

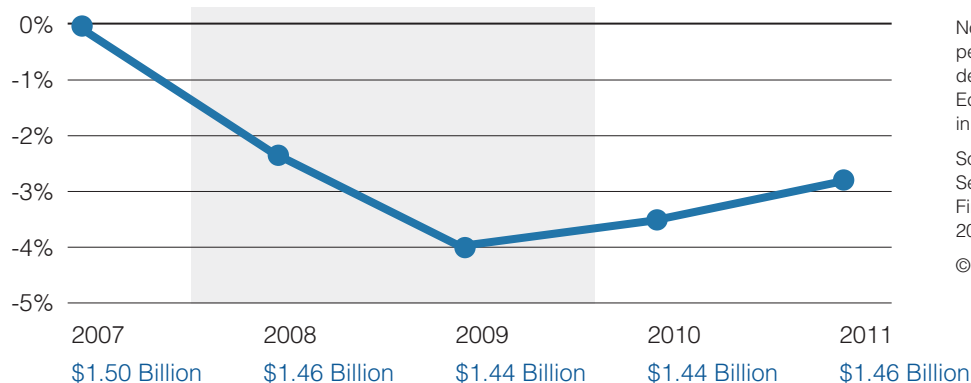
# Seattle

## Seattle's revenue bottomed out in 2009 and had not fully recovered by 2011

As of 2011, Seattle's revenue was still far from its pre-downturn peak, leaving the city with continuing financial challenges two years after the end of the Great Recession in 2009. (See Figure 1.) Revenue hit bottom in 2009 because of declines in business, excise, and sales taxes as well as nontax revenue. Spending increases during the same period, primarily in public safety, necessitated a drawdown of reserves. Postrecession, a rebound in revenue and cuts in expenditures began to correct the city's fiscal course, but Seattle's pension funding took a hit as assets declined in value.<sup>1</sup>

FIGURE 1

### Seattle Governmental Revenue, Percent Change From Pre-downturn Peak, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

Source: Pew calculations from Seattle's Comprehensive Annual Financial Reports for fiscal 2007-11.

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## Revenue started to rise from new excise taxes and charges and fees

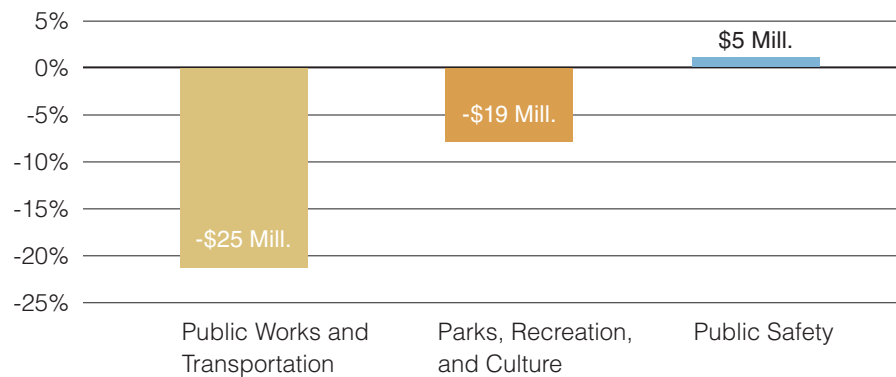
A \$60 million decline between 2007 and 2009 drove Seattle's revenue to its low point. Those losses, combined with operating spending growth of \$83 million, forced the city to draw down about two-fifths of its reserves. Over the following two years, however, Seattle experienced a small \$19 million rebound in revenue, dominated by increases in business and excise taxes.<sup>2</sup> Charges and fees, which included fines and forfeits and parking fees, also grew. Together, these categories offset small declines in property tax collections and aid from other governments, which fell despite federal grants from the American Recovery and Reinvestment Act.

