



Regional Economy and General Fund Revenue Overview

Economics & Revenue Team, City Budget Office



U.S. and Regional Economy

National expansion is in 9th year

- Soon will be 2nd longest post - WW II

Changes since last forecast

- Tax cuts and bipartisan budget agreement
 - ▶ Stronger growth in 2018 & 2019
 - ▶ Risk that economy overheats, leading to Fed rate hikes
- Trade war?

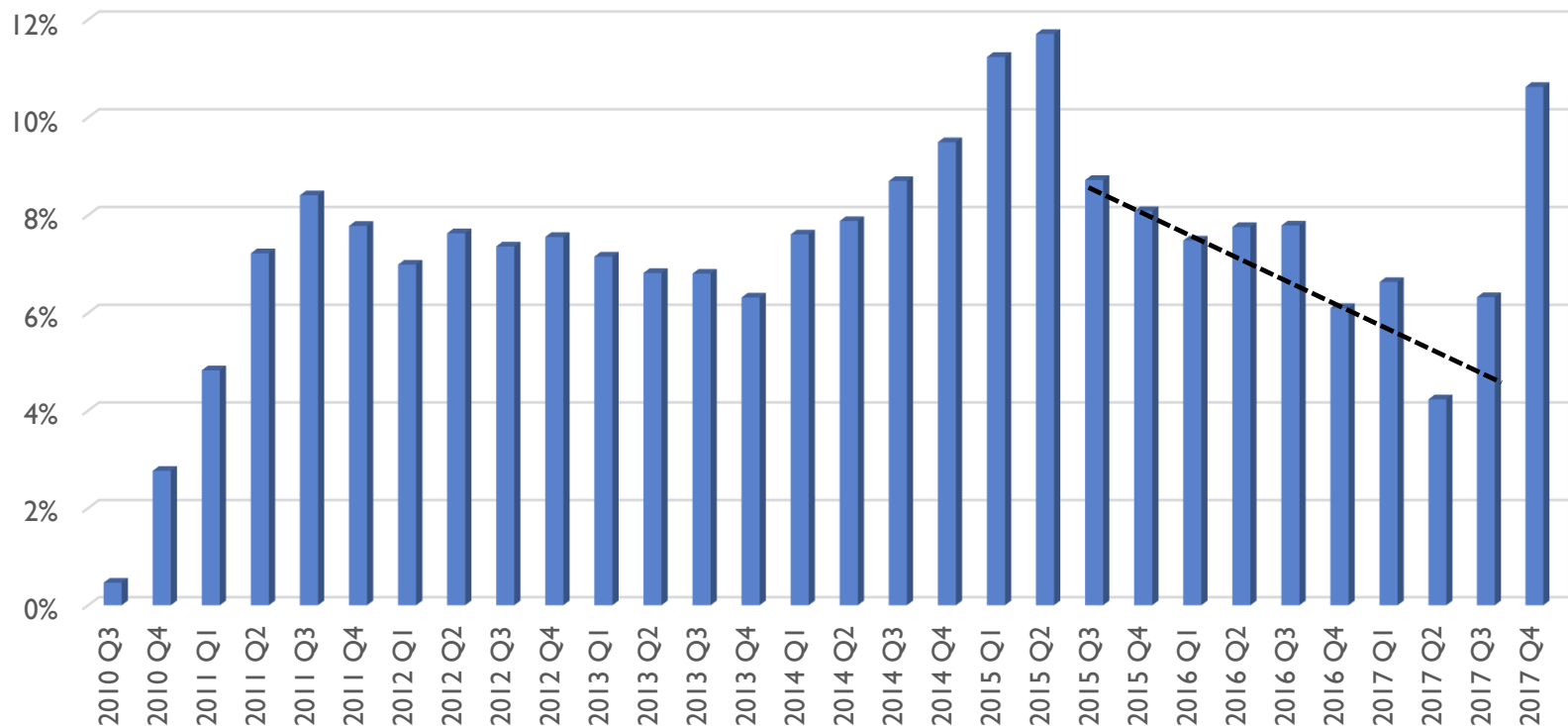
Puget Sound economy

- Growth picked up in 2017 Q4
 - ▶ Construction

Regional Economy



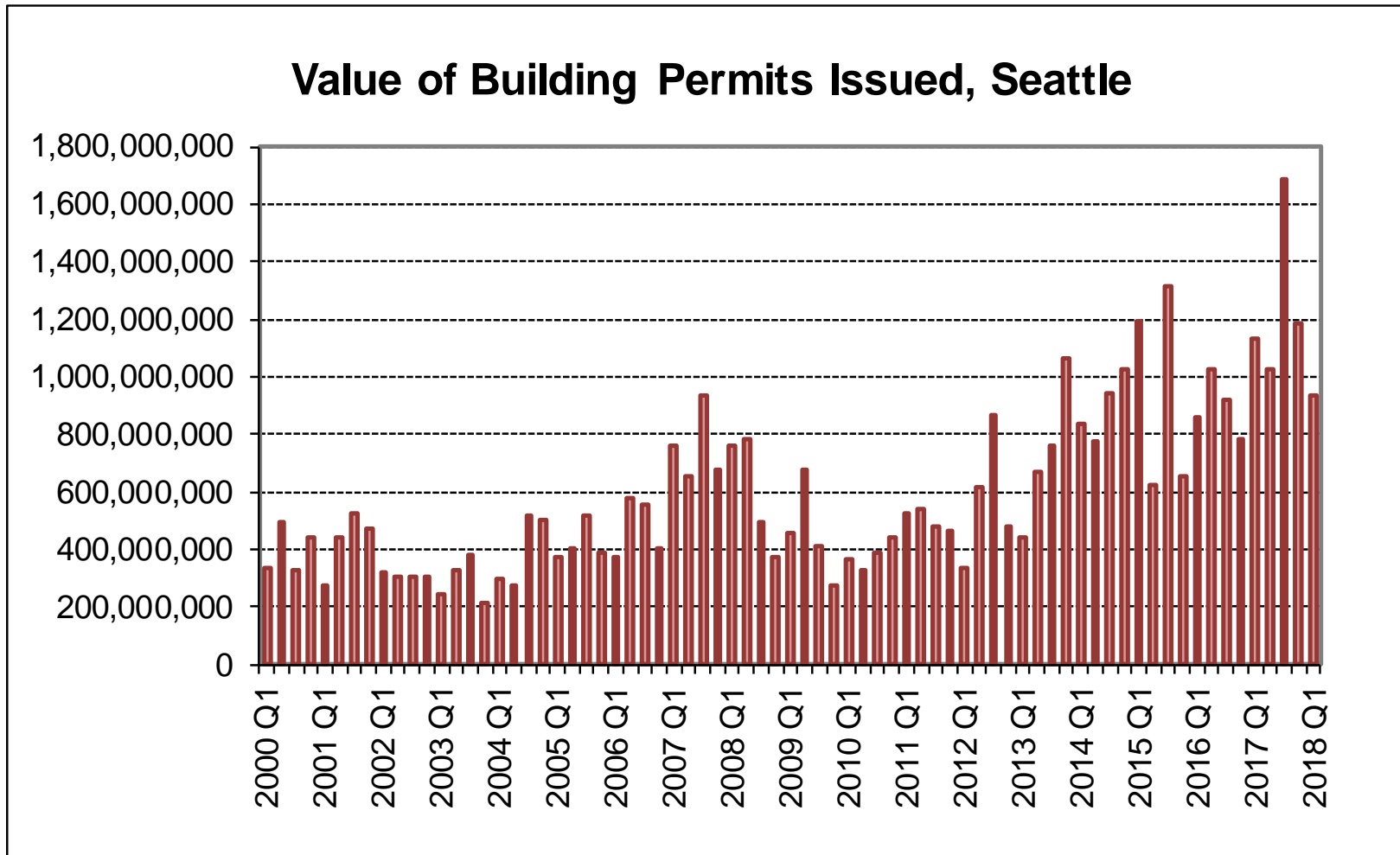
