City Budget Office

Economics and Revenue Update

2018 Proposed Budget

September 28, 2017 Council Chambers
U.S. Economy

Post – WW II Economic Expansions

• Risk to forecast (IHS/GI): 25% chance of policy induced slowdown in 2018–19
Puget Sound Economy

The region’s expansion

• Stronger than U.S.
• Has slowed in past year
  • Aerospace, construction
• Seattle has led region’s expansion

Forecast

• Rate of growth will continue to slow
• Risks/uncertainties
  • U.S. economy
  • Aerospace
  • Amazon
  • Construction
Puget Sound Economy

Seattle Metro Area* 12-month Employment Change

Thousands of jobs

* King and Snohomish Counties. Source: WA ESD.
Seattle Metro Area* Post-Recession Employment Change

*King & Snohomish Counties. **Nonstore retailers data are for King Co. only.
Seattle Metro Area* Construction Employment

*King and Snohomish Counties. Source: WA ESD.
Regional Economic Forecast

Annual Growth of Puget Sound Region* Employment

*King, Kitsap, Pierce, and Snohomish Counties. Source: PSEF.
Revenue growth has been slowing since mid-2015

Forecast: more slowing

- Slowing regional economy
- Construction cycle
- Slowing will be partly offset by:
  - B&O tax rate increases
  - State expanding sales tax base
    - Bottled water added
    - Expanded taxation of remote sales
Other revenue from construction:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property tax</td>
<td>$6.6 mil.</td>
</tr>
<tr>
<td>Real estate excise tax</td>
<td>$9.9 mil. (est.)</td>
</tr>
<tr>
<td>Also utility tax</td>
<td></td>
</tr>
</tbody>
</table>
Seattle Construction

Value of Construction Permits Issued
4 quarter moving average in $ millions
Sales and B&O Tax Forecast

Year-Over-Year Growth Rate* of Tax Base for Sales and B&O Taxes

*Note: tax base series was smoothed using 4-quarter moving average.
Real Estate Excise Tax

Seattle Single-family Market

*Seasonally adjusted data

Sales* (right)  Avg. Price* (left)
## General Subfund Revenues

<table>
<thead>
<tr>
<th>GSF - Item</th>
<th>2016</th>
<th>2017</th>
<th>Chg from Apr</th>
<th>2018</th>
<th>Chg from Apr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>283,735,368</td>
<td>293,701,000</td>
<td>-</td>
<td>307,371,000</td>
<td>-</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>237,249,791</td>
<td>248,426,222</td>
<td>2,415,484</td>
<td>259,780,854</td>
<td>7,964,660</td>
</tr>
<tr>
<td>Business Taxes</td>
<td>245,235,886</td>
<td>262,582,584</td>
<td>(1,656,713)</td>
<td>293,288,441</td>
<td>13,992,770</td>
</tr>
<tr>
<td>Public Utility Taxes</td>
<td>139,321,324</td>
<td>150,560,561</td>
<td>(53,940)</td>
<td>157,805,262</td>
<td>1,385,125</td>
</tr>
<tr>
<td>Private Utility Taxes</td>
<td>61,558,674</td>
<td>61,373,653</td>
<td>(733,035)</td>
<td>62,461,937</td>
<td>(522,785)</td>
</tr>
<tr>
<td>Business License Fees</td>
<td>11,013,336</td>
<td>13,750,660</td>
<td>-</td>
<td>15,443,707</td>
<td>-</td>
</tr>
<tr>
<td>Court Fines</td>
<td>28,222,138</td>
<td>25,878,000</td>
<td>(550,000)</td>
<td>27,885,000</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Parking Meters</td>
<td>37,977,097</td>
<td>39,861,000</td>
<td>(590,000)</td>
<td>40,973,000</td>
<td>522,000</td>
</tr>
<tr>
<td>Other General Subfund Revenues</td>
<td>134,874,136</td>
<td>102,394,775</td>
<td>5,403,968</td>
<td>101,504,755</td>
<td>3,585,810</td>
</tr>
<tr>
<td><strong>General Subfund - Grand Total</strong></td>
<td><strong>1,179,187,750</strong></td>
<td><strong>1,198,528,455</strong></td>
<td><strong>4,235,764</strong></td>
<td><strong>1,266,513,956</strong></td>
<td><strong>26,727,580</strong></td>
</tr>
</tbody>
</table>

### Notable Non-GSF Revenues

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2016</th>
<th>2017</th>
<th>Adjustments</th>
<th>2018</th>
<th>Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Excise Tax</td>
<td>76,434,109</td>
<td>74,987,435</td>
<td>1,452,506</td>
<td>76,594,811</td>
<td>(1,215,428)</td>
</tr>
<tr>
<td>Commercial Parking Tax</td>
<td>39,096,426</td>
<td>41,744,587</td>
<td>-</td>
<td>43,623,094</td>
<td>-</td>
</tr>
<tr>
<td>School Zone Camera Fund</td>
<td>13,736,480</td>
<td>9,857,592</td>
<td>500,000</td>
<td>7,329,104</td>
<td>371,749</td>
</tr>
</tbody>
</table>