



Economic and Revenue Update

City Budget Office
April 24, 2017

U.S. Economy

The recovery

- Will be 8 years old in June
- Is the 3rd longest post-WW II

Forecast

- Has changed little from last summer & fall
- Modest growth to continue
- Probability of recession = 20% (IHS/GI)

U.S. Economy



Puget Sound Economy

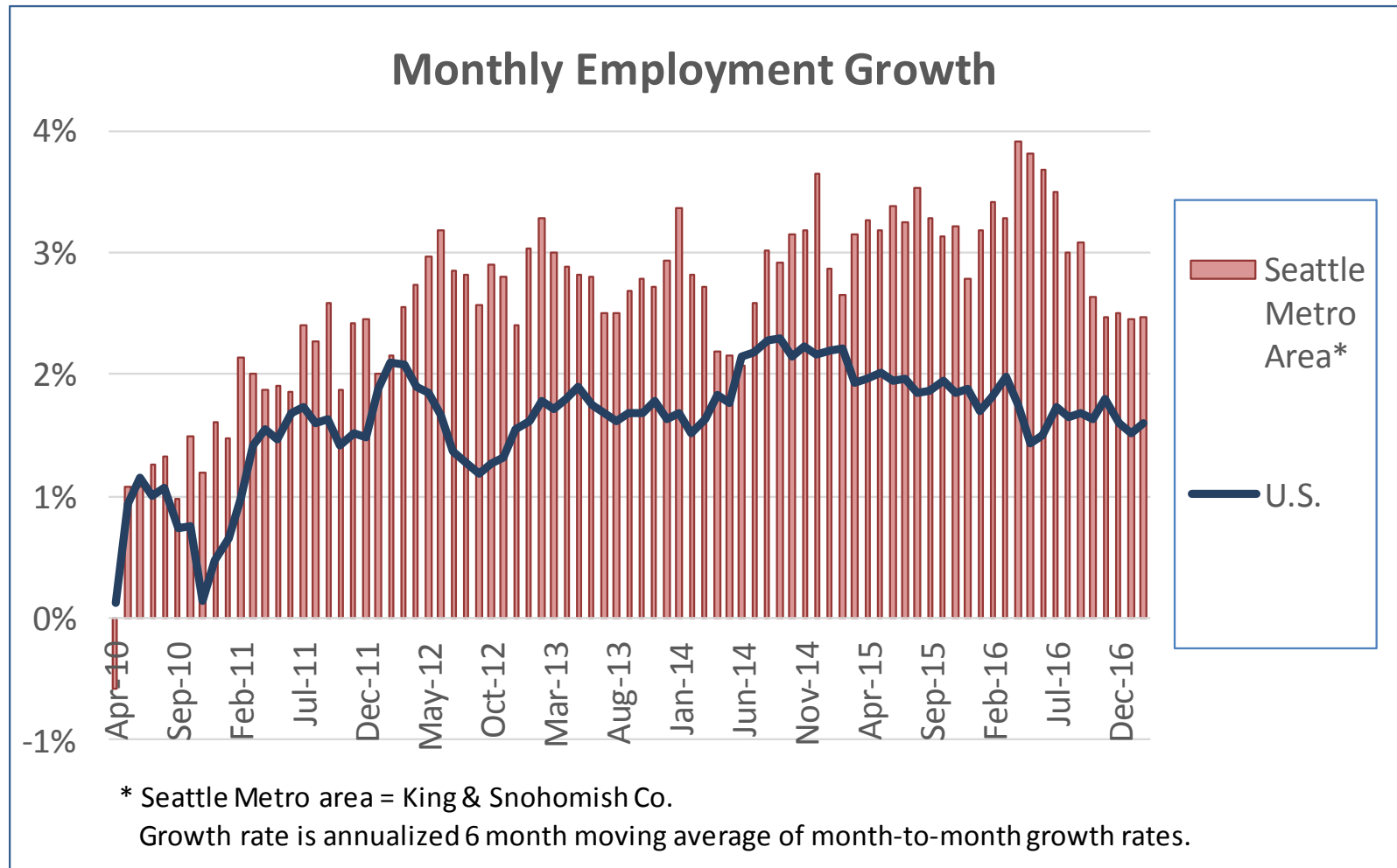
The region's recovery

- Continues to outpace U.S.
- Employment growth slowed in 2nd half of 2016
 - Aerospace cuts
- Seattle has led region's recovery