**Combined Retail Sales and B&O Tax Base
Year-Over-Year Growth Rate**



Regional Economy



Value of Building Permits Issued, Seattle





Regional Economy: Forecast

Latest regional forecast is stronger

- Reasons include:
 - ▶ Stronger U.S. forecast in 2018, 19
 - ▶ Region ended 2017 strong
- Yields higher revenue forecast

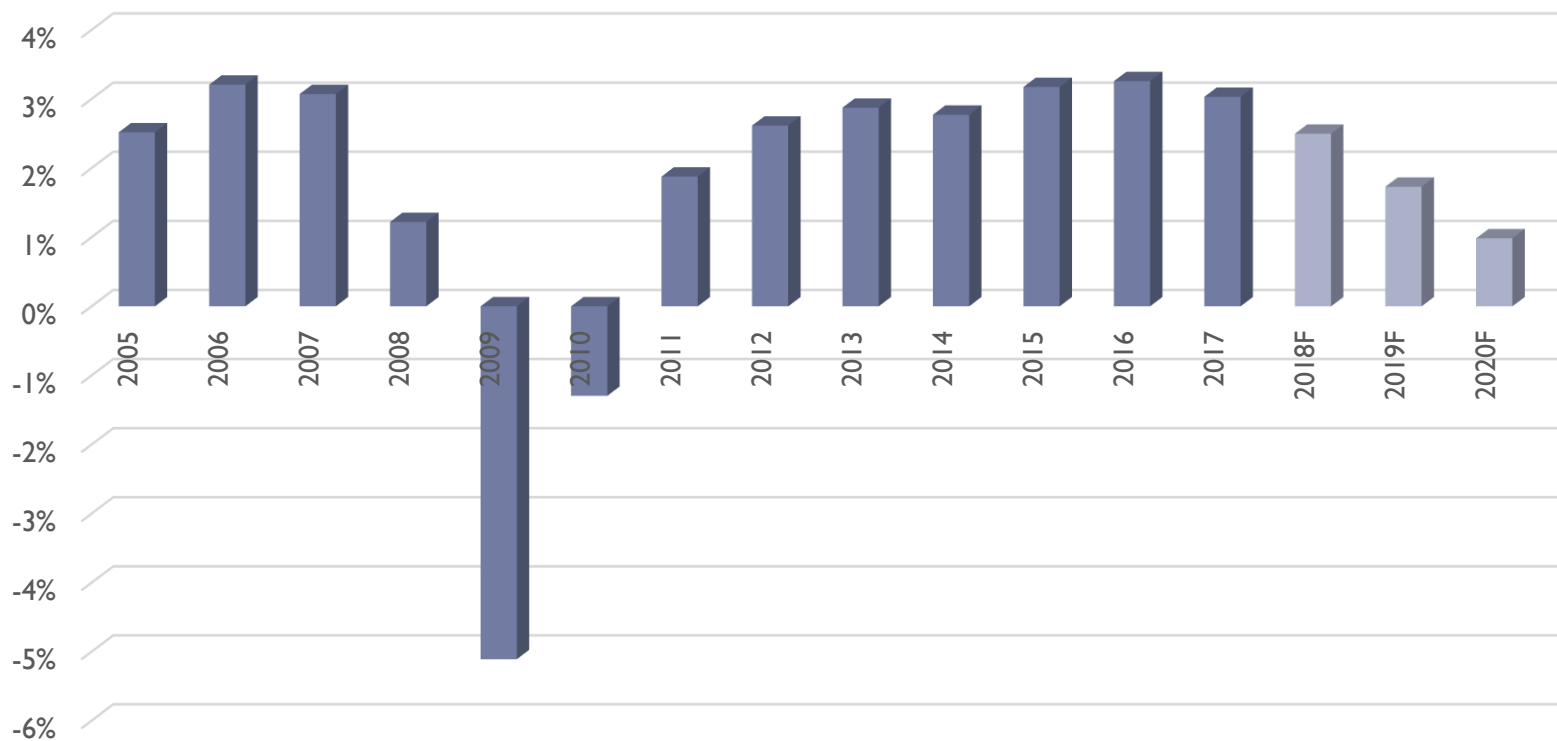
Regional economy is expected to slow

- Forecast assumptions:
 - ▶ U.S. economy slows in 2020
 - ▶ Amazon's growth will slow
 - ▶ Modest construction downturn begins in 2019



