

Economic and Revenue Update

