Seattle
Office of Economic
& Revenue Forecasts

**City of Seattle**
**Economic and Revenue Forecast Council**
**April 10th, 2026**

# Meeting Minutes

**Forecast Council Attendees:**

Dan Strauss, Forecast Council Chair
Joy Hollingsworth, City Council President
Mark Ellerbrook, Deputy Director of City Operations and Forecast Council Vice-Chair
Dwight Dively, City Finance Director

**Meeting Items:**

1. Adoption of the minutes from the October 20, 2025 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 2026
   Consistent with the authorizing ordinance and the by-laws, the Forecast Council moved to approve the selection of a Chair and Vice-chair. City Council President Joy Hollingsworth nominated City Councilmember Dan Strauss to serve as Chair, this was unanimously approved by the Forecast Council. Forecast Council Chair Strauss then nominated Deputy Director of City Operations Mark Ellerbrook to serve as Vice-Chair, and the Forecast Council unanimously approved that motion.

3. Presentation of the April 2026 Economic and Revenue Forecasts, and recommendation from the Office of Economic and Revenue Forecasts regarding the 2026, 2027, and 2028 revenue forecasts.

   Forecast Council was first briefed on economic performance in 2025 and on changes in the economic conditions and outlook since October 2025. Washinton State Employment Security Department has revised regional employment estimates down for 2024 and up for 2025. As a result, 2025 Seattle metro area job growth was above the October forecast, however, the demand in regional labor market remains weak. Companies are facing high economic and policy uncertainty and at the same time expect productivity gains from a wider adoption of AI. This has resulted in cost cutting, streamlining operations, and focus on investment in AI infrastructure rather than on headcount growth. Although regional inflation was in 2025 somewhat lower than at the national level and also below the October forecast, large spike in oil and gas prices due to the war in Iran that started on February 28th is expected to increase overall inflation and create headwinds for economic growth. The average for the probability of recession in the next 12 months in the Wall Street Journal survey of economists conducted between March 16 to 18 increased to 32%, up from 27% in January (but down from 45% in April 2025). Financial market experienced increased volatility: S&P 500 Index fell about 9% between its peak in February and March 30, but it has largely recovered by early April.

Looking ahead, the near-term outlook for the regional economy remains weaker than for the U.S. economy.  Regional employment has been revised down since October, reflecting weaker U.S. forecast, and also incorporating the layoffs announced by Amazon. As a result, regional employment is expected to decline 0.3% in 2026 and only grow 0.1% in 2027, in the baseline scenario. In the pessimistic scenario forecast, regional employment would decline cumulatively about 2.7% between 2025 Q4 and 2027 Q2, as a result of a recession in the U.S. economy. And though regional inflation was lower than expected in 2025, it is expected to re-accelerate and 4% in 2026, due to both ongoing passthrough of tariffs and large increases in oil and gas prices.

Actual 2025 revenues were presented and discussed next. Excluding Grants and Fund Balance Transfers, the 2025 General Fund revenues grew 3.5% from 2024 and ended up $7.1 million (0.4%) above the October 2025 forecast. Sales & Use Tax, Business & Occupation Tax and Utility Taxes ended somewhat above the forecast, offsetting lower than anticipated revenues from Property Taxes, Parking Meters, Interest Income, and other smaller revenue streams. Non-General Fund revenues in general overperformed expectations. After raising notably less than predicted in 2024, Payroll Expense Tax revenues grew 12.7% in 2025 and generated about $20.4 million (5.3%) more than predicted in the revised October 2025 forecast.

Turning to the updated revenue outlook, the April baseline scenario revenue forecast for General Fund revenues excluding Grants and Fund Balance Transfers showed a $10.2 million (0.6%) decrease for 2026 but a $29.9 million (0.8%) increase for 2027-2028, relative to the forecast from October 2025. Revenues are expected to grow 9.1% in 2026 and 4.1% in both 2027 and 2028. Revenue forecast revisions reflected a more negative economic outlook, but also higher revenues due to updated estimates from impacts of policy changes, in particular ESSB 5814. The April pessimistic scenario represented the case where the economy does not manage to avoid a recession in 2027, as a result of longer disruption to oil supply and higher oil prices, restricted business and household spending in face of rising costs and uncertainty, resulting in layoffs, and stock prices selloff. Compared to the baseline scenario, this would result in $165.6 million, or about 3%, less for General Fund revenues excluding Grants and Fund Balance Transfers over the 2026-2028 period.

