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Municipal Credit Ratings And ESG Ratings: Irreconcilable Differences?

It sounds ideal, almost too good to be true. An attractive urban center in a scenic part of the country. A regional economic hub drawing a youthful, educated population taking jobs at the nation's fastest growing companies. Per capita income levels nearly at six-figures. Unemployment in the very low single digits. A trifecta "Trip-Trip" credit rating: AAA from Moody's, Standard & Poor's and Fitch—three of the top credit rating agencies.

This idyll is the city of Seattle, Washington, located on the gorgeous Puget Sound. It's a growing, vibrant, young city. The average age is around 36 years old. Residents are a well-educated group; more than 60% have a bachelor's degree. Nearly 100,000 new residents called Seattle home over the last decade. They come in response to the well-paying jobs offered by the seemingly ever-expanding Amazon, Starbucks and Microsoft, and the ancillary professional businesses that serve them. This has pushed the average per capita income to $90,438 (2018). A decade prior, it was $58,990.

To city leaders, all this is great news. The population and job growth kept home building increasing nearly year over year. The value of real property as increased as well, with assessed values at $208 billion (2018), a compounded 76% increase over the last ten years. This boosted the city's finances. Seattle's coffers are brimming with $1,541 million in revenues and a zaftig fund balance of $483 million (2018). The debt burden on its outstanding $703 million in general obligation bonds is very modest. The major pensions are well funded and present no serious future liabilities to be concerned about. No wonder the city was bestowed its top-drawer credit rating.

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