



Economic and Revenue Update

City Budget Office
May 2, 2016

U.S. Economy

The recovery will be seven years old in June

Strengths

- Employment
- Consumer spending
- Housing

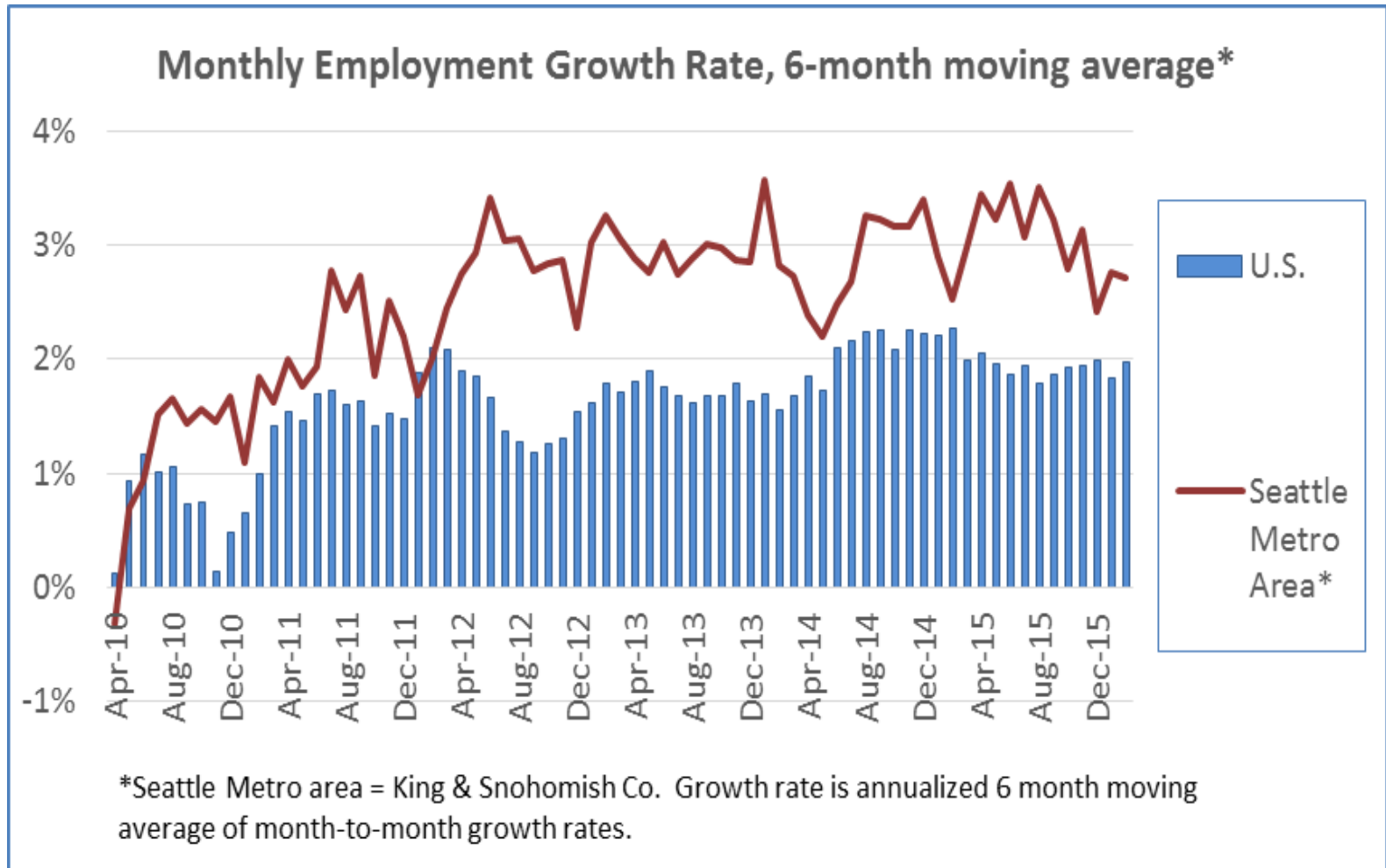
Weaknesses

- Manufacturing
- Wage growth
- Productivity

Forecast

- Continued modest growth
- Overheating/imbbalances are largely absent
- Risks mostly from outside of U.S.