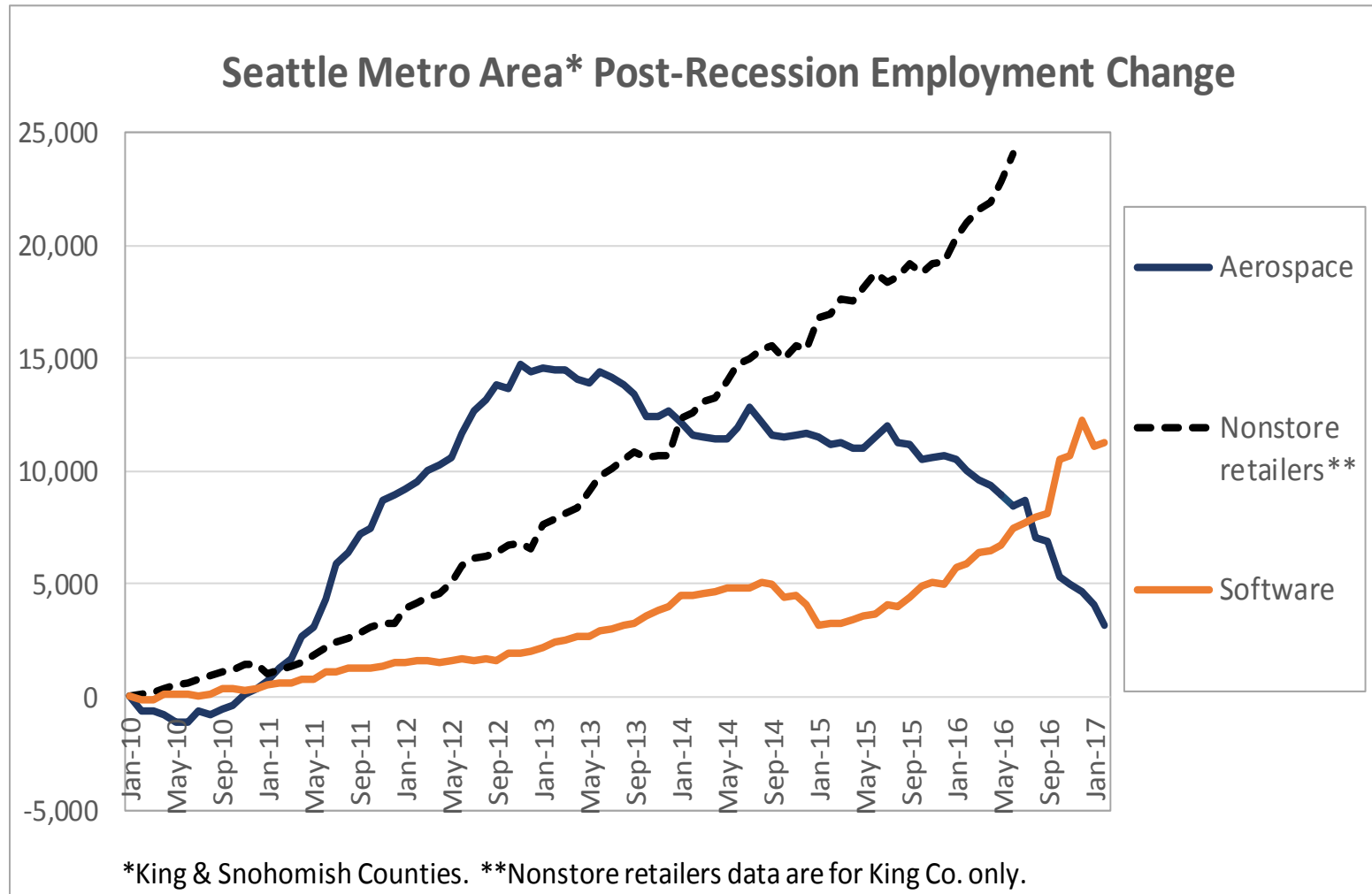
Forecast

- Little change from last summer & fall
- Risks/uncertainties
 - U.S. economy
 - Aerospace
 - Amazon