Regional Economy: Forecast

Annual Growth of Seattle Metro Area* Employment

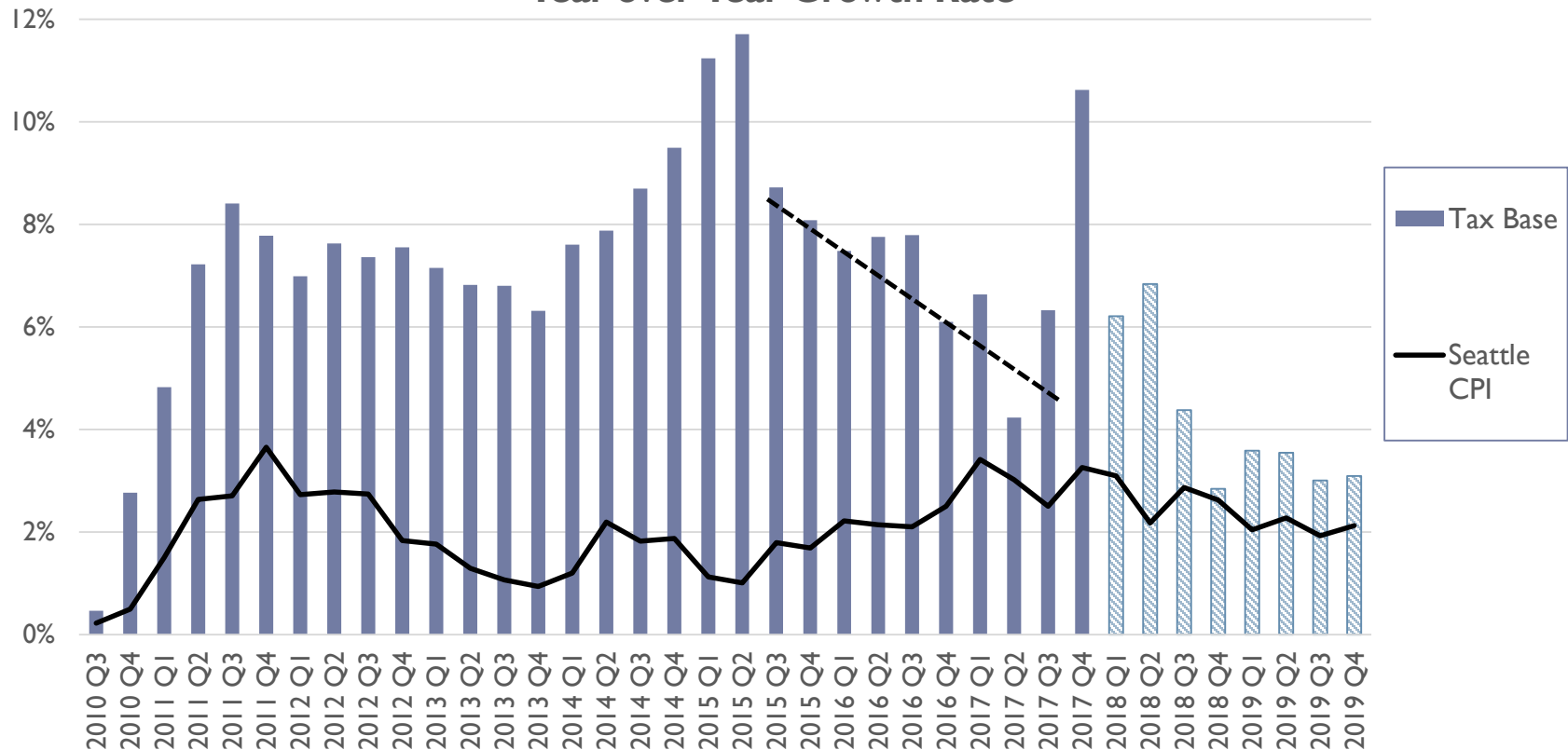


*King and Snohomish Counties. Source: Seattle CBO.

