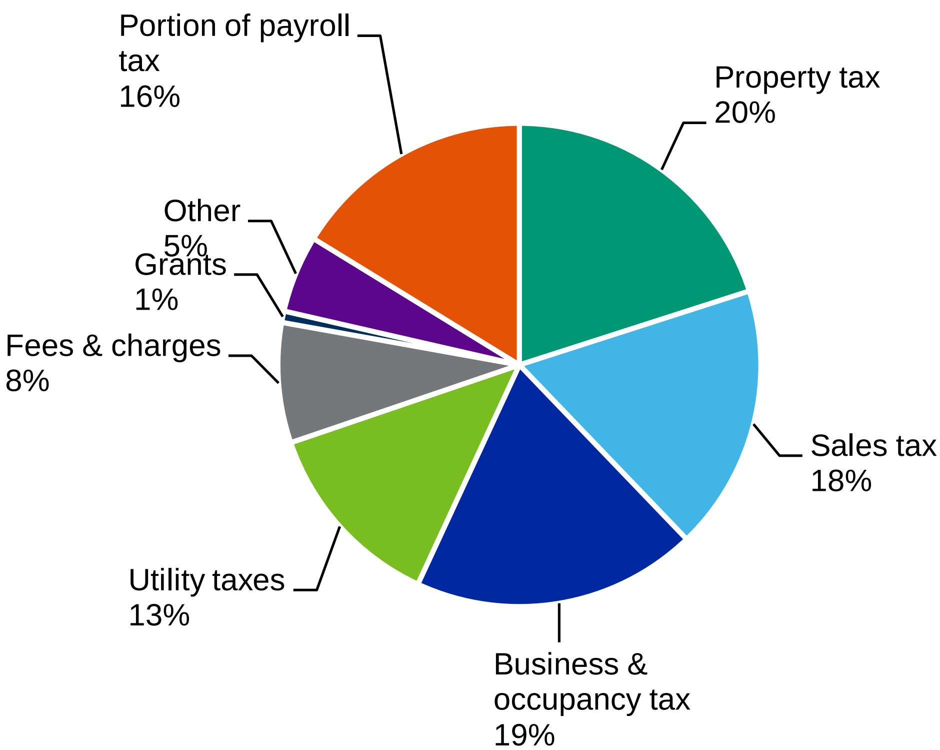
Financial operations: strong financial position reflects growing governmental revenues; capable financial management; and large, stable municipal utilities

The city's very strong financial position, bolstered by management's strong track record of conservative budgeting and revenue forecasting, will enable the city to manage any fiscal impact on the city from economic headwinds. The city's financial performance is very strong through fiscal 2023, with an available operational fund balance ratio of 40.3% and a liquidity ratio of 50.8%. General operating revenue sources total $1.9 billion for fiscal 2025 and are diverse.

Exhibit 4

Seattle's general fund revenues are diverse, with five primary tax revenue streams each accounting for between 13% and 20% of the total