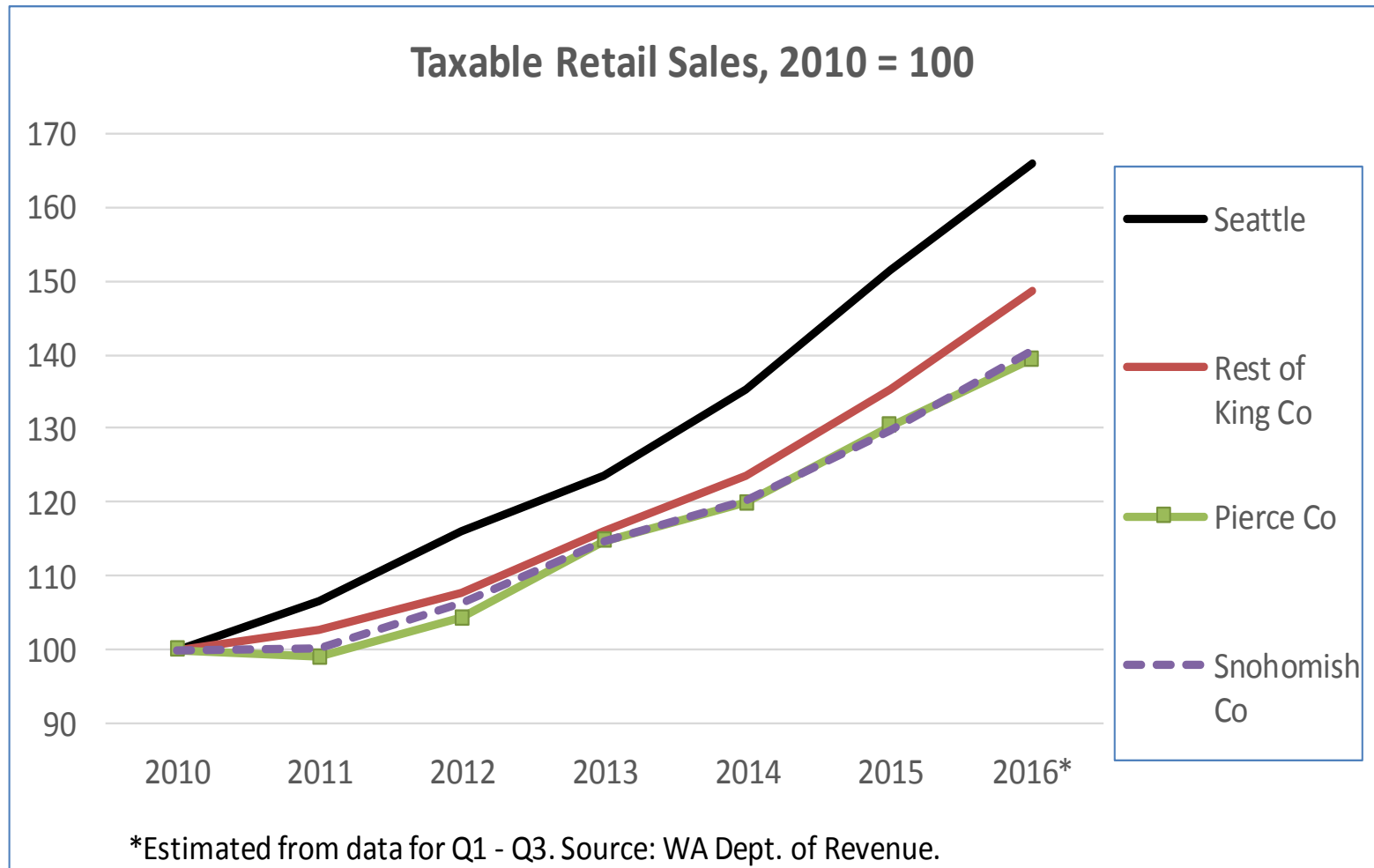
Puget Sound Economy



Puget Sound Economy

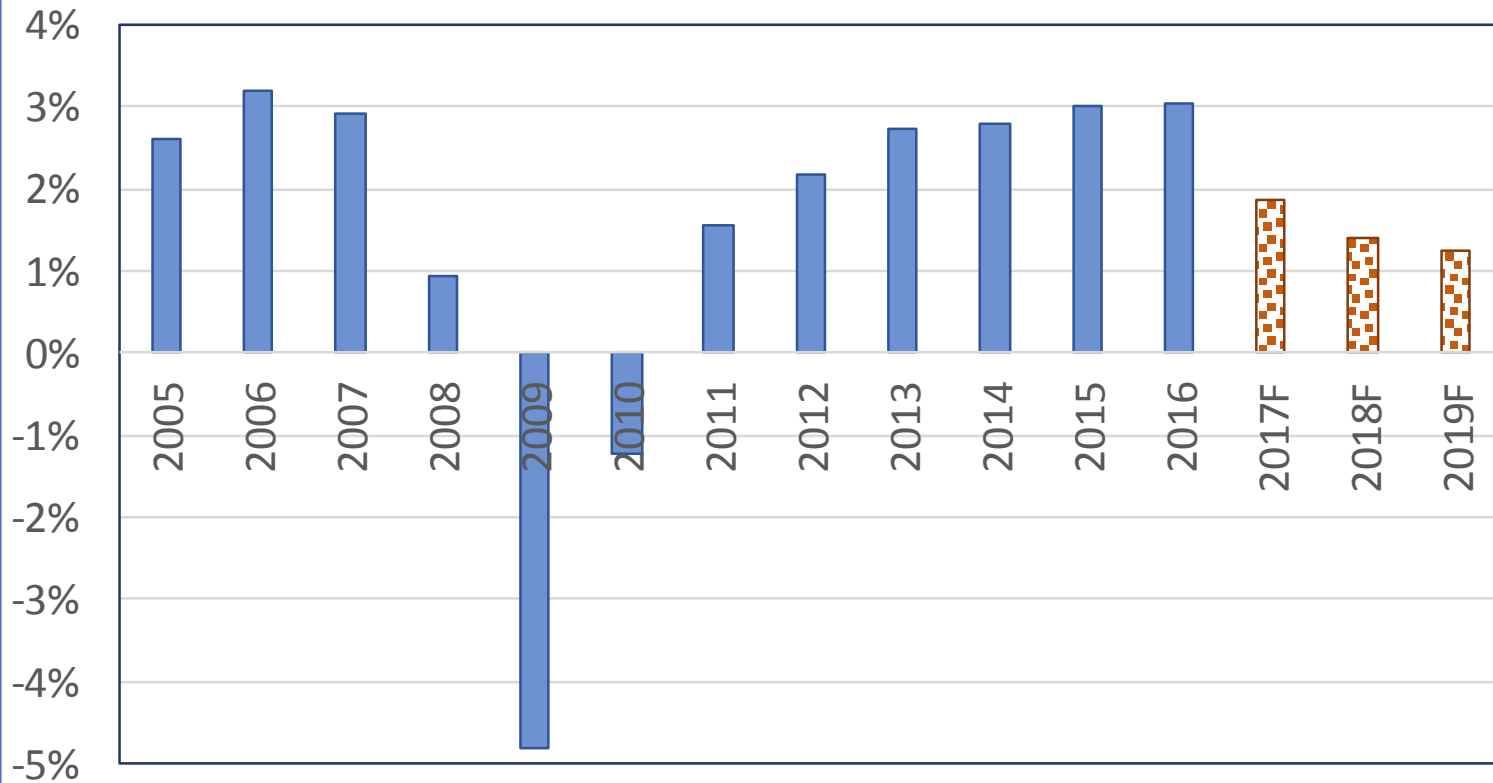