Sales and B&O Tax Forecast



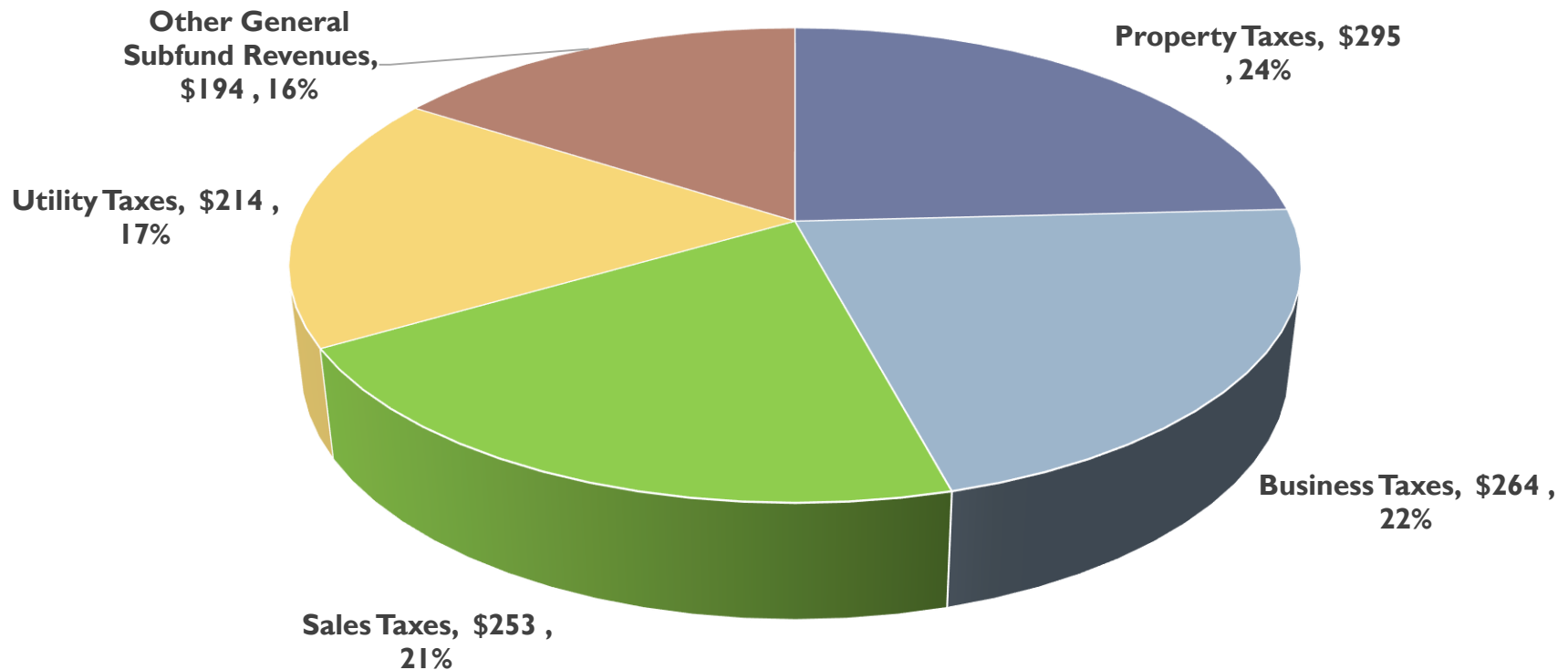
**Combined Retail Sales and B&O Tax Base
Year-over-Year Growth Rate**





Revenue Analysis

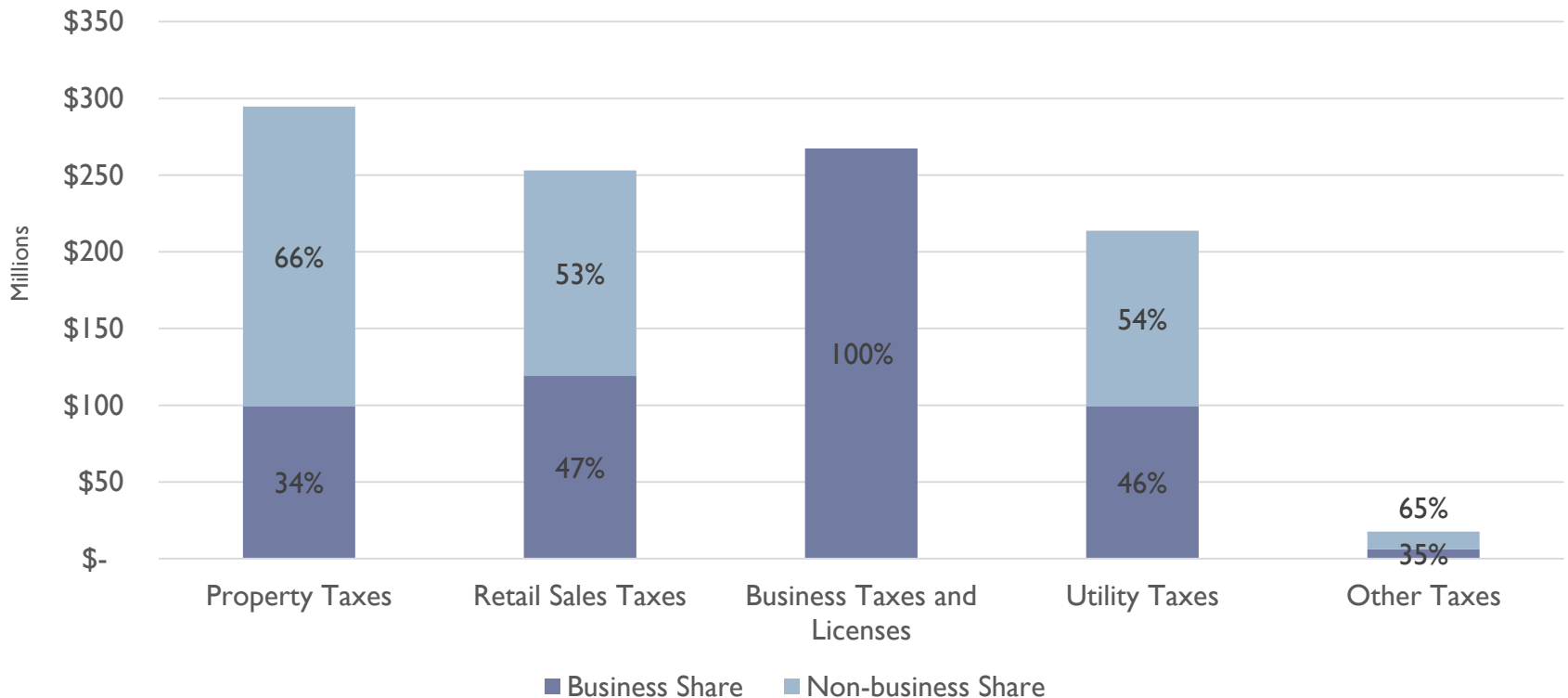
2017 General Subfund Revenues \$1.219 Billion



