

ISSUER COMMENT

17 June 2021

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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City of University Place, WA

Annual Comment on University Place

Issuer Profile

The City of University Place is located on Puget Sound in Pierce County in northwestern Washington. It is a western suburb within the Tacoma metro area. The county has a population of 877,013 and a moderate population density of 522 people per square mile. The county's median family income is \$84,373 (1st quartile) and the April 2021 unemployment rate was 7% (4th quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and the military.

Credit Overview

University Place's credit position is very good. Its Aa2 rating is slightly above the US cities median of Aa3. The key credit factors include a robust financial position, a sizable tax base with a strong wealth and income profile, a manageable debt burden and a small pension liability.

Finances: The city has a robust financial position, which is relatively favorable when compared to the assigned rating of Aa2. The fund balance as a percent of operating revenues (78.1%) is far stronger than the US median, and saw an impressive increase from 2015 to 2019. Also, University Place's cash balance as a percent of operating revenues (91.6%) is far superior to other Moody's-rated cities nationwide.

Economy and Tax Base: Overall, the city has a very healthy economy and tax base, which are consistent with its Aa2 rating. The full value per capita (\$128,794) is slightly above the US median, and increased dramatically from 2015 to 2019. Moreover, the median family income equates to a healthy 118% of the US level and the total full value (\$4.2 billion) exceeds the US median.

Debt and Pensions: University Place's debt burden is manageable compared to full value (1.1%) but above average compared to revenue. The debt burden has favorably decreased from 2015 to 2019. The pension liability of the city is low with a Moody's-adjusted net pension liability to operating revenues (0.68x) that is below the US median.

Management and Governance: Washington cities have an institutional framework score ³ of "Aa," or strong. Although cities depend on economically sensitive taxes (sales, business and occupation) in addition to property taxes, revenue tend to be highly stable and predictable. Cities have a moderate ability to increase property taxes by 1% annually, subject to state statutory limits. Expenditures primarily consist of public safety costs, which are highly stable and predictable. Expenditure-reduction ability is moderate due to modest fixed costs. Cities can also make mid-year budgetary reductions not related to public safety.

Sector Trends - Washington Cities

Washington cities are likely to experience steady economic growth over the near-term. Sales tax and other economically sensitive revenues should improve as unemployment levels remain low, particularly in the Puget Sound region. Strong improvement in the housing market will continue to boost assessed valuation growth and property tax collections. Pension costs are not a significant source of credit weakness, but remain a longer-term challenge.

EXHIBIT 1

Key Indicators ^{4 5} University Place

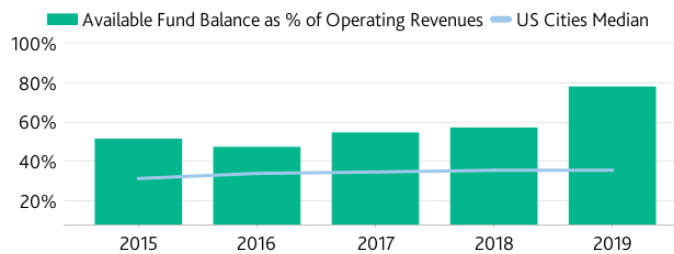
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$3,006M	\$3,159M	\$3,409M	\$3,801M	\$4,238M	\$2,024M	Improved
Full Value Per Capita	\$93,989	\$97,691	\$104,831	\$115,536	\$128,794	\$97,657	Improved
Median Family Income (% of US Median)	117%	116%	116%	118%	118%	114%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	51.6%	47.4%	54.7%	57.3%	78.1%	35.5%	Improved
Net Cash Balance as % of Operating Revenues	58.5%	58.6%	58.9%	76.7%	91.6%	40.0%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.7%	1.5%	1.3%	1.1%	1.1%	1.1%	Improved
Net Direct Debt / Operating Revenues	3.02x	2.48x	2.25x	2.09x	2.16x	0.82x	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.4%	0.5%	0.4%	0.3%	0.3%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.81x	0.76x	0.74x	0.63x	0.68x	1.57x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	31,991	32,342	32,528	32,907	32,907	N/A	
Available Fund Balance (\$000s)	\$8,494	\$8,863	\$10,937	\$11,876	\$16,322	\$8,489	
Net Cash Balance (\$000s)	\$9,625	\$10,945	\$11,766	\$15,902	\$19,133	\$9,759	
Operating Revenues (\$000s)	\$16,457	\$18,686	\$19,979	\$20,743	\$20,891	\$36,135	
Net Direct Debt (\$000s)	\$49,664	\$46,388	\$44,867	\$43,367	\$45,087	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$13,318	\$14,287	\$14,709	\$13,089	\$14,238	\$38,399	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

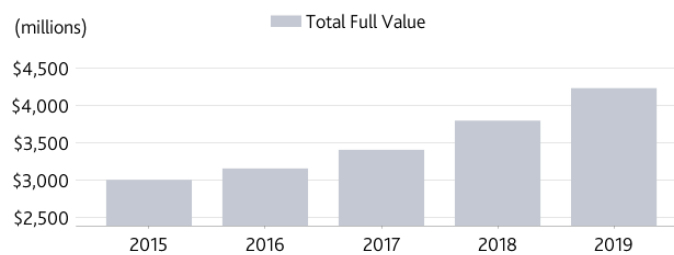
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

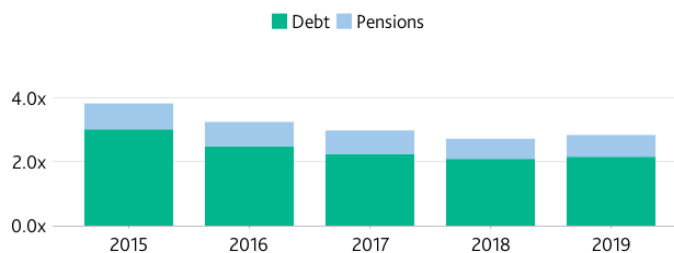
Full value of the property tax base increased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Tax base expansion bolsters revenue, but pensions remain a hurdle \(May 2020\)](#), which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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