Puget Sound Economy



Regional Economic Forecast

Annual Growth of Puget Sound Region* Employment



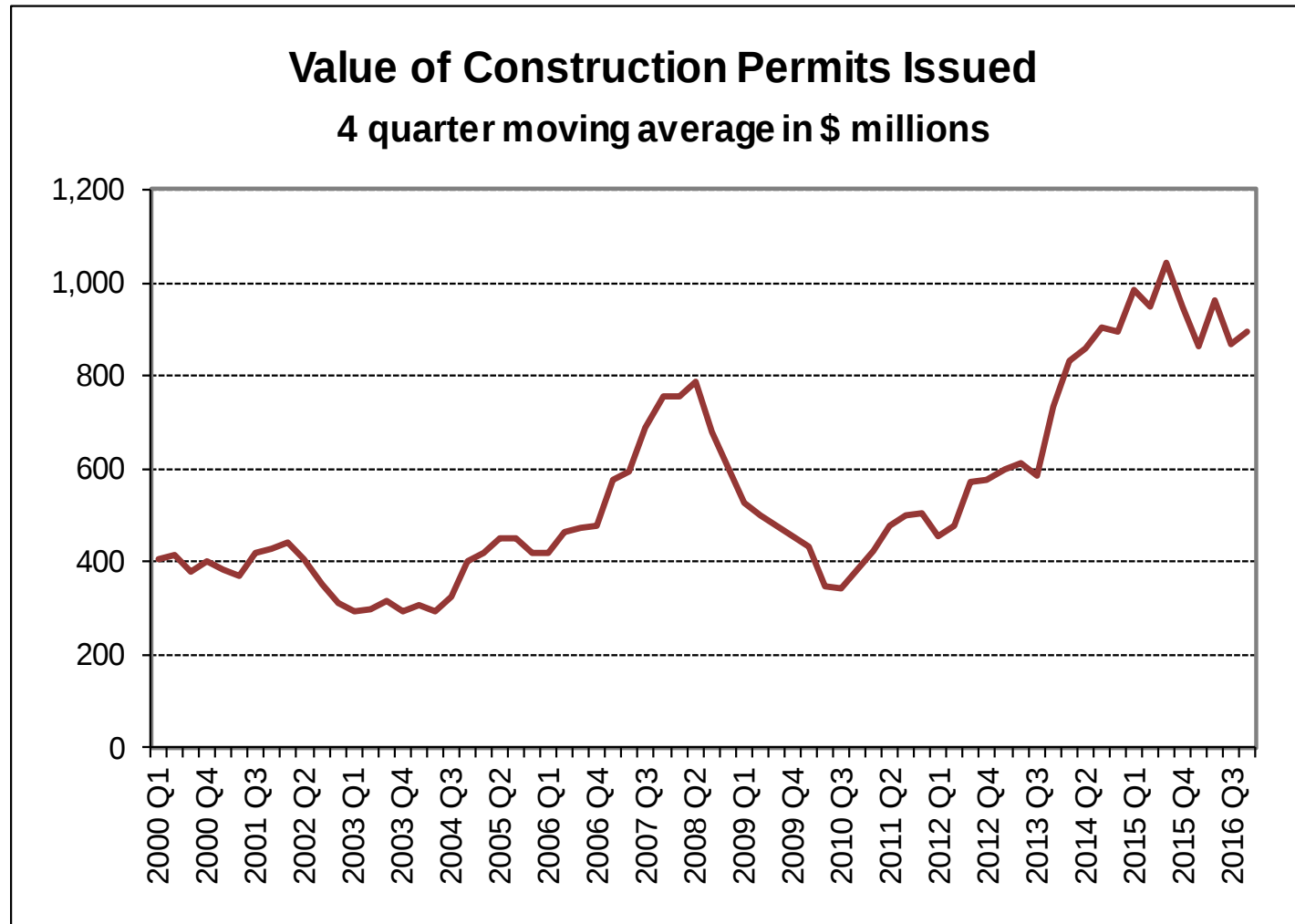
*King, Kitsap, Pierce, and Snohomish Counties. Source: PSEF.

