

Meeting Minutes
Economic and Revenue Forecast Council
November 2nd, 2022

Forecast Council Attendees (remote/hybrid meeting):

BrynDel Swift - representing City Council President Debora Juarez

City Councilmember Teresa Mosqueda

City Budget Director Senior Deputy Mayor Monisha Harrell

Interim City Finance Director Jamie Carnell

Meeting Minutes / Annotated Agenda

1. Adoption of the minutes from August 8th meeting of the Forecast Council.

The Forecast Council members unanimously approved the meeting minutes that summarize the previous Forecast Council meeting.

2. Presentation of the November 2022 Economic and Revenue Forecasts, and recommendation regarding the revenue forecasts for 2022, 2023 and 2024.

Director Noble led the Forecast Office's presentation of the November economic and revenue update. The economic update was noteworthy because the regional forecast now anticipates a minor recession in the first half of 2023, consistent with a comparable prediction from IHS Markit's nation forecast. The Federal Reserve's commitment to raising interest rates in effort to tame what has become an ever-more persistent bout of inflation is expected to reduce the demand for labor and reduce overall employment by about 2% both regionally and nationally. These changes to the economic forecast were reflected in the revenue update which reduced the General Fund forecast for both 2023 and 2024. The larger financial implications of the expectations about persistently high interest rates were seen in the forecast for Real Estate Excise Tax (REET) revenues. With both housing prices and the number of transactions expected to fall, the forecast for REET revenue was reduced by approx. \$64 million over the years include in the forecast update (2022-2024). The presentation highlighted that while significant downside risks remain, the forecast update already reflected much of the anticipated impacts of higher

interest rates, and that IHS Markit's forecasts are currently relatively conservative, when compared to the predictions of other economists. Given this, the Forecast Office recommended that the baseline forecast scenario as the basis for the approved August Forecast.

3. Forecast Council discussion and possible vote regarding adoption of the November Revenue Forecast.

After some discussion, the Forecast concurred with the Forecast Office recommendation to use the baseline scenario as the basis for November Forecast. Per the Council's by-laws, this decision did not require a formal vote, and instead the Forecast Council Chair directed that their concurrence be formally noted in these minutes.

4. Review of Forecast Office's Empirical Assessment of Forecast Accuracy

Director Noble presented a summary of an analysis conducted by the Forecast Office to assess the historic accuracy of the City's revenue forecasts. The presentation was for informational purposes only. In summary, the analysis showed that while the Forecasts are very accurate, there has been systematic pattern of under-forecasting, and that the major source of the under-forecast error is the input data that underlie the regional economic model and specific City revenue forecasts. The Forecast Office plans to evaluate whether subscribing to additional national forecast firm could help address this source of error.

Copies of the presentation materials for all these items, as a well a link to the recording of the meeting itself, can be found at the Forecast Office website: <https://www.seattle.gov/economic-and-revenue-forecasts>.