

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to Seattle, WA's Water System Improvement and Refunding Revenue Bonds, 2026; outlook stable

06 May 2026

New York, May 06, 2026 -- Moody's Ratings (Moody's) has assigned a Aaa rating to the Seattle, WA's proposed \$125.1 million Water System Improvement and Refunding Revenue Bonds, 2026. Post-issuance the enterprise will have about \$700 million in outstanding water revenue bonds. The outlook is stable.

RATINGS RATIONALE

The Aaa rating reflects the water enterprise's ample water supply and its strong service area, which is substantially larger than the city, as it includes wholesale customers that serve communities in western King and Snohomish counties. Financial metrics will be relatively stable and strong over the near term as rates are increased to support operating costs and planned capital investment.

While debt service coverage weakened slightly in fiscal 2025 to 1.46 times, this was due to a planned one-time refund from a balancing account to wholesale customers. The city's reported debt service coverage (which excludes collection and remittance of the customer cities' utility taxes), was stronger at 2.0 times.

Unrestricted cash is strong at 227 days cash on hand and is bolstered by access to the city's shared \$4.3 billion in pooled cash.

The utility benefits from a capable management team that has demonstrated very strong capital planning and regulatory compliance. It also benefits from a track record of very strong rate setting, with the most recent proposed combined utility rates increasing an average of 4.7% annually through 2030.

Leverage will increase above the current 2.2 times operating revenue, given substantial planned debt-funded capital projects, though we expect it to remain moderate and manageable, given planned rate increases. While service rate affordability will be a long-term challenge, overall utility costs are notably low in the region due to an above average availability of hydroelectric power.

RATING OUTLOOK

The stable outlook reflects sound debt service coverage we expect to remain stable and leverage that will increase modestly, given regular rate increases. While the utility's balance sheet cash is modest for a Aaa-rated enterprise, it has ready access to additional liquidity that will sustain financial flexibility.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Debt service coverage falling below 1.25 times
- Debt to operating revenues exceeding 4.0 times
- Days cash on hand falling below 150 days

PROFILE

The City of Seattle is located in King County 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 816,600.

Seattle Public Utilities was created in 1997 as a department of the city and includes water, drainage, sewer and solid waste utilities. The water enterprise provides retail and wholesale water services to a combined population of 1.69 million within the greater metropolitan area. Water is primarily sourced from two watersheds east of the city. Infrastructure includes 1,800 miles of pipelines and two treatment facilities, with high water quality supported by extensive watershed protection, advanced water treatment and ongoing monitoring.

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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