Sales and B&O Tax Forecast

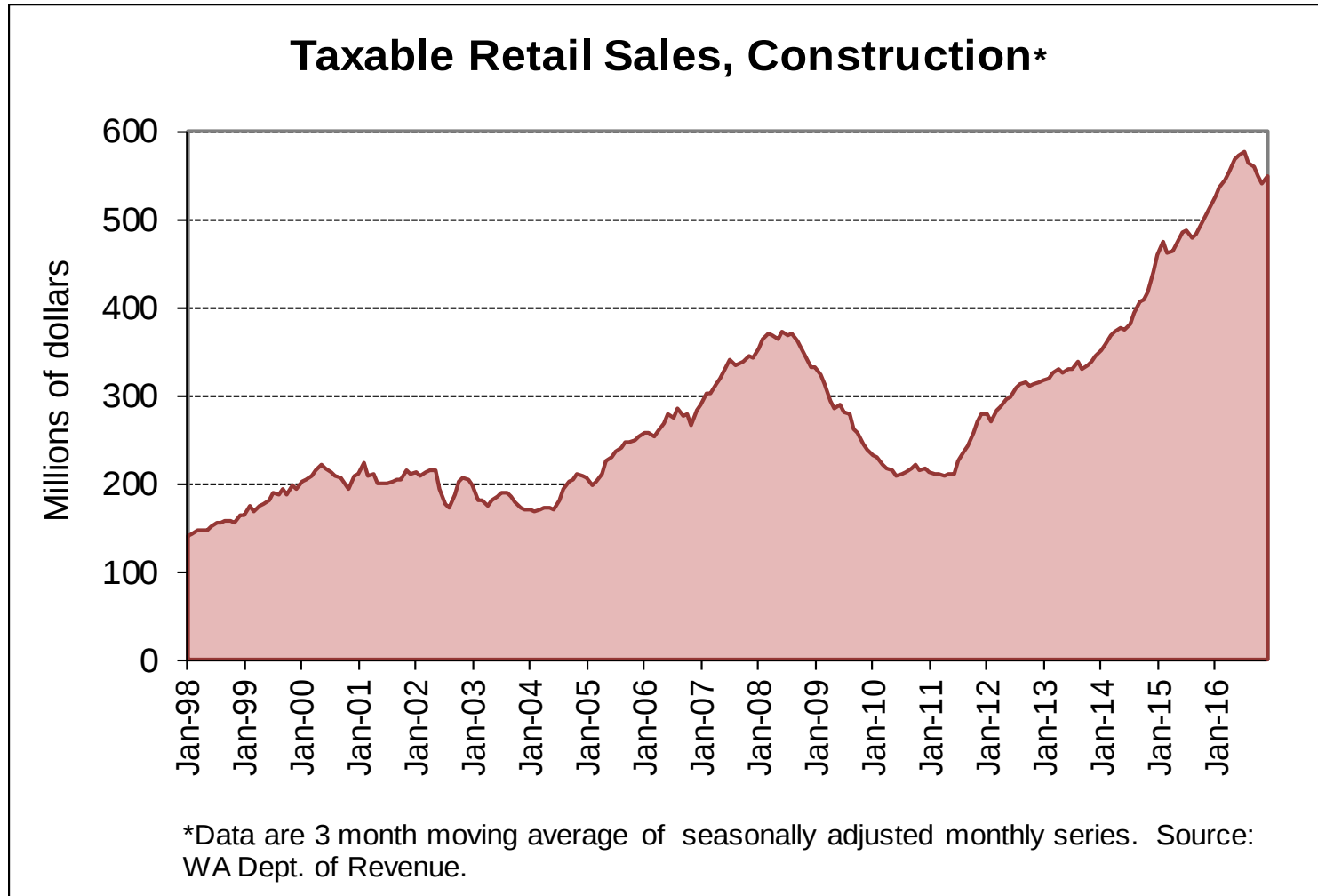
Sales and B&O tax revenue growth to slow

- Slowing regional economy
- Construction cycle
- B&O rate increases will partly offset slowing