U.S. and Puget Sound Economies



Puget Sound Economy

The recovery

- Puget Sound recovery has outpaced U.S.
 - Led by tech, business/professional services
 - Boeing & Amazon
 - Computer systems design
 - Construction

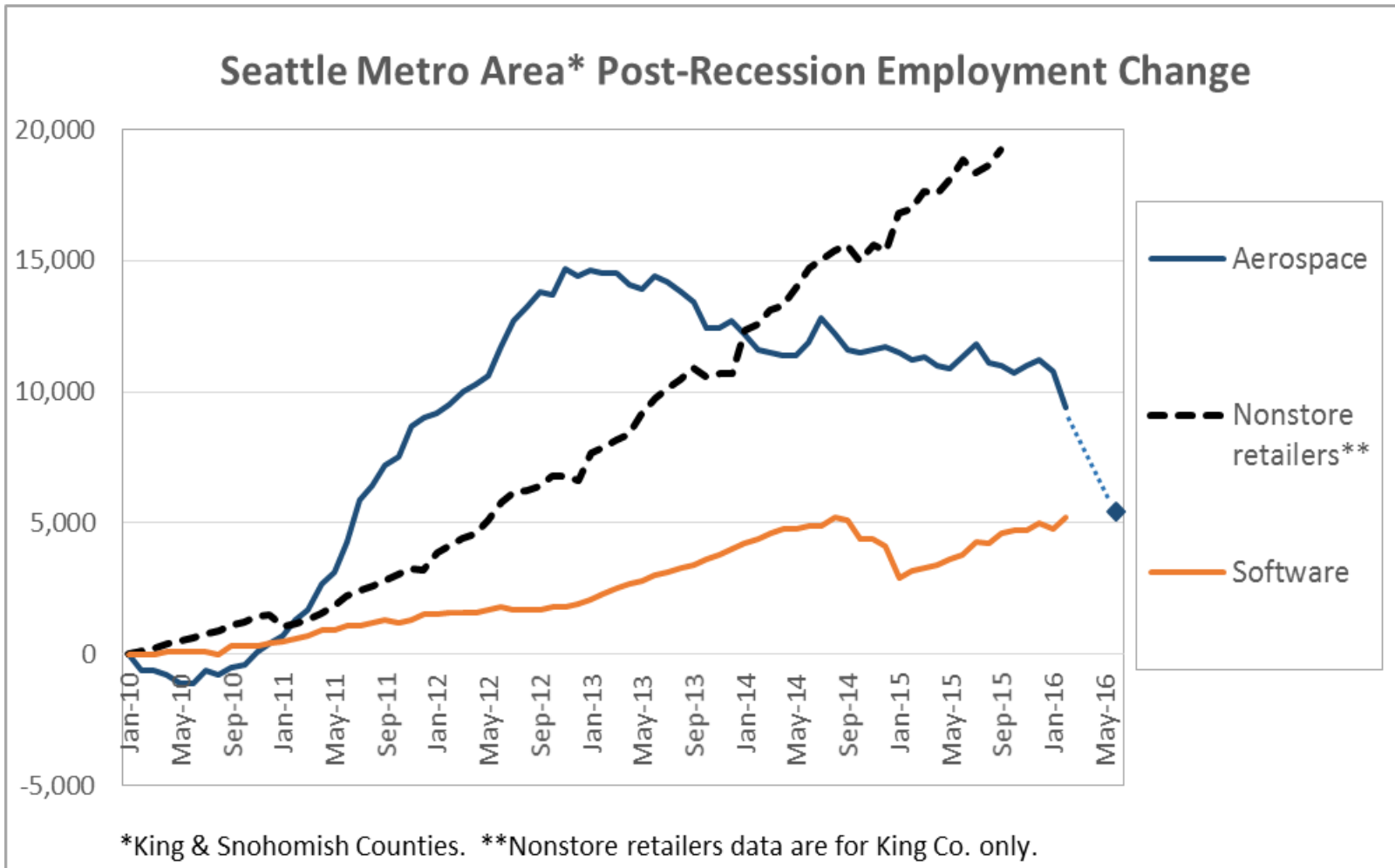
Recent developments

- Boeing reductions