## Operating spending declined after the recession

With revenue only partially back to the pre-downturn peak and reserves diminished, Seattle cut operating spending \$44 million between 2009 and 2011, including a \$25 million reduction in spending for public works and transportation and \$19 million for parks, recreation, and cultural facilities. (See Figure 2.) The former was attributed to less spending on capital projects and lower staffing levels in the Department of Transportation.<sup>3</sup> In fact, between 2009 and 2011, parks, recreation, cultural facilities, social services, health, housing, and economic development all experienced declines in staffing levels.<sup>4</sup> Public safety spending, however—the city’s largest expenditure category—increased \$5 million between 2009 and 2011.<sup>5</sup>

FIGURE 2

### Key Drivers of Change in Seattle’s Operating Expenditures, 2007-11



Note: Amounts are in 2011 dollars.  
 Source: Pew calculations from Seattle’s Comprehensive Annual Financial Reports for fiscal 2007-11.  
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## Managing the future: Reserve levels were down, and pension assets took hits, too

Demand for services, investment decisions, and revenue performance driven by economic activity and demographic changes will shape Seattle’s fiscal future. Long-term factors of financial health, which can be analyzed using the data available, are pensions and retiree health care obligations and reserve levels.

As city revenue increased, reserves began to be restored—growing \$27 million in 2011. Nevertheless, the 2011 fund balance was still \$111 million below the prerecession high. In November 2011, Mayor Mike McGinn and the City Council approved a new policy to increase reserves with required annual contributions.<sup>6</sup>

Seattle’s pension funding level, nearly 100 percent before the recession, fell to 83 percent in 2010.<sup>7</sup> A 22 percent loss in assets by the Seattle City Employees Retirement System a year before led to this significant drop. The city’s 2012 budget approved fully funding annual pension obligations.<sup>8</sup>

See Pew’s 30-city interactive at [pewstates.org/City-Fiscal-Conditions-Interactive](http://pewstates.org/City-Fiscal-Conditions-Interactive) for complete data.

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## Endnotes

1 See the full study methodology at [pewstates.org/City-Fiscal-Methodology](http://pewstates.org/City-Fiscal-Methodology) for a detailed explanation of the terms used in this profile and view the underlying data at [pewstates.org/City-Fiscal-Conditions-Interactive](http://pewstates.org/City-Fiscal-Conditions-Interactive).

2 Real estate excise taxes are distinct from property tax revenue because they are taxes levied on the sale of property rather than its value. Real estate excise taxes are considered “other taxes.” See methodology for a detailed explanation. In Seattle, these taxes increased substantially in 2007 because of a larger-than-anticipated amount of real estate transactions. City of Seattle, *Comprehensive Annual Financial Report, for the Fiscal Year Ended December 31, 2007* (2007) 36, <https://www.seattle.gov/cafrs/2007/pdf/2007%20CAFR%20Complete.pdf>.

3 City of Seattle, *Comprehensive Annual Financial Report, for the Fiscal Year Ended December 31, 2010* (2010), 12, <http://www.seattle.gov/cafrs/pdf/2010CAFRComplete.pdf>.

4 City of Seattle, *Comprehensive Annual Financial Report, for the Fiscal Year Ended December 31, 2011* (2011), 264, <http://www.seattle.gov/cafrs/pdf/2011CAFRComplete.pdf>.

5 Debt service also increased \$5 million, though Seattle’s 2011 debt is within its proscribed debt policy, which requires at least \$100 million of its legal debt limit be set aside to respond to emergencies such as “major natural disasters or other significant threats to public health or safety.” City of Seattle, “Debt Management Policies” (2003), 2, [http://www.seattle.gov/financedepartment/12adoptedbudget/documents/2012AdoptedBudget\\_002.pdf](http://www.seattle.gov/financedepartment/12adoptedbudget/documents/2012AdoptedBudget_002.pdf).

6 City of Seattle, *2012 Adopted Budget*, 40–41, [http://www.seattle.gov/financedepartment/12adoptedbudget/documents/2012AdoptedBudget\\_002.pdf](http://www.seattle.gov/financedepartment/12adoptedbudget/documents/2012AdoptedBudget_002.pdf).

7 For more information on and analysis of the state of retirement funding in the 30 cities, see The Pew Charitable Trusts, American cities project, *Cities Squeezed by Pension and Retiree Health Care Shortfalls* (March 2013), [http://www.pewstates.org/uploadedFiles/PCS\\_Assets/2013/Pew\\_city\\_pensions\\_brief.pdf](http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf).

8 Seattle.gov, “Mayor McGinn’s Statement on City Budget” (Nov. 10, 2011), <http://www.seattle.gov/news/detail.asp?ID=12266&rDept=48>.