Revenue Analysis



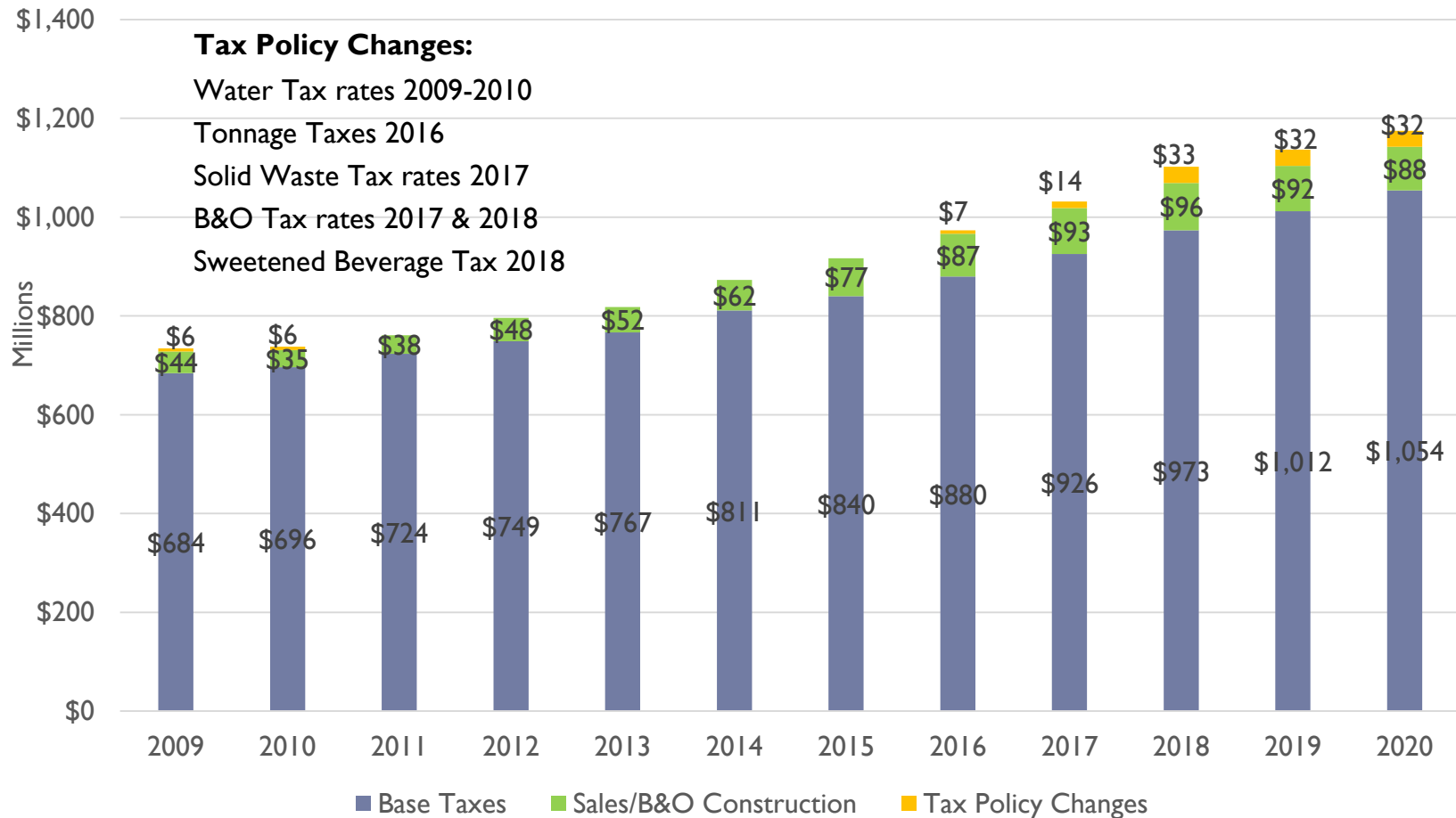
General Fund Taxes by Payer - 2017



Revenue Analysis



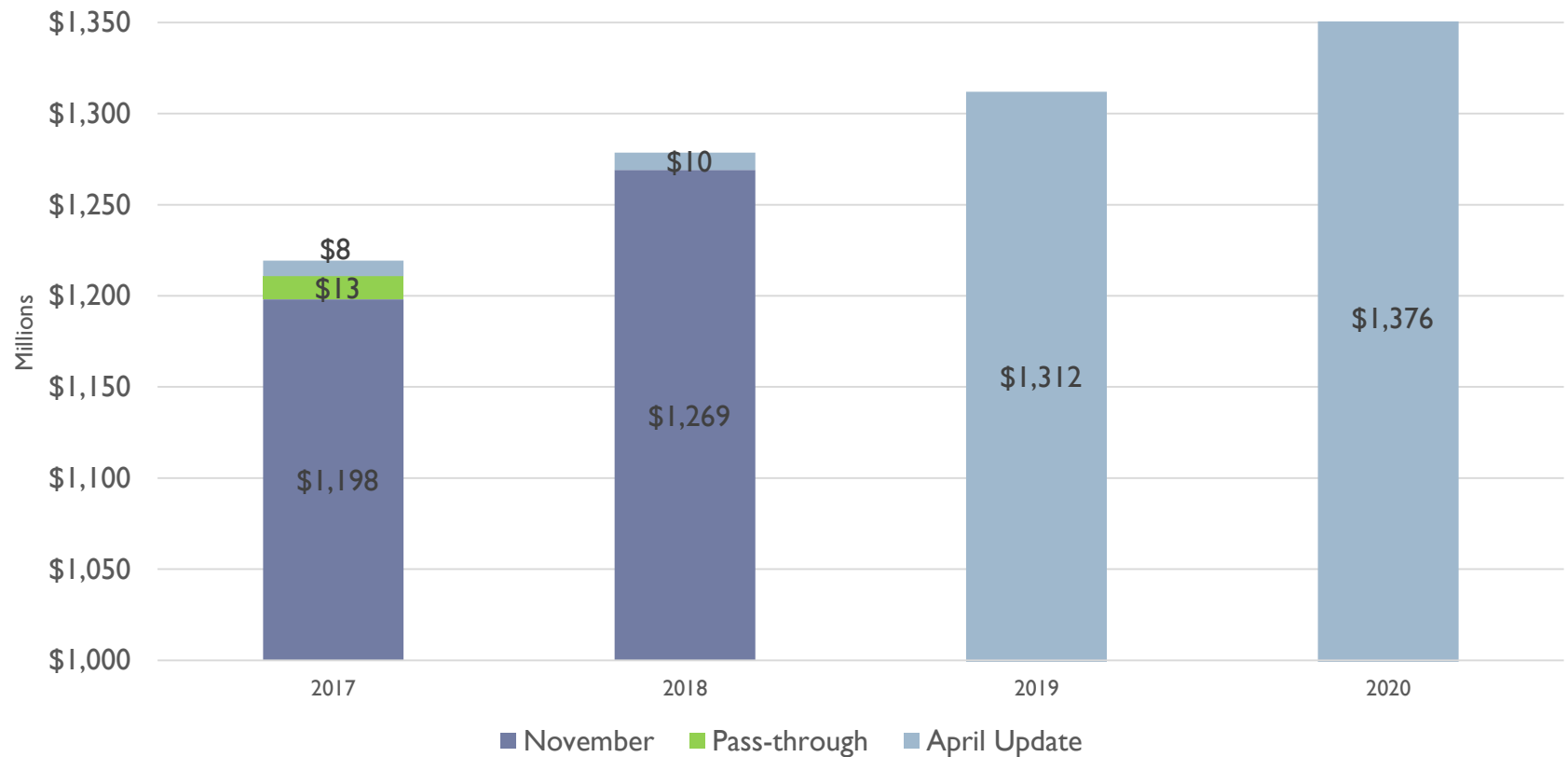
General Subfund Tax Revenue during Expansion