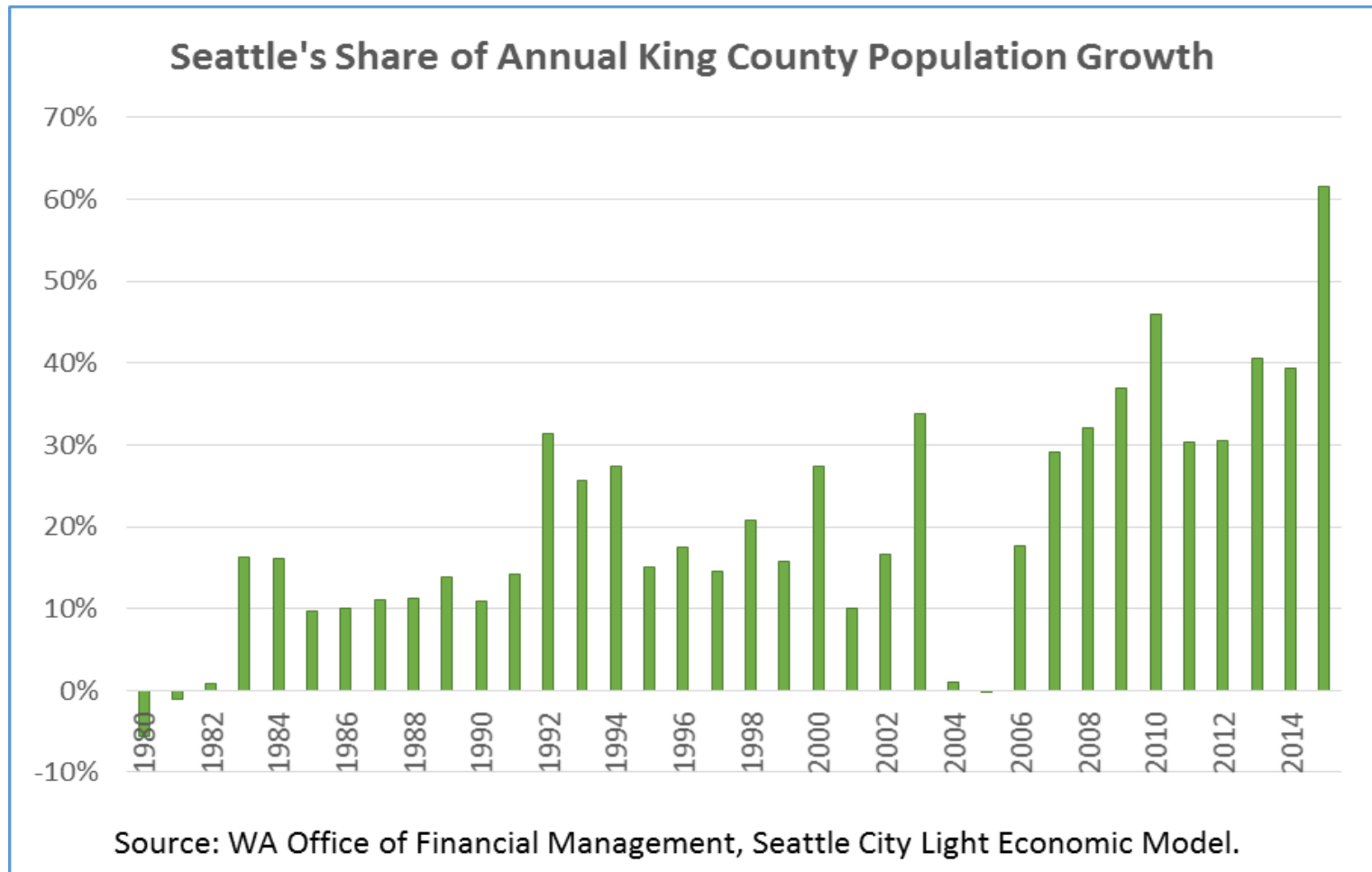
Forecast

- Slowing growth
- Construction

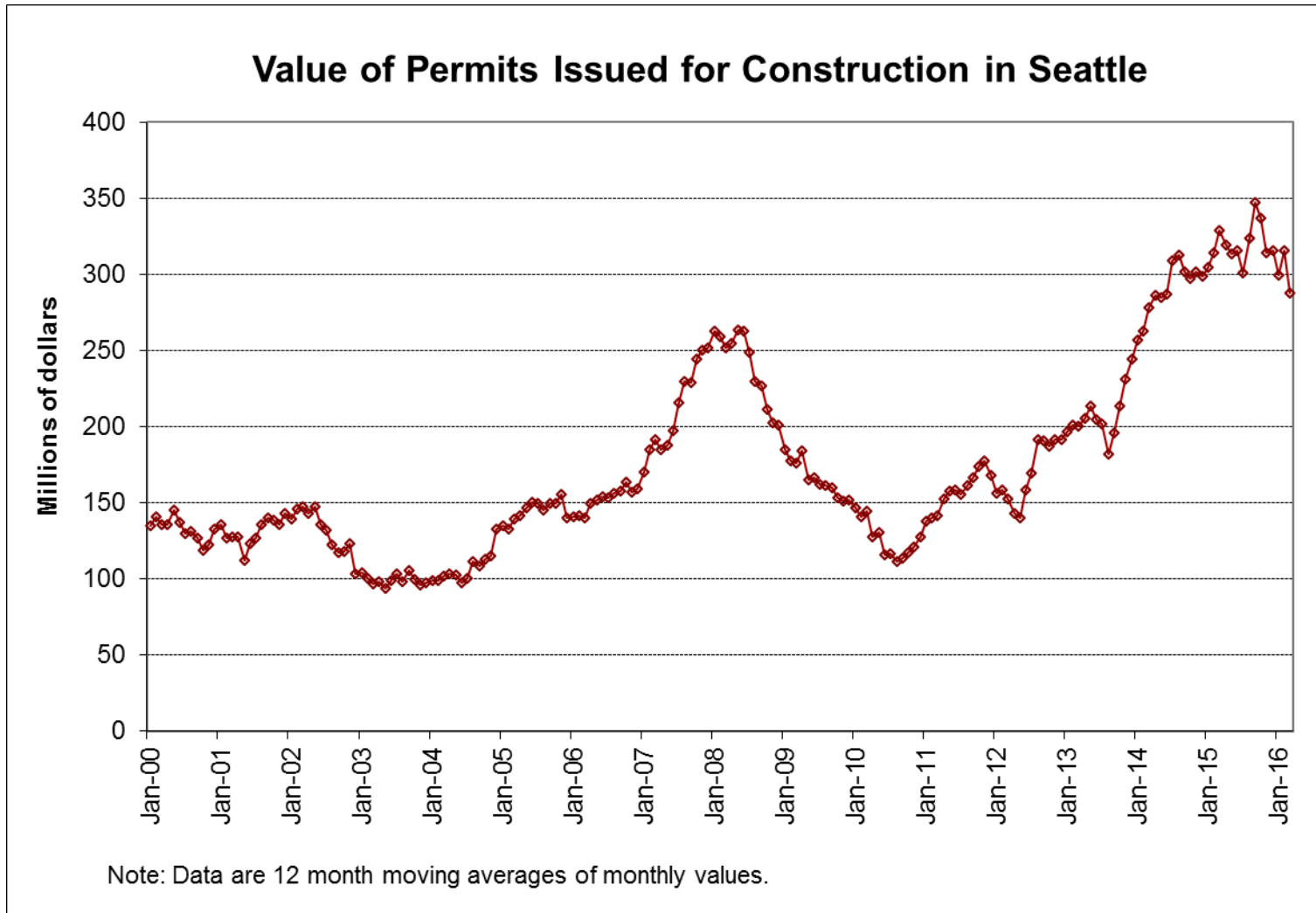
Puget Sound Economy



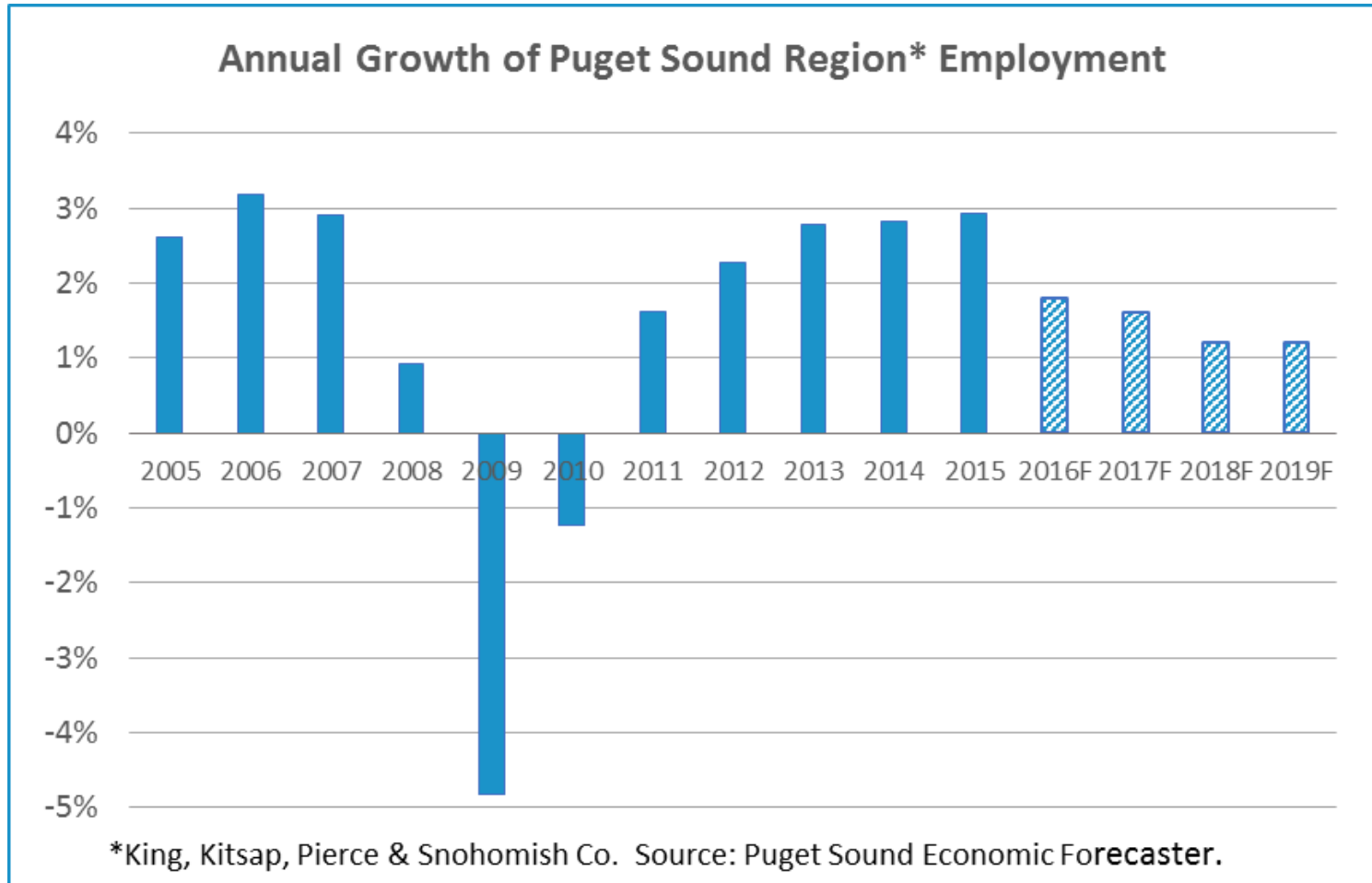