Budgeted general fund resources total $1.94 billion for fiscal 2025

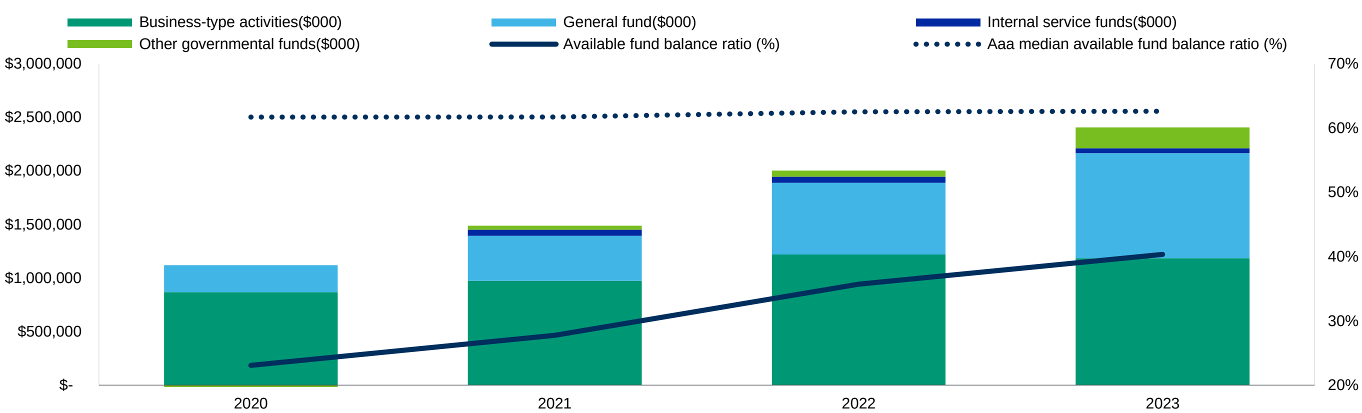


The portion of payroll tax collections budgeted for general fund purposes increased in fiscal 2025 to $314 million from $92 million in the prior year.
Source: City of Seattle

The city's business-type activities, which contribute to the strong financial position, include its water enterprise (Aaa stable), sewer enterprise (Aa1 stable) and electric enterprise (Aa2 stable). The increase in fund balance since 2020 has primarily been due to collection of a new payroll tax, nearly all of which contributed to fund balance in the general fund starting in fiscal 2021.

Exhibit 5

Fund balance



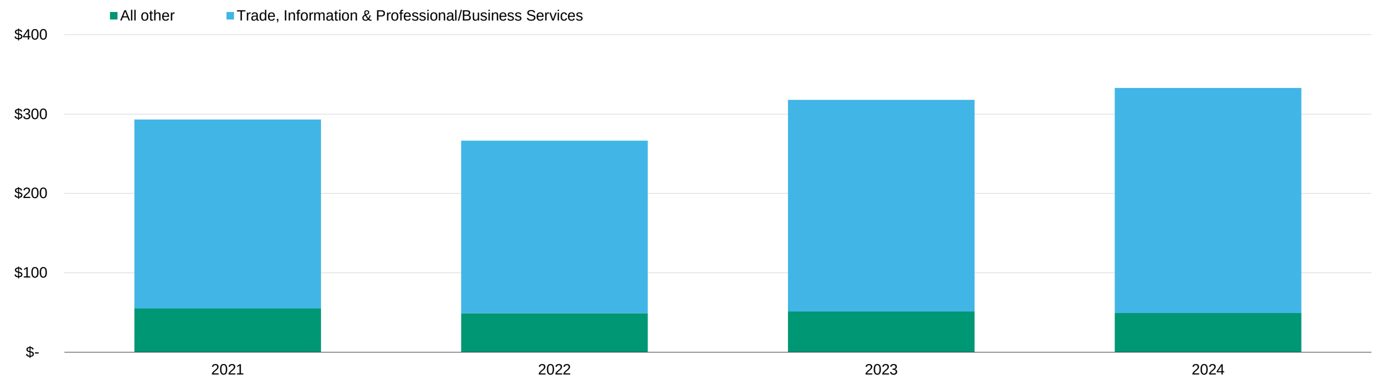
Source: Moody's Ratings

Restrictions on the use of payroll tax revenue were removed for fiscal 2025 and may include affordable housing, economic development, climate-related investments and ongoing general fund support. The portion of the revenue not used for general fund support is segregated into a fund to be used for these other purposes.

Nearly 86% of 2024 payroll tax revenue was paid by employers in trade, information and professional and business services sectors. This reflects the dominance of technology firms in the city, which are most likely to have volatile taxable payrolls, given the narrowness of the sector, their reliance on stock awards as compensation and the changing office space preferences in the region.

Exhibit 6

Most of the variation in the payroll taxes collected since the tax's inception in 2021 is from employers in the trade, information, and professional & business services sectors



Source: City of Seattle

Unaudited results for fiscal 2024 (ending December 31) showed a 4.3% increase in general fund revenue, but a $91 million net draw on fund balance due to planned, one-time retroactive payments associated with approval of collective bargaining agreements. The resulting available general fund balance for fiscal 2024 is an estimated $915 million or 39% of revenue, down from 45% in the prior year, but still quite strong.

