

Summary Analysis

Summary:

**Seattle, Washington
Pike Place Market Preservation &
Development Authority; General
Obligation; General Obligation
Equivalent Security**

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Summary:

Seattle, Washington

Pike Place Market Preservation & Development Authority; General Obligation; General Obligation Equivalent Security

Credit Profile

Seattle GO Bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Pike Place Mkt Preservation & Dev Auth, Washington		
Seattle, Washington		
Pike Place Mkt Preservation & Dev Auth (Seattle) spl oblig rev rfdg bnds ser 2002		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' long-term rating and underlying rating (SPUR) on Seattle, Wash.'s existing general obligation (GO) bonds and GO-equivalent obligations, based on our recently released local GO criteria. The outlook is stable.

The city's full faith and credit, including the obligation to levy ad valorem property taxes without limitation as to rate or amount secure the city's unlimited-tax GO bonds. The city's limited-tax GO bonds are subject to statutory limitations that include a limit on annual property tax revenue growth without a voter override and a limit on the city's levy rate per \$1,000 of assessed value (AV). The city's GO-equivalent obligations include its limited-tax GO pledge on a contingent basis.

The rating reflects our assessment of the following factors for the city:

- We consider Seattle's economy very strong. The center of a 4.2 million-resident region, the city has benefited, in our view, from a deep reservoir of human capital and exposure to export markets, anchored by such major regional employers as Boeing and Microsoft. Its overlapping county has increased its count (year over year) in employed residents during the past 33 consecutive months and the unemployment rate has fallen below 6% for 2013. We project Seattle's per-capita effective buying income at 145% of the U.S. in 2017 and estimate its per-capita market value at \$187,818 for 2013.
- We view the city's management conditions as very strong with strong financial policies and practices and what we view as a consistent approach to budgeting.
- In our opinion, Seattle's budgetary flexibility is very strong, with available reserves at 19% of expenditures for 2012, up from 12.5% in 2011 due in part to strong revenue growth. (Both ratios reflect our analytic adjustments to include transfers out in our calculation of expenditures due to their recurring nature.) Current 2013 estimates suggest balanced operations for 2013 and a stable financial position. The city does not have significant taxing flexibility

under state law but has a record of securing voter overrides for specific services or capital needs in recent years and we believe that this political environment is likely to continue due to recent economic and property value growth.

- The city's budgetary performance is strong, in our view, with a surge in tax revenues in 2012 contributing to a 2012 general fund surplus of 6.9% of adjusted expenditures, but a slight deficit of 1.1% of total governmental funds expenditures. Based on 2013 estimates and the city's current 2014 budget, we expect general fund performance to be close to balanced.
- Supporting the city's finances is liquidity that we consider very strong, with 2012 ending total government available cash (after an adjustment to reduce available cash proportionally to the share of the city's investment pool's holdings of maturities in excess of one year) at 21% of total governmental fund expenditures. Seattle's cash position at the end of 2012 stood at 4x total governmental funds debt service. We believe the city has exceptionally strong access to external liquidity with approximately annual issuances of GO bonds in recent years and frequent issuances of various security types during the past 15 years.
- In our opinion, the city's debt and contingent liabilities profile is very strong. Total governmental funds debt service was 5% of total governmental funds expenditures for 2012 and net direct debt was 56% of total governmental funds revenue. The city has modest GO debt plans for 2014 and we anticipate that these ratios will be comparable next year and the latter ratio decline should recent new construction contribute to strong revenue growth. Supporting credit quality, in our view, is the city's low overall net debt relative to market value ratio, at 1.2% and rapid amortization.
- The city independently manages a defined-benefit pension for most of its nonsworn employees and two small closed plans for public safety employees. Other public safety employees participate in the state-managed Law Enforcement Officers' and Firefighters' retirement system. In 2012, Seattle shifted its valuation of its pension assets to a five-year smoothing approach and formally declared its intention to fund its actuarially calculated annually required contribution (ARC) for the city-managed pension system based on a 30-year amortization and has consistently met the ARC for public safety employees. This contribution amount has risen in response to a decline in the funded ratio, which stood at 64% for Jan. 1, 2013, but we consider combined pension and other postemployment benefit (OPEB) contributions moderate at 7% of total governmental funds expenditures. The city's OPEB liability consists of an implicit subsidy and, for certain public safety employees under a now closed plan, a direct subsidy.
- The city exhibits a relatively low level of funding interdependencies with the federal government. For 2012, capital and operating grants, less than half of which, we understand, consisted of federal payments, represented 22% of total governmental expenses.
- We consider the institutional framework score for Washington cities adequate. (See the Institutional Framework score for Washington.)

Outlook

The stable outlook reflects our view of Seattle's positive economic momentum and likely stable budgetary performance through 2014. We do not expect to lower the rating in the next two years unless the city experiences deterioration among multiple factors that we view as important to credit quality, such as a combination of a significant operating deficit that substantially erodes the city's liquidity position and available reserves.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Washington Local Governments

Ratings Detail (As Of December 9, 2013)		
Seattle ltd tax go imp & rfdg bnds ser 2005		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle ltd tax GO imp and rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle unltd tax GO rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle GO bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle Lmtd Tax GO Imp & rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Seattle Chinatown Intl Dist Pres & Dev Auth, Washington		
Seattle, Washington		
Seattle Chinatown Intl Dist Pres & Dev Auth spl oblig bnds (Hsg Fac) ser 2002A&B		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle Chinatown Intl Dist Pres & Dev Auth spl oblig rfdg bnds ser 2007		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle Indian Svcs Comm, Washington		
Seattle, Washington		
Seattle Indian Svcs Comm spl oblig rev rfdg bnds ser 2004		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle Indian Svcs Comm (Seattle) spl oblig rev rfdg bnds ser 2002		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Seattle Museum Dev Auth, Washington		
Seattle, Washington		
Seattle Museum Dev Auth GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Washington St Hsg Fin Comm, Washington		
Seattle, Washington		
Washington St Hsg Fin Comm (Seattle) (Lowman Bldg)		

Ratings Detail (As Of December 9, 2013) (cont.)

<i>Long Term Rating</i>	AAA/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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