City of Seattle economy



City of Seattle economy: Construction



Regional Economic Forecast



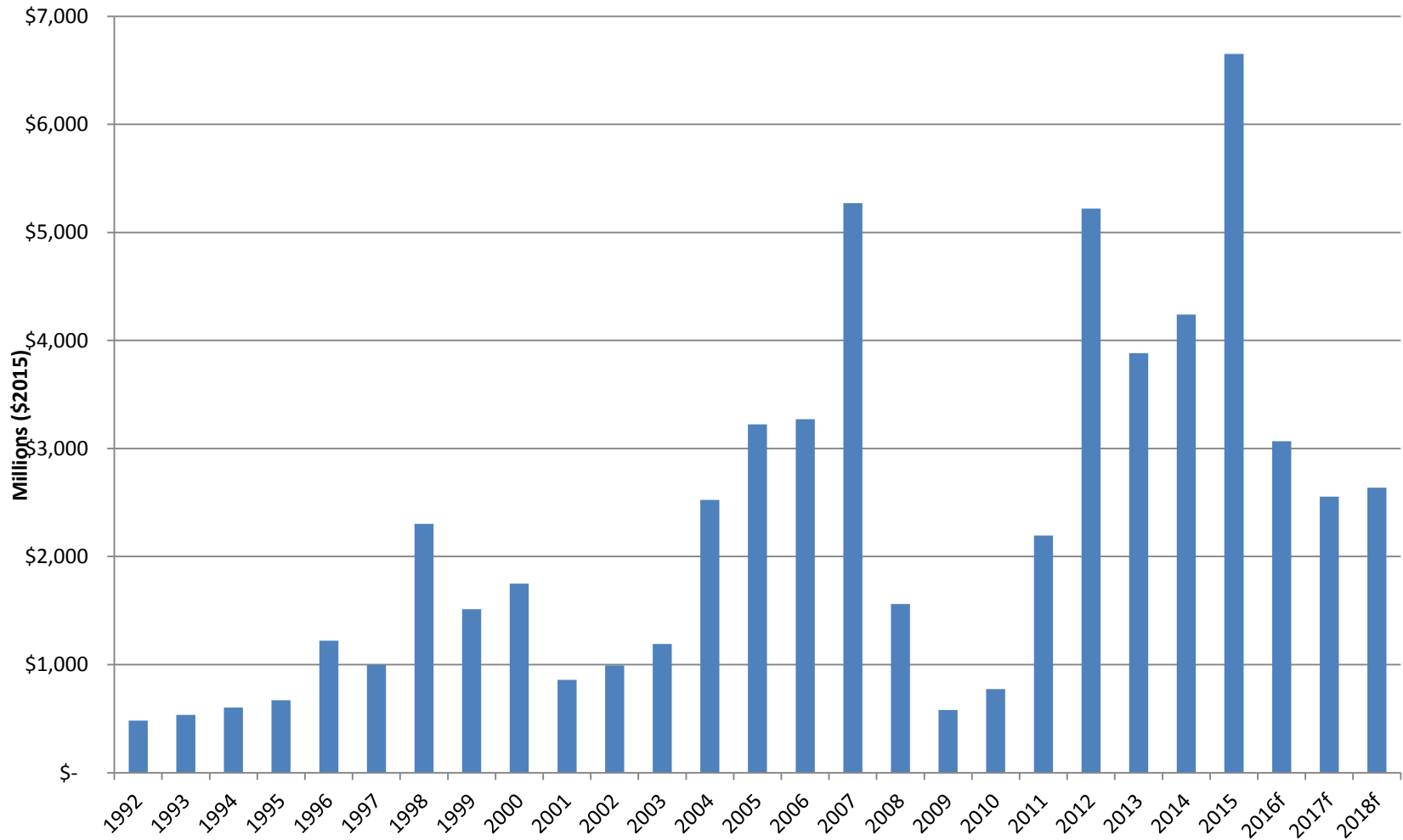
Sales and B&O Tax Forecast

Growth to slow for retail sales and B&O tax revenue

- Slowing economy
- Construction cycle
- Elimination of B&O square footage tax in 2016

