Seattle
Office of Economic
& Revenue Forecasts

2024 Work Program

This document outlines the proposed work program for the Office of Economic and Revenue Forecasts for 2024.

Overview

The primary responsibility of the Office of Economic and Revenue Forecasts (OERF or Forecast Office) is to produce regional economic and revenue forecasts for the City of Seattle. In addition, the Forecast Office conducts special analyses at the request of the Forecast Council and provides analytical support on economic and revenue estimation for legislative and executive staff. Finally, beyond the direct work on the forecast updates that takes place only during certain parts of the year, the staff is engaged in ongoing work aimed to improve the quality of the forecasts, as well as monitoring and reporting efforts that provide insights on the performance of the economy and revenue collection.

The staff of the Forecast Office consists of three economists: a Director and Chief Economist, a Principal Economist, and a Regional Economist, currently however the office only has two employees. The proposed work program assumes that the staffing returns to three FTEs in 2024, to ensure that the office can serve its function properly.

Economic and revenue forecasts

The Forecast Office produces regional economic forecasts for main economic indicators (personal income, employment, unemployment rate, inflation, and housing permits) and revenue forecasts for City of Seattle (revenue from sales tax, business and occupation tax, payroll expense tax, real estate excise tax, private utility taxes, admission tax, business license fees, assessed value of real and personal property, and the value of new construction).

Each year the Forecast Office is required to prepare three regional economic and revenue forecasts, for the current fiscal year and the five following fiscal years. Per establishing ordinance, these forecasts must be presented to the Forecast Council by April 10, August 10, and the Wednesday immediately following the first Tuesday in November, respectively. In addition to these three required forecasts, one more regional economic forecast is prepared in January, with primary focus to update the outlook for inflation.

The following is the proposed schedule for Forecast Council meetings in 2024:

Day	Time	Location
April 8, 2024	11:00 am – 1:00 pm	City Hall Conference Room 370 and Webex
August 5, 2024	10:30 am – 12:30 pm	City Hall Conference Room 370 and Webex
October X, 2024	TBD	City Hall Conference Room 370 and Webex

Prior to each of the revenue forecast meetings of the Forecast Council, the staff of the Forecast Office holds a briefing for the City Budget Office staff and Central Staff, intended to provide an overview of the forecast and an opportunity to request additional information. After they are officially adopted, the Forecast Office makes the forecasts available on the public website its staff maintains. The website also provides the public with access to the Forecast Council meetings calendar, as well as agendas, minutes and presentations from these meetings.

Revenue monitoring and reporting

The Forecast Office tracks on an ongoing basis various economic data that are used in its forecasts and analyses. This includes monitoring the status of the national, regional and local economy - tracking employment, personal income and wages, inflation, interest rates, retail sales, residential and non-residential real estate sales, vacancy rates, trends in the workforce office presence and office demand, number of building permits issued and construction costs.

Monthly reports which the Forecast Office distributes that summarize the S&P Global Market Insight forecasts for the U.S. economy provide insight into changes in the outlook of the national economy.

The Forecast Office is also monitoring the year-to-date revenue received by the City and prepares four revenue reports that document revenue received as of March 31, June 30, and September 30; the final report for the fiscal year is completed after the revenue accrual process is finalized at the end of February of the following year.

The Forecast Office is in addition preparing reports summarizing the monthly sales tax revenue distribution from the Washington State Department of Revenue. These reports serve as a tool to track the year-to-date sales tax revenue and provide a more frequent and up to date assessment of the performance of the local economy and its individual industries.

Improvements to the forecasting process

In addition to the above outlined work on forecasts and reporting, the following are proposed to be part of the work program in 2024 as part of the ongoing effort to improve the quality of forecasts.

1. Continued improvements to the forecasting process and forecasting models in general.

The economy has been undergoing significant structural changes triggered by pandemic and the shift to hybrid work. On top of that, the rise of inflation and the aggressive monetary policy response created additional challenges for the economy as whole and for the construction sector and the real estate market in particular. Large changes like these necessitate a re-assessment of the forecasting approach; the staff of the Forecast Office has in the past years spent a considerable amount of time monitoring the accuracy of existing forecast models and on efforts to improve the forecasting process. Development and refinements of the existing models are expected to take place between the work on the forecasts this year again.

2. Incorporating new data into the forecasting and monitoring processes

A wide range of data is used to track the health of the economy and as inputs for economic and revenue forecasting models employed by the Forecast Office. As part of the ongoing efforts to better understand the local economy and to improve the accuracy of our forecasts, several new data sources were introduced in the past two years. Main additions include commercial real estate market indicators from CoStar, residential real estate market data from Northwest Multiple Listing Service, stock price targets from Wall Street Journal, and location analytics data from Placer.ai. In 2023 the Forecast Office has entered into a data sharing agreement with the Washington State Employment Security Department, which provides us with access to employment and payroll data for King County employers. This data will improve our insight into the employment trends and changes in the number and size of business establishments in the city. Moreover, it will also be a

valuable resource to inform the forecast of the payroll expense tax revenue. This data will however require a significant amount of time to be processed and analyzed.

The staff of the Forecast Office is currently reviewing options to obtain additional regional and local level datasets that would allow to obtain insight into consumer spending, population changes, and changes in the number of business establishments and their characteristics. There is only limited data available on regional or local level, as such these datasets could be a valuable addition, useful for economic and revenue forecasts and for various analyses.

3. Development of improved forecasting models for payroll expense tax.

Once the employment and payroll data from Washington State Employment Security Department is processed, the next step will be to use it to build an improved forecasting model for payroll expense tax. Developing and testing of the new model will be a major effort and will require a significant amount of time, just like the data processing.

Supporting the work of other departments

The Forecast Office conducts special analyses at the request of the Forecast Council and provides analytical support on economic and revenue estimation for legislative and executive staff, as needs arise throughout the year. These analyses are nonpartisan, and confidential to the extent allowed by law. The office also supports City Finance in preparing the Limited Tax General Obligation Bond ratings presentations to Moody's, S&P, and Fitch.