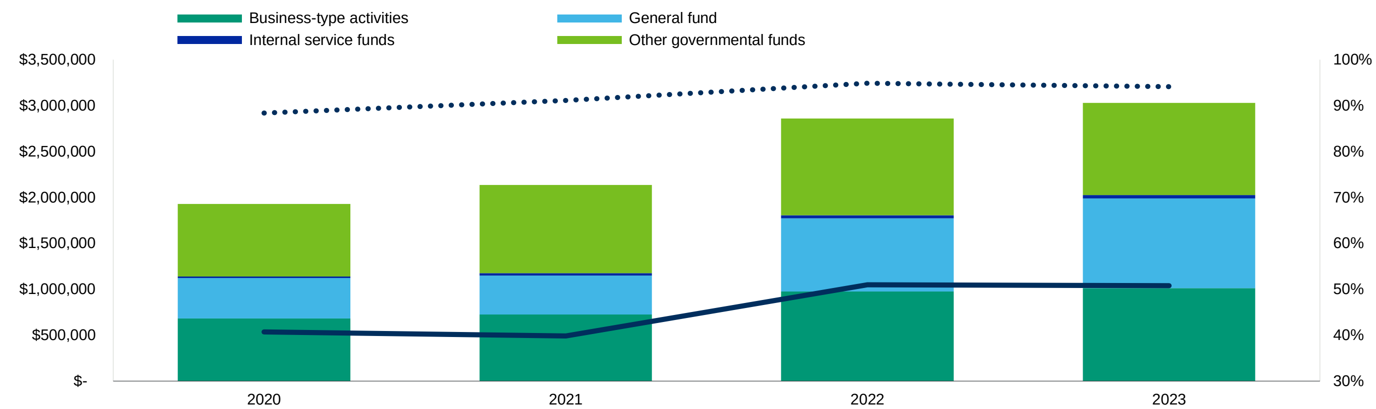
This strong level of reserves will be key to balancing the city's budget in the near term, through strategic use of prior year payroll taxes to manage economic headwinds, including any volatility in current-year revenue streams or negative effects on revenue resulting from changes in federal policy. Notably, however the city has very low reliance on federal funding.

The adopted budget for fiscal 2025 includes an increase in the transfer of payroll taxes to the general operating fund, as well as reductions to internal service functions and limits on growth in spending. The city's most recent quarterly revenue forecast was $10.2 million lower than budgeted for general fund revenue and $85.5 million lower than budgeted for other tax revenues. This has resulted in cost-cutting measures including a hiring freeze, a limit on discretionary spending and a review of consulting contracts, as well as budget reduction targets for 2025 and 2026 for all departments using general fund revenue or payroll tax revenue.

Liquidity

The city's liquidity position is strong. As of fiscal 2023, the city's net unrestricted cash in governmental funds totaled $2.0 billion or 57.8% of governmental revenue. When including business-type activities, the total primary government has $3.0 billion in unrestricted cash or 50.8% of total primary government revenues.