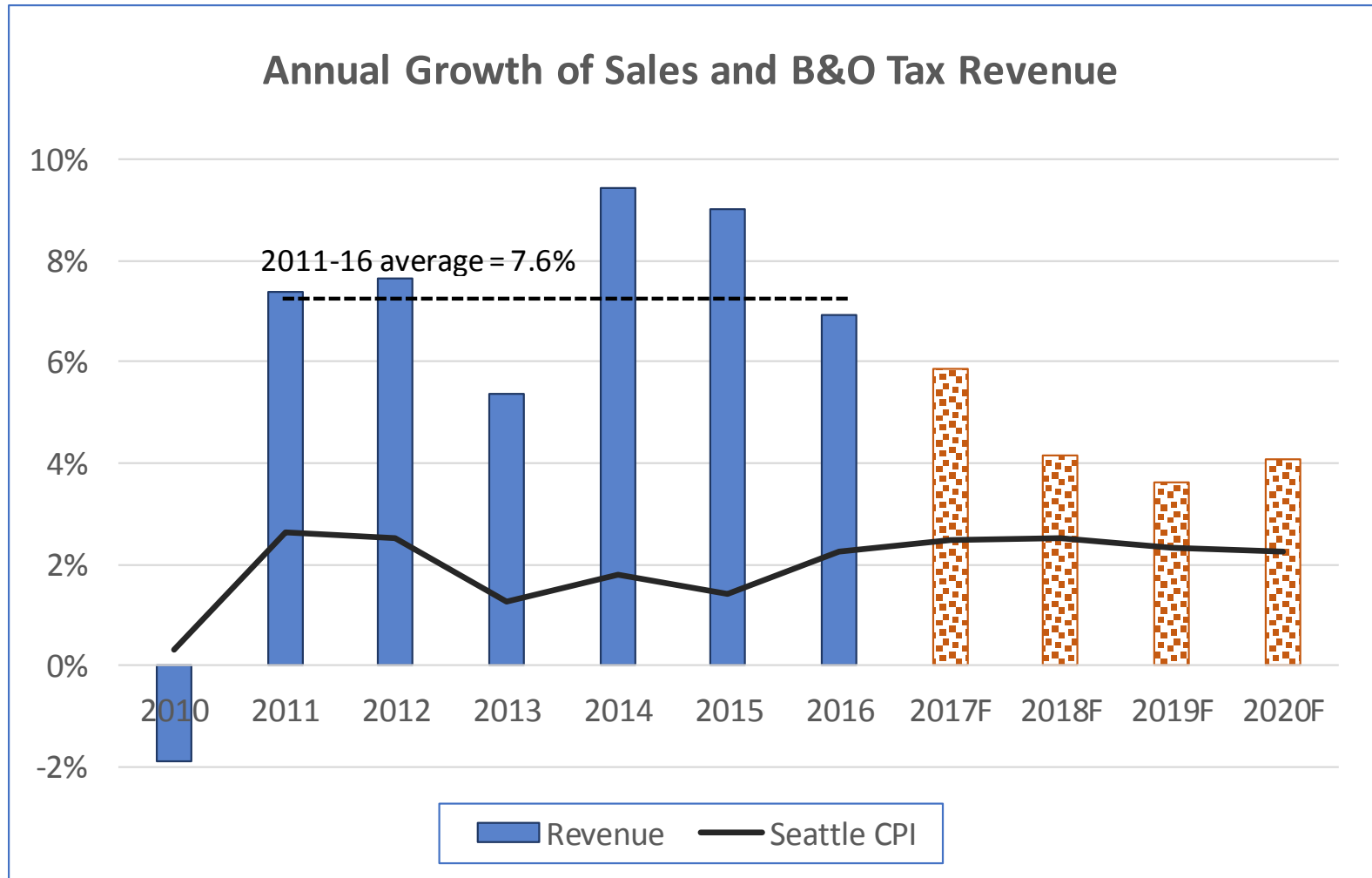
Seattle Construction



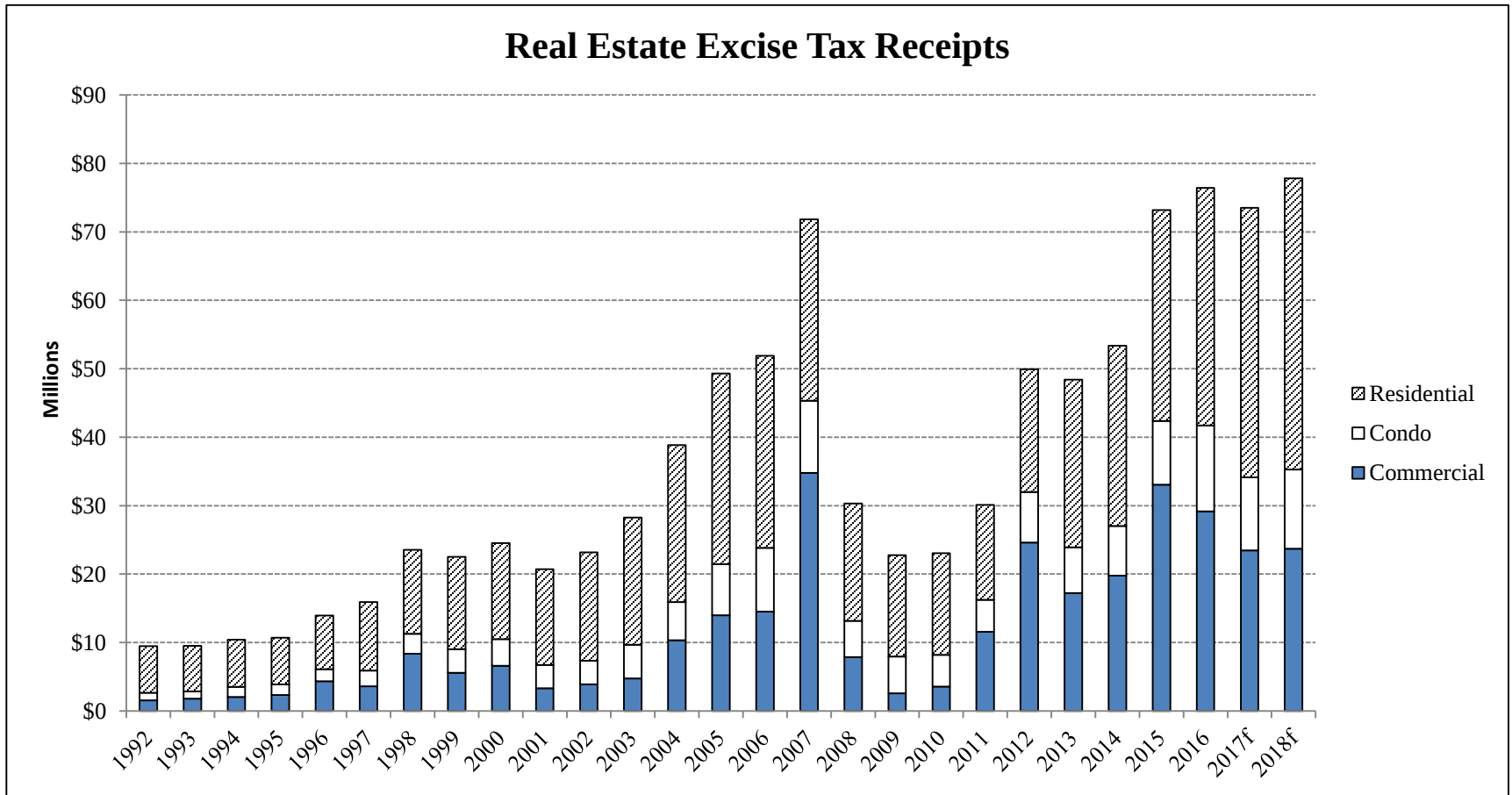
Seattle Construction



Sales and B&O Tax Forecast



Real Estate Excise Tax



General Subfund Revenues

GSF - Item	2016		2017		2018	
	Actuals	Chg from Nov	Revised	Chg from Nov	Revised	Chg from Nov
Property Taxes	283,735,368	1,185,368	293,701,000	2,769,000	307,371,000	4,538,000
Sales Taxes	237,249,791	(738,994)	246,010,738	1,070,815	251,816,194	1,068,939
Business & Occupation Tax	234,907,695	(539,135)	253,774,949	715,531	268,594,466	1,941,576
Public Utility Taxes	139,321,324	778,578	150,614,501	1,536,267	156,420,137	1,570,049
Private Utility Taxes	61,558,674	1,701,282	62,106,688	371,165	62,984,722	(515,665)
Court Fines	28,222,138	(402,862)	26,428,000	(2,447,000)	28,085,000	(1,540,000)
Parking Meters	37,977,097	(836,903)	40,451,000	(2,560,000)	40,451,000	(5,211,000)
Other General Subfund Revenues	145,887,472	28,888,598	110,741,467	2,414,534	113,362,652	1,916,402
General Subfund - Grand Total	1,168,859,559	30,035,932	1,183,828,343	3,870,312	1,229,085,171	3,768,301
<u>Notable Non-GSF Revenues</u>						
Real Estate Excise Tax	76,434,109	4,912,421	73,534,929	4,184,786	77,810,239	7,430,096