Forecast Update

April Forecast General Subfund Revenues



Forecast Update



GSF - Item	2017		2018		2019	2020
	Actuals	Chg from Nov	Revised	Chg from Nov	Forecast	Forecast
Property Taxes	294,731,000	1,030,000	310,600,000	(219,000)	318,181,000	352,587,000
Sales Taxes	253,035,800	3,545,000	269,944,000	10,163,000	277,864,000	285,006,000
Business Taxes	264,183,000	3,704,000	296,582,000	3,294,000	308,527,000	319,360,000
Public Utility Taxes	153,780,000	1,977,000	158,233,000	805,000	165,755,000	176,074,000
Private Utility Taxes	59,994,000	(1,380,000)	60,499,000	(1,963,000)	59,741,000	59,140,000
Business License Fees	14,801,000	-	16,624,000	1,180,000	17,439,000	17,857,000
Court Fines	26,258,000	380,000	25,948,000	(1,937,000)	25,830,000	25,759,000
Parking Meters	38,223,000	(938,000)	38,203,000	(2,209,000)	37,345,000	37,462,000
Other General Subfund Revenues	114,266,000	11,871,000	101,897,000	393,000	101,301,000	102,893,000
General Subfund - Grand Total	1,219,271,000	21,240,000	1,278,530,000	9,506,000	1,311,982,000	1,376,138,000

Individual Revenue Changes,

from Adopted November 2018 forecast



1) Property Taxes

- ▶ New construction remains strong through forecast period
- ▶ Assumes 2019 Medic I/EMS levy renewal at \$0.30/\$1,000 AV

2) Retail Sales and Business & Occupation Taxes

- ▶ Revenue exceeded forecast in 2017
 - ▶ Stronger economy, especially construction
 - ▶ Sales tax by \$3.3 million
 - ▶ B&O tax by \$2.5 million
- ▶ Forecasts for 2018-2020 have increased
 - ▶ Stronger 2017 revenue
 - ▶ Stronger economic forecast in 2018 and 2019
 - ▶ Construction rebound