Exhibit 7
Cash



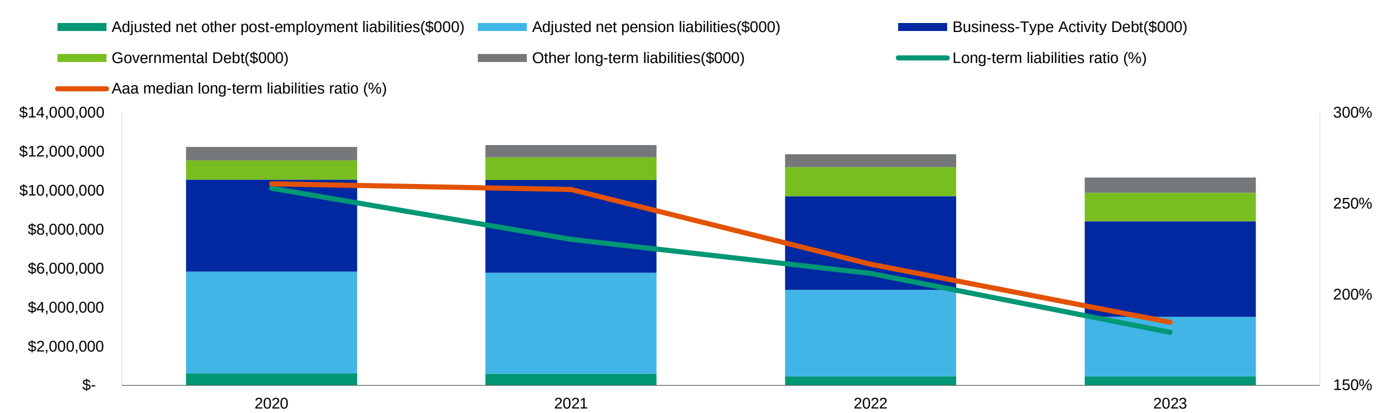
Source: Moody's Ratings

Leverage: long-term liabilities will remain relatively low and manageable

Leverage will remain relatively low and manageable, consistent with results in fiscal 2023 when the leverage ratio equaled about 179% of revenue and the fixed-costs ratio was just 11% of revenue. This affords the city flexibility to adjust both capital and operational spending when needed.

The city's long-term liabilities include $1.5 billion in governmental debt, $4.9 billion in enterprise debt and $4.3 billion in retirement-related and other liabilities.

Exhibit 8
Total primary government - long-term liabilities



Source: Moody's Ratings

Debt structure

The city's governmental debt consists of fixed-rate obligations with a declining debt service structure, including limited tax and unlimited tax general obligation bonds, and local improvement district bonds. Final maturity of the city's outstanding general obligation bonds is in 2049, though most of the city's debt is retired by 2030.

The city's unlimited tax general obligation (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.

The city's local improvement district (LID) bonds are special fund obligations payable solely from 1) the special assessments on properties located in LID that when collected are available over and above the amount required for the payment of the interest on the bonds due and payable on that interest payment date and 2) the Guaranty Fund, when special assessment revenue is insufficient for the payment of interest on the bonds when due and bond principal only at maturity.

Pensions and OPEB

Pension and OPEB liabilities are relatively low and will remain quite manageable. The city provides a single employer and defined-benefit public employee retirement plan (Seattle City Employees' Retirement System or SCERS), the Firefighter's Pension Fund, and the Police Relief and Pension Fund. We generally expect funding of pension liabilities to improve given recently implemented pension reforms. On January 1, 2017, the city closed SCERS to new entrants, with new employees participating in a new system (SCERS 2). SCERS 2 has decreased benefit levels, increases the minimum retirement age and defers retirement eligibility by increasing the age-plus-years-of-service requirement for retirement with full benefits. Additionally, while the city may, under state law, levy a $0.225 per $1,000 property tax levy to cover the Firefighter's Pension Fund; the city does not levy this additional tax.