Commercial Parking Tax	39,096,426	(505,957)	41,744,587	696,717	43,623,094	1,076,977
School Zone Camera Fund	13,736,480	698,033	9,357,592	1,186,168	6,957,355	1,026,051
Admission Tax	10,328,191	1,323,823	10,464,348	1,256,984	10,701,205	1,286,211

General Fund Balancing

	2016	2017	2018
Beginning Fund Balance	\$50,652	\$55,405	\$24,846
Revenues	\$1,168,860	\$1,183,828	\$1,229,085
Expenditures	(\$1,147,464)	(\$1,191,732)	(\$1,219,869)
Potential Backfill for a Portion of DOJ Cuts		(\$5,000)	(\$5,000)
Potential Renewal of 2017 "One-time" Homelessness Funding			(\$4,500)
Reserves	(\$16,642)	(\$17,655)	(\$32,492)
Ending Fund Balance	\$55,405	\$24,846	(\$7,929)

- This table includes the spending proposed in the 1st Quarter Supplemental Ordinance.
- Reflects partial back-fill of potential reduction in DOJ grants, but not broader Federal reductions, which are not known at this time.
- Also reflects continuation of \$4.5M in 2017 “one-time” funding for homelessness services that is not currently included in the 2018 endorsed budget. Potential for resources from renewal of the King County Veterans and Human Service Levy to address this need.
- Departments have been asked to submit reduction proposals of 0% - 2% to restore the 2018 General Fund budget to balance.