



Seattle
Office of Economic
& Revenue Forecasts

City of Seattle
Economic and Revenue Forecast Council
April 10th, 2025

Meeting Minutes

Forecast Council Attendees:

Forecast Council Chair Dan Strauss
City Council President Sara Nelson
Forecast Council Vice-chair Jeremy Racca
City Finance Director Jamie Carnell

Adoption of the Agenda:

Forecast Council Chair Strauss moved to have Item 5., Presentation of the 2025 Work Program for the Office of Economic and Revenue Forecasts, postponed till the August meeting. After this was seconded, the agenda was then adopted as amended.

Meeting Items:

1. Adoption of the minutes from the October 22nd, 2024 meeting.
The Forecast Council unanimously approved the minutes of the previous meeting.
2. Election of Chair and Vice Chair for the Economic and Revenue Forecast Council, for 2025
Consistent with the authorizing ordinance and the by-laws, the Forecast Council moved to approve the selection of a Chair and Vice-chair. Forecast Council member Jeremy Racca nominated City Councilmember Strauss to serve as Chair, this was unanimously approved by the Forecast Council. Forecast Council Chair Strauss then nominated Forecast Council member Jeremy Racca to serve as Vice-Chair, and the Forecast Council unanimously approved that motion.
3. Presentation of the April 2025 Economic and Revenue Forecasts, and recommendation from the Office of Economic and Revenue Forecasts regarding the 2025 and 2026 revenue forecasts.

Forecast Council was first briefed on changes in the economic conditions and outlook. Tariffs announced on April 2nd were significantly larger than anticipated, this has led to a



large increase in economic uncertainty, steep drop in stock prices, a surge of volatility in the financial markets, and rising fears of a recession. Elevated volatility and uncertainty will likely have a negative impact on consumer and business sentiment and thus on consumption, investment, and hiring decisions. As a result, after the announcement a notably slower economic growth and higher inflation were expected by economists for 2025 and 2026. The U.S. economic forecast from S&P Global that served as the starting point to develop the regional economic and revenue forecasts was however prepared already in early March, several weeks before the April 2nd tariff announcement was made. This U.S. economic forecast also did not anticipate a recession in the baseline or the pessimistic scenario, despite the arguably elevated risks post tariff announcement. The regional economic outlook remained weaker, employment in the regional economy continued to grow at a notably slower pace than in the national economy in 2024.

The updated General Fund revenue projections were presented next. Excluding Grants and Fund Balance Transfers, the updated baseline scenario revenue forecast showed a \$3.8 million (0.2%) increase for 2025 and a \$13.3 million (0.8%) decrease for 2026, relative to the October forecast underlying the 2025-2026 Adopted Budget. The pessimistic scenario revenue forecast showed a \$10.2 million (0.6%) decrease for 2025 and a \$40.2 million (2.8%) decrease for 2026. These revenue forecast revisions reflected the higher economic uncertainty and the weaker economic outlook, weighing down on revenues across the board.

The revised baseline scenario forecast for non-General Fund revenues showed \$67.3 million less in Payroll Expense Tax for 2025 and \$75 million less for 2026. In the pessimistic scenario it was \$81.3 million less in 2025 and \$86.1 million less in 2026. The two main reasons for the downward revision were lower stock prices expected in 2025-2026 and lower than anticipated revenue collection in 2024. Payroll Expense Tax revenues amounted to \$360 million in 2024. Compared to the revised forecast from October 2024, this was only \$1.2 million less than the pessimistic scenario prediction, but \$46.7 million less than the baseline scenario. Based on the Employment Security Department data, in 2024 the total wages of relevant businesses grew at an even faster pace than in 2023 in King County, but most of this growth has occurred outside of Seattle tax base, which consequently underperformed the October forecast.

The presentation finally addressed several notable risks to the revenue forecast that have emerged in weeks leading to the April forecast. Most importantly, there's a large uncertainty regarding the impact of federal, state, and local policies on job growth in Seattle. Seattle economy is also quite dependent on trade and tourism, these sectors are directly affected by federal policy changes regarding trade and immigration. Finally, interest rates are now expected to remain higher for longer, to mitigate inflation increases from higher tariffs;



together with increased uncertainty this will further contribute to the construction sector downturn.

In light of these forecast risks, the elevated uncertainty regarding the economic outlook, and the timing and assumptions in the underlying U.S. economic forecast from S&P Global, which was released in early March before larger than anticipated tariffs were announced, pessimistic scenario was recommended for adoption by the Interim Director Duras.

4. Forecast Council Adoption of the April 2025 Revenue Forecast – Discussion and Possible Vote.

The Forecast Council discussed the forecast, forecasting team addressed follow up questions from Council President Nelson and Forecast Council Chair Strauss regarding the Payroll Expense Tax forecast and reasons underlying the downward revision. Turning to the recommendation to adopt the pessimistic scenario, Forecast Council Chair Strauss noted that it's prudent to adopt the pessimistic scenario, since there will be two more forecast updates before the budget is adopted, and it will better position the City's budget process for the possibility of further bad news and a more serious economic downturn. Given the following unanimous consensus among Forecast Council members to concur with recommendation to use the pessimistic scenario forecast as the basis for the revenue projections, the Forecast Council Chair Strauss directed that these meeting minutes reflect that decision.