The revised baseline scenario forecast for non-General Fund revenues showed $16.9 million less in Payroll Expense Tax for 2026 and $36.2 million less for 2027-2028, due to lower forecast for both employment and stock prices. Relative to the baseline, in the pessimistic scenario these revenues would be additional $99.4 million lower over the 2026-2028 period, as a recession would lead to job losses and lower stock prices. REET revenues have been revised down for 2026 as well as 2027-2028, by $10.8 million combined in the baseline scenario. The pessimistic scenario would lead to an additional $80 million fall in REET revenues over the 2026-2028 period.

The presentation finally discussed several notable risks to the April revenue forecast. Geopolitical risks have resulted in an economic forecast that has worsened somewhat since October. In the April survey of economists conducted by The Wall Street Journal the probability of a recession in the next 12 months increased back to 32%. The U.S. economic forecasts from S&P Global and Moody's Analytics underlying the presented revenue forecast were released in early March, the baseline scenarios in these forecasts thus do not fully account for the following developments. To mitigate the resulting risks, the Forecast Office has developed the baseline April revenue forecast based on a weighted average of economic forecasts by S&P Global and Moody's Analytics, using both their baseline and pessimistic scenarios.

In addition, there remains a large amount of uncertainty regarding the combined impact of federal, state, and local policies on job growth in Seattle and thus also revenues that the City collects. Data available to estimate the impact of ESSB 5814 on City's sales tax and B&O tax collection is very limited, this will most likely result in a larger than typical variance in the 2026 actual revenues relative to the current forecast. As in past, the Forecast Office took a more conservative and cautious approach to estimate the additional revenues due to policy changes, to limit the downside risks.

With all these considerations in mind, the baseline scenario was recommended for adoption by the Interim Director Duras, since based on the information available it was likely the closest to the actual outcome: national economy most likely avoid the recession that was built into the April pessimistic scenario U.S. forecasts from S&P Global and Moody's Analytics. Due to high economic uncertainty there's however notably lower confidence regarding presented revenue forecasts, with higher risk of significant future revisions and larger than typical variance in 2026 actual revenues relative to the current forecast.

4. Forecast Council Adoption of the April 2026 Revenue Forecast – Discussion and Possible Vote.

   Members of forecasting team from the Forecast Office and the City Budget Office addressed Forecast Council questions throughout the presentation. Chair Strauss inquired about changes in anticipated effect of World Cup on revenues. He also pointed out that there is finally five years of tax collection for Payroll Expense Tax, allowing for a deeper analysis of the sources of volatility and changes in the performance of this revenue stream. Director Dively expressed concerns regarding the outlook for REET in 2027-2028 and asked about the underlying assumptions for the predicted REET growth. Chair Strauss followed up and asked about the strength of REET recovery. After the presentation the Forecast Council further discussed the updated forecast and the underlying assumptions and asked follow up questions. Director Dively raised the question of the negative impact of ESSB 6346 on revenues starting in 2029, as a result of rolling back some changes introduced by ESSB 5814. Chair Strauss noted that the overall changes in the April revenue forecast are not large, but that Seattle is experiencing economic stagnation and that federal policies have negatively affected the regional economic growth. In his opinion, the outlook does not warrant adopting the pessimistic scenario, but the City needs to act in careful way when it comes to spending. Vice-Char Ellerbrook expressed his appreciation for the work of the forecasting team and thanked for the thorough information provided, especially in light of several new members joining the Forecast Council this year.

   Following an extensive presentation and discussion the Forecast Council proceeded to officially adopt the revenue forecast. Director Dively voiced general concern about the forecast being possibly too optimistic, but expressed support for the adoption of the baseline scenario. Given the unanimous consensus among Forecast Council members to concur with recommendation to use the baseline scenario forecast as the basis for the revenue projections, the Forecast Council Chair Strauss directed that these meeting minutes reflect that decision.

5. Presentation of the 2026 Work Program for the Office of Economic and Revenue Forecasts - Discussion and Possible Vote

   Interim Director Duras presented a summary of the Forecast Office's proposed Work Program for 2026 with four main areas: Forecasts, Revenue reporting, Improvements of forecasting models, and Policy Analysis. The presentation also included the proposed schedule for delivering revenue forecasts in 2026. The Work Program was approved by a unanimous vote of the Forecast Council.