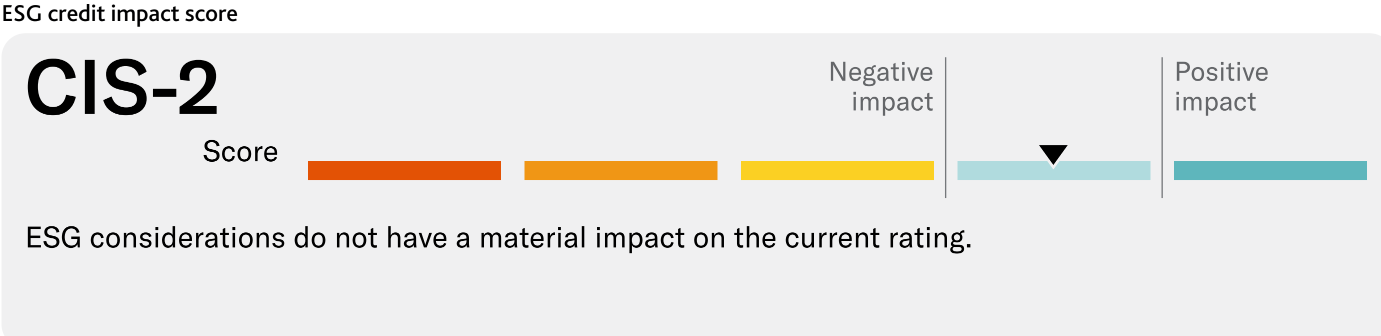
The city has three OPEB plans: the Health Care Blended Premium Subsidy, OPEB benefits under Firemen's Pension, and Police Relief and Pension. All OPEB plans are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Cities in Washington typically have low pension risks because their liabilities are primarily concentrated in segments of the well-funded Washington Retirement System (WRS). For example, as of the Public Employees' Retirement System Plan 2/3's fiscal 2023 reporting, government contributions amounted to about 6.4% of payroll in aggregate, above our tread water indicator of 2.4% of payroll. Based on reporting by WRS, we expect Washington cities' adjusted net pension liabilities (ANPLs) to decline by around 21% in fiscal year 2024. While results will vary across US public pension systems, we generally expect local governments' fiscal year 2025 ANPLs to fall by around another 20% based on our aggregate estimates, due to rising interest rates and above-target investment returns in 2024.

ESG considerations

Seattle (City of) WA's ESG credit impact score is CIS-2

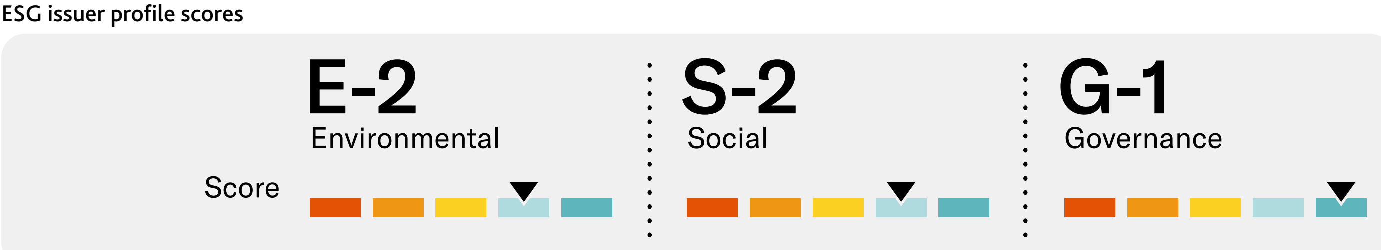
Exhibit 9
ESG credit impact score



Source: Moody's Ratings

The **CIS-2** Credit Impact Score indicates that environmental, social and governance have limited effect on the city's ratings, reflecting low exposure environmental and social risks and strong governance.

Exhibit 10
ESG issuer profile scores



Source: Moody's Ratings

Environmental
The city's exposure to physical climate risks is relatively low, with the most pressing long-term environmental challenges being sea level rise and greater frequency of extreme rainfall, which increase the risk of severe flooding.

Social
Seattle's growing population, expanding labor force, improving income metrics, and high educational attainment are positive to the credit. Increasingly unaffordable housing is a risk for the city, though the state and county are working along with the city to increase housing supply and support lower end wage earners.

Governance
Seattle benefits from a strong institutional structure, capable budget management, demonstrated policy effectiveness, and solid transparency and disclosure.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 11
Seattle (City of) WA

	Measure	Weight	Score
Economy			
Resident income ratio	137.5%	10.0%	Aaa
Full value per capita	406,256	10.0%	Aaa
Economic growth metric	1.9%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	40.3%	20.0%	Aaa
Liquidity ratio	50.8%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	179.2%	20.0%	Aa
Fixed-costs ratio	11.1%	10.0%	Aa
Notching factors			
Additional Strength in Local Resources	0.5		
Scorecard-Indicated Outcome			Aaa
Assigned Rating			**Aaa**

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.
Sources: US Census Bureau, Seattle (City of) WA's financial statements and Moody's Ratings

Appendix

Exhibit 12
Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the US City and Counties Methodology .
Source: Moody's Investors Service

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