Individual Revenue Changes,

from Adopted November 2018 forecast



3) Utility tax revenue slightly exceeded forecast in 2017

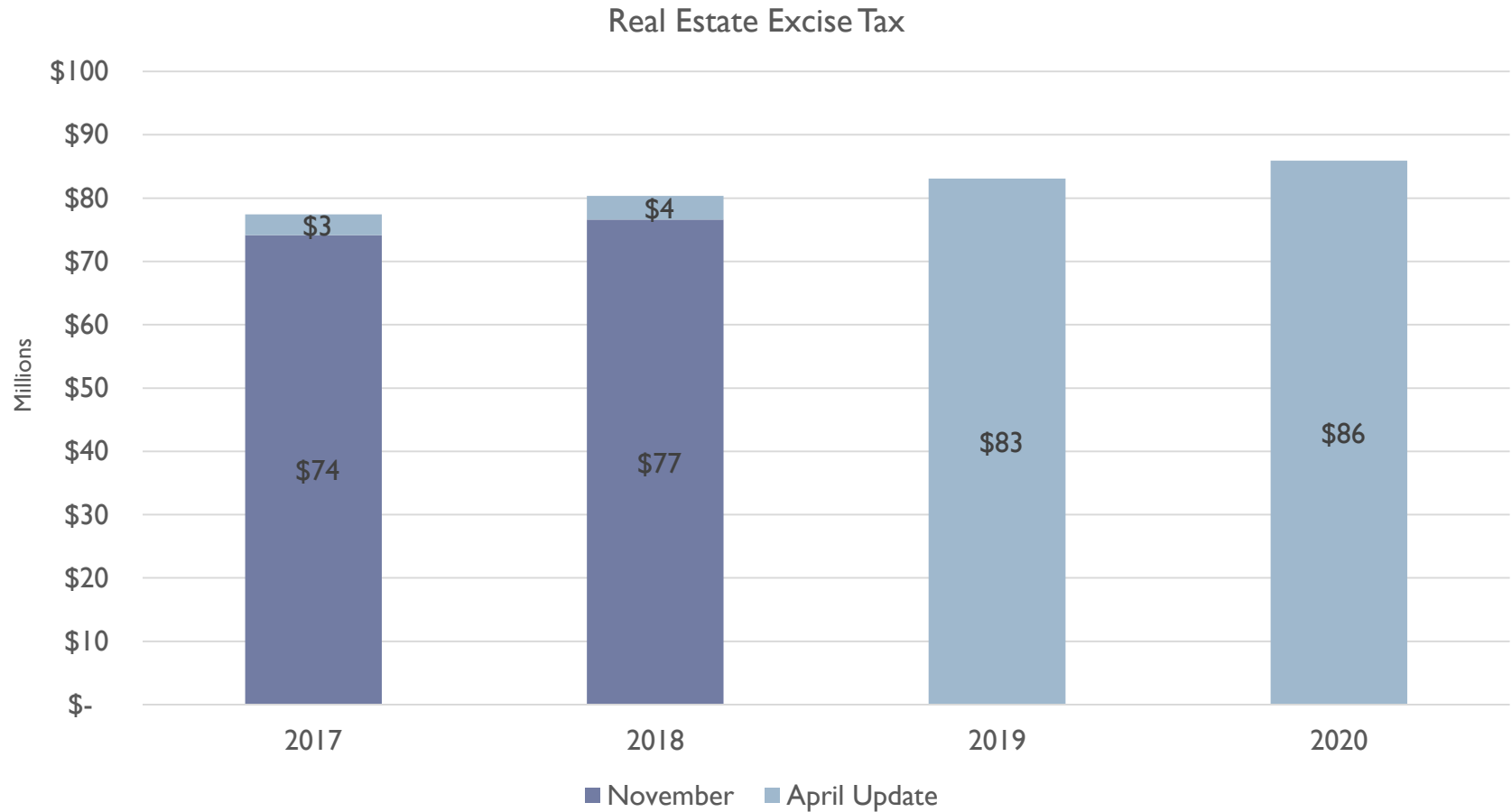
- ▶ Public utility taxes were \$2.0 million over
- ▶ Private utility taxes were \$1.4 million under

