



City of Seattle
Economic and Revenue Forecast Council
August 7th, 2026

Meeting Minutes

Forecast Council Attendees:

Dan Strauss, Forecast Council Chair

Joy Hollingsworth, City Council President

Mark Ellerbrook, Director of City Governance & Human Services, Forecast Council Vice-Chair

Dwight Dively, City Finance Director

Meeting Items:

1. Adoption of the minutes from the April 10th, 2026 meeting.

The Forecast Council unanimously approved the minutes of the previous meeting.

2. 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 conditions and changes in the outlook since April 2026. Large spike in oil prices due to the conflict with Iran that started on February 28th has created a notable headwind for the global economy. Oil and gas prices have retreated somewhat in June and July, but the outlook remains uncertain. AI build-out on the other hand continues to be a strong tailwind for the economy. Stock markets recovered from the initial drop after the Iran war started and have reached new record highs in August. The accompanying stock wealth effects in combination with larger tax refunds have supported household spending and provided some buffer against higher inflation due to the Iran conflict, tariffs, and immigration policies. Jobs growth in the national economy is very slow, but enough to keep unemployment rate from rising.

Since March, Washington State Employment Security Department has revised regional employment numbers down for 2023 and 2024, and slightly up for 2025. Based on these estimates, employment in the Seattle metro is about at the same level as before pandemic. Notable differences at local level within Seattle region have however emerged, as Puget Sound Regional Council has in July 2026 released city level



employment estimates for March 2025. Based on this data, Seattle city has lost about 18 thousand jobs between March 2024 and March 2025 and there were about 24 thousand fewer jobs in Seattle in March 2025 compared to March 2020. King County excluding Seattle has added 21 thousand jobs between March 2020 and March 2025. Given the lag at which this data is released, it does not account yet for the impact of large layoffs announced by Amazon, Microsoft, Meta Platforms, and Starbucks in 2025 and 2026.

Inflation re-accelerated in the first half of 2026 due to ongoing passthrough of tariffs and large increases in oil prices. Facing yet another supply shock, Fed is in a challenging position. The likelihood of one or more interest rate hikes has increased substantially.

Looking ahead, the near-term outlook for the regional economy remains weaker than for the U.S. economy. Regional employment forecast has been revised up somewhat since April, but a 0.3% decline is still expected in 2026 in the baseline scenario, as labor demand remains weak, especially in the tech sector. Employment is then expected to grow by just 0.4% in 2027 and 1.1% in 2028. Regional inflation has been revised up to 4.6% in 2026, 3.5% in 2027, and 2.7% in 2028.

The updated revenue outlook was presented next. The August baseline scenario revenue forecast for General Fund revenues excluding Grants and Fund Balance Transfers showed an improved outlook, with increases of \$24.5 million (1.4%) for 2026, \$15.5 million (0.8%) for 2027, and \$19.4 (1.0%) for 2028, relative to the forecast from April 2026. The upward revision was driven primarily by higher forecasts for sales tax revenues and for property tax revenues, offsetting the lower forecasts for B&O and utility taxes. Excluding Grants and Fund Balance Transfers, revenues are expected to grow 10.6% year-over-year in 2026, as a result of several large policy changes - the expanded sales tax base due to ESSB 5814, the new 0.1% public safety tax due to ESHB 2015, and additional revenues due to the voter approved restructure of the B&O tax. This is expected to be followed by a 3.6% revenues growth in 2027, and 4.3% growth in 2028. The August pessimistic scenario represented the case where the economy does not manage to avoid a recession in 2027, due to a 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 \$136.4 million, or about 2.4%, 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 \$18.3 million more in Payroll Expense Tax for 2026, \$18.4 million more for 2027, and \$21 million more for 2028, primarily due to an improved outlook for stock prices. Relative to the baseline, in the pessimistic scenario these revenues would be \$120.8 million lower



over the 2026-2028 period, as a recession would lead to significant job losses and lower stock prices.

Following a previous \$10.8 million downward revision in April, REET revenues have been again revised down for 2026-2028, by \$23 million combined in the baseline scenario. Rising mortgage rates, layoffs in the regional economy, and high economic uncertainty are all resulting in fewer homes being sold. The pessimistic scenario would lead to an additional \$66.6 million fall in REET revenues over the 2026-2028 period.

The presentation finally discussed notable risks to the August revenue forecast. Geopolitical risks remain high but eased somewhat after the June ceasefire agreement between the U.S. and Iran. In the July survey of economists conducted by The Wall Street Journal, the probability of a recession in the next 12 months decreased to 25%, from 33% in April. S&P Global and Moody's Analytics expect solid real GDP growth in 2026 and 2027. There's more uncertainty around the outlook for the regional economy due to the announced layoffs in the tech sector and the high uncertainty around the impacts of AI on employment. In addition, as in the April forecast, there remains a large amount of uncertainty regarding the combined impact of changes in federal, state, and local policies. Data available to estimate the impact of ESSB 5814 and ESSB 6346 on City's sales tax and B&O tax collection is particularly limited.

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

3. Forecast Council Adoption of the August 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 regarding the employment, health of the regional and local economy, and the performance and forecasts for individual revenues. REET, Payroll Expense Tax, Parking Meters and Traffic Safety Cameras were discussed extensively. Following the discussion the Forecast Council proceeded to officially adopt the revenue forecast. 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.