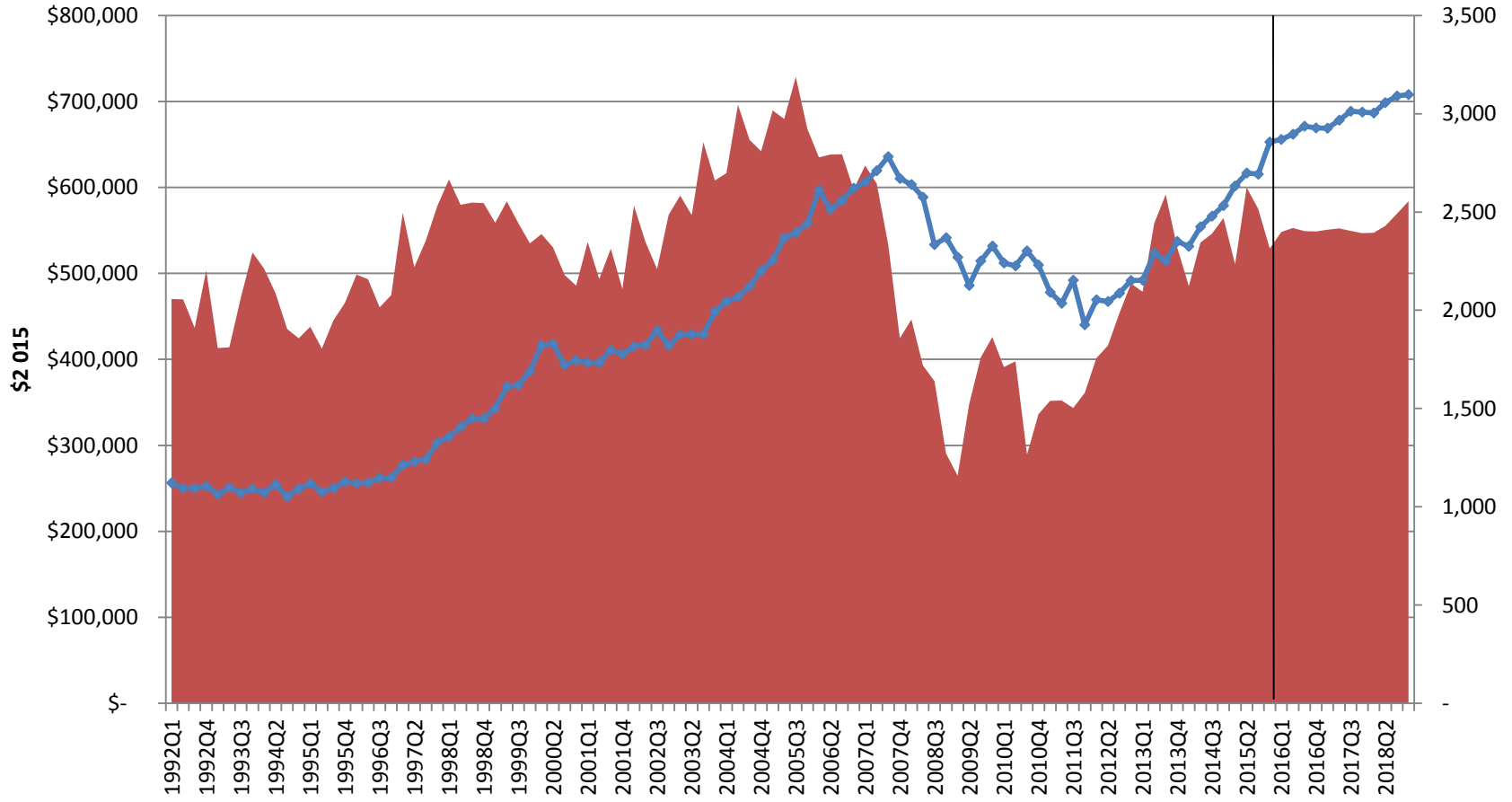
Real Estate Excise Tax

Seattle Commercial Sales



Real Estate Excise Tax

Seattle Single-family Market



*Seasonally adjusted data

■ Sales* (right) ◆ Avg. Price* (left)

General Subfund Revenues

GSF - Item	2015		2016		2017	2018
	Actuals	Chg from Nov	Revised	Chg from Nov	Revised	Revised
Property Taxes	273,043,894	1,366,894	280,718,000	(974,000)	289,567,000	301,654,000
Sales Taxes	219,847,473	473,951	229,667,681	95,797	237,495,986	243,938,841
B&O and Ad-Taxes	230,093,670	2,188,962	240,409,426	2,317,309	251,718,487	261,413,483
Public Utility Taxes	134,937,250	381,605	139,142,202	(1,398,447)	146,783,269	149,969,675
Private Utility Taxes	51,733,783	(1,827,478)	61,215,789	(1,191,328)	62,257,387	64,094,929
Court Fines & Forfeitures (100%)	28,387,084	2,298,657	28,325,000	(828,000)	28,625,000	29,625,000
Parking Meters	37,761,118	226,118	38,491,000	(1,094,000)	39,068,000	39,654,000
Grants	10,579,199	9,113,199	216,000	-	216,000	216,000
Fund Balance Transfers	565,595	(2,495,126)	4,457,442	1,585,721	2,803,721	2,822,721
Other GSF Revenues	99,301,375	16,701,894	90,142,761	1,957,884	90,352,013	92,545,846
General Subfund - Grand Total	1,086,250,441	28,428,676	1,112,785,301	470,936	1,148,886,863	1,185,934,495
<u>Notable Non-GSF Revenues</u>						
Real Estate Excise Tax	73,180,898	3,986,867	56,403,631	2,883,274	56,125,871	60,316,153
Commercial Parking Tax	41,315,644	4,335,644	39,602,383	1,273,383	41,047,870	42,546,117
School Zone Camera Fund	5,799,533	(861,576)	8,158,296	0	6,503,983	4,963,541