4) Court Fines forecast correction to reflect actual citations

5) On-street parking space reductions driving lower revenue



Forecast Update



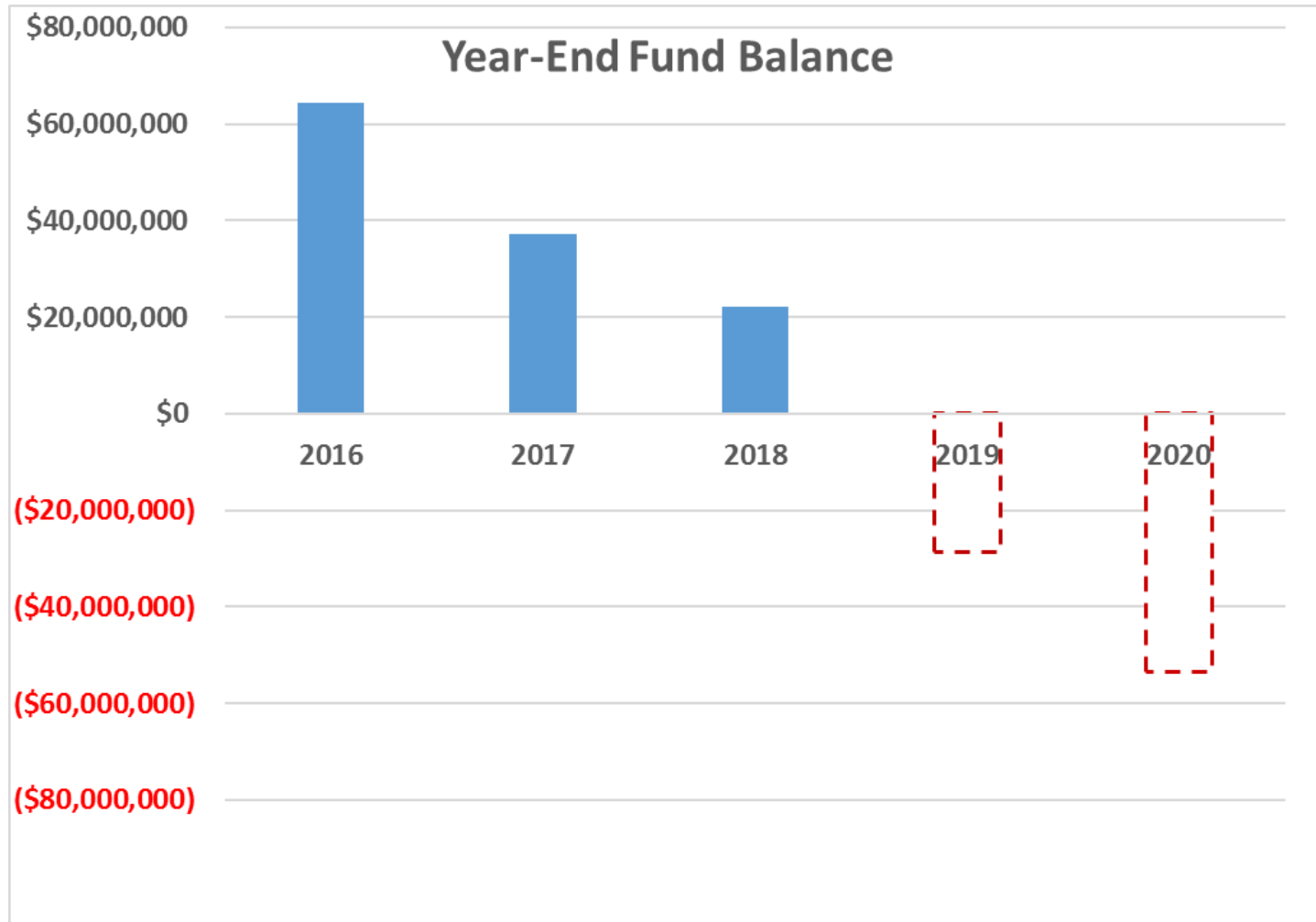


Implications for the 2019 – 2020 Biennial Budget

Ben Noble, City Budget Office



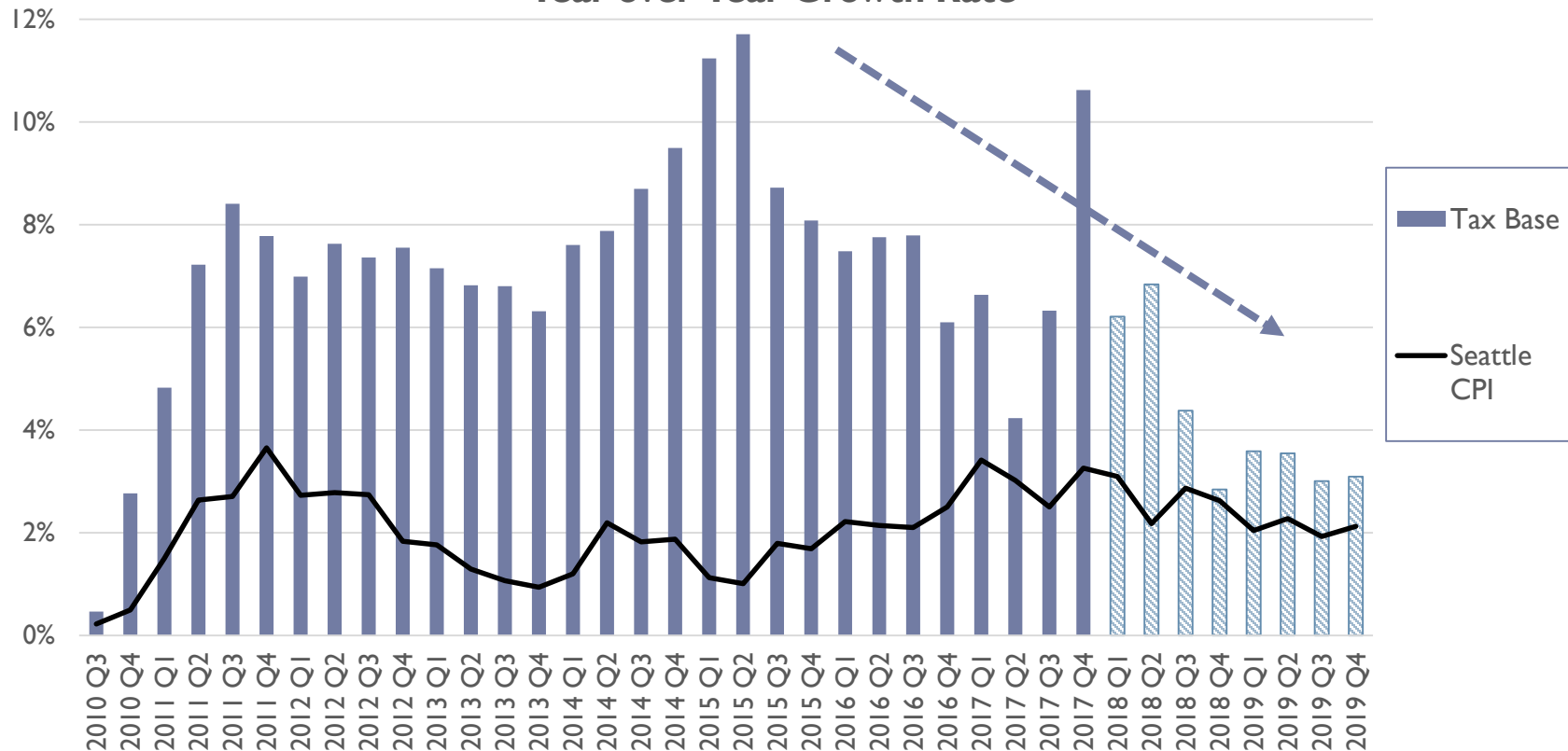
Sustainable Budget?





Growth is Forecast to Slow

Combined Retail Sales and B&O Tax Base Year-over-Year Growth Rate



Construction Dependence is a Financial Risk for the General Fund



Tax Revenues from Construction



General Fund Forecast



Preliminary Financial Update for the General Fund - April, 2018

	2016 Actuals	2017 Revised	2018 Projected	2019 Projected	2020 Projected
Beginning Fund Balance	\$61,568,000	\$64,332,000	\$37,232,000	\$22,176,000	(\$28,534,000)
Revenues/Resources	\$1,179,188,000	\$1,221,271,000	\$1,288,772,000	\$1,312,013,000	\$1,375,501,000
Expenditures*	(\$1,164,285,000)	(\$1,231,510,000)	(\$1,264,419,000)	(\$1,299,719,000)	(\$1,333,141,000)
Reserves	(\$12,139,000)	(\$16,861,000)	(\$29,409,000)	(\$53,004,000)	(\$57,358,000)
Judgment & Claims - unbudgeted expenses			(\$10,000,000)	(\$10,000,000)	(\$10,000,000)
Ending Fund Balance	\$64,332,000	\$37,232,000	\$22,176,000	(\$28,534,000)	(\$53,532,000)

* Assumes a \$10M underspend in 2018



General Fund Pressures

Additional Financial Pressures and City Funding Priorities

- Homelessness - one-time 2018 funding and additional spending for 2019 and beyond
- Safe consumption site
- Domestic worker bill of rights - enforcement will have both one-time and on-going costs
- Immigrant and Refugee Legal Defense Fund
- Office of Labor Standards
- Implementation of new accounting system
- Technology system replacements/upgrades