

Rating Action: Moody's upgrades Bothell, WA's bonds to Aa1

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New York, October 11, 2019 -- Moody's Investors Service has assigned an Aa1 to the City of Bothell, Washington's \$21.0 million Unlimited Tax General Obligation Bonds, 2019. At the same time, Moody's upgrades the rating on the city's \$33 million of outstanding general obligation limited tax (GOLT) bonds to Aa1 from Aa2.

RATINGS RATIONALE

The assignment of Aa1 to the city's unlimited tax general obligation bonds reflects a large and growing tax base that benefits from its inclusion in the Puget Sound area. The rating also takes into consideration a material improvement in the district's financial profile, including a growth in reserves and a manageable fixed cost burden. Additionally, the rating reflects above average socioeconomic measures. We expect that the city's finances will continue to improve over the next few years, the debt burden will remain average and pensions will remain manageable and in-line with state peers.

The upgrade to Aa1 on the city's General Obligation Limited Tax (GOLT) ratings reflects the general credit characteristics of the city as well as the legal structure for GOLT bonds in Washington, which carry the full faith and credit pledge of the city and are generally rated at the same level as the GOULT rating.

RATING OUTLOOK

Outlooks are not normally assigned to issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Continued improvement of the city's financial position
- Continued growth of the city's tax base

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Deterioration of the city's financial position
- Material contractions of the city's tax base

LEGAL SECURITY

The GOULT bonds are secured by the city's full faith, credit and unlimited property tax pledge.

The outstanding GOLT bonds are secured by the city's pledge of its full faith, credit and resources to repayment of the bond.

USE OF PROCEEDS

Proceeds from the unlimited tax general obligation bonds will be used to construct two new fire stations.

PROFILE

The City of Bothell is a wealthy community located in the Puget Sound about 17 miles northwest of Seattle (Aaa stable), 12 miles north of Bellevue (Aaa stable) and 17 miles south of Everett. The city lies in both King (Aaa stable) and Snohomish (Aa1 stable) counties. The city is a full service municipal entity and covers 13.7 square miles and has a population of 46,750.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in September 2019. Please see the Rating Methodologies page on www.moody.com for a copy of this

methodology.

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Steven Goodman-Leibof
Lead Analyst
Regional PFG West
Moody's Investors Service, Inc.
One Front Street
Suite 1900
San Francisco 94111
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

William Oh
Additional Contact
Regional PFG 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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