General Subfund Balances

in thousands

	2015	2016	2017	2018	2019	2020
Beginning Fund Balance	\$53,588	\$37,138	\$25,622	\$5,042	(\$9,902)	(\$13,233)
Resources	\$1,086,250	\$1,122,272	\$1,153,374	\$1,185,934	\$1,217,020	\$1,257,449
Expenditures	(\$1,076,357)	(\$1,108,565)	(\$1,128,360)	(\$1,138,008)	(\$1,150,983)	(\$1,174,095)
Reserves	(\$26,344)	(\$25,222)	(\$45,594)	(\$62,870)	(\$69,368)	(\$82,934)
Ending Fund Balance	\$37,138	\$25,622	\$5,042	(\$9,902)	(\$13,233)	(\$12,813)

Additional Costs – SPD and OLS

SPD Funding Needs

New Funding for SPD - Officers and Civilian Support staff

	2016	2017	2018	2019	2020
<i>Second 100 New Officers</i>	(\$2,220,000)	(\$4,120,000)	(\$8,740,000)	(\$13,930,000)	(\$14,710,000)
<i>911 Call Center Staff</i>	\$0	(\$1,810,000)	(\$3,080,000)	(\$3,880,000)	(\$3,990,000)
<i>New IT Investments</i>	\$0	(\$3,340,000)	(\$3,410,000)	(\$3,480,000)	(\$3,550,000)
Total New Funding Required	(\$2,220,000)	(\$9,270,000)	(\$15,230,000)	(\$21,290,000)	(\$22,250,000)

Office of Labor Standards

- Total recommended annual budget = \$5.6 million
- Represents a net increase of \$3.6 million per year over current spending

Budget Strategy Going Forward

General Fund Reduction Targets for 2017-2018

Departments have been asked to submit reduction proposals as follows:

- HSD -> No requested reductions
- Police and Fire -> proposals at 1% and 3%
- All other departments -> proposals at 2% and 4%.

Revenue Proposals for 2017-2018

- Increase in Business & Occupation (B&O) rates for SPD
- Restructuring of Business License fee for SPD
- Other fee increases also under consideration

Revenue Proposals

Business and Occupation (B&O) Tax

- Increase rates by 3.2% over 2 years; 2% in 2017 and 1.2% in 2018
- Current rates:
 - 0.215% for retail, wholesale and manufacturing
 - 0.415% for all other
- New rates:
 - 0.222% and 0.428%
- Generates approximately \$8 million per year

Business License Fee Restructuring

- Current fee is \$55 for business earning less than \$20,000; \$110 for all others

- New Structure:

Revenues	Fee	Revenue
< \$20K	\$80	\$3,480,000
\$20K - \$100K	\$160	\$1,640,000
\$100K - \$500K	\$240	\$2,500,000
\$500 - \$2 mil	\$320	\$2,170,000
>\$2 mil	\$580	\$2,580,000
Total		\$12,370,000

Net Impact on General Fund Balancing

	2015 Actuals	2016	2017	2018	2019
Beginning Fund Balance	\$54,000	\$38,000	\$23,780	\$190	(\$20,070)
Resources	\$1,086,000	\$1,122,000	\$1,153,000	\$1,186,000	\$1,217,000
Expenditures	(\$1,076,000)	(\$1,109,000)	(\$1,128,000)	(\$1,138,000)	(\$1,151,000)
Reserves	(\$26,000)	(\$25,000)	(\$46,000)	(\$63,000)	(\$69,000)
Net Impact of SPD Costs and Proposed Funding	----	(\$2,220)	\$1,010	(\$1,660)	(\$7,350)
OLS - Incremental Costs	----	----	(\$3,600)	(\$3,600)	(\$3,600)
Ending Fund Balance	\$38,000	\$23,780	\$190	(\$20,070)	(\$34,020)

- Does not include continuation of one time State of the Emergency Funding (~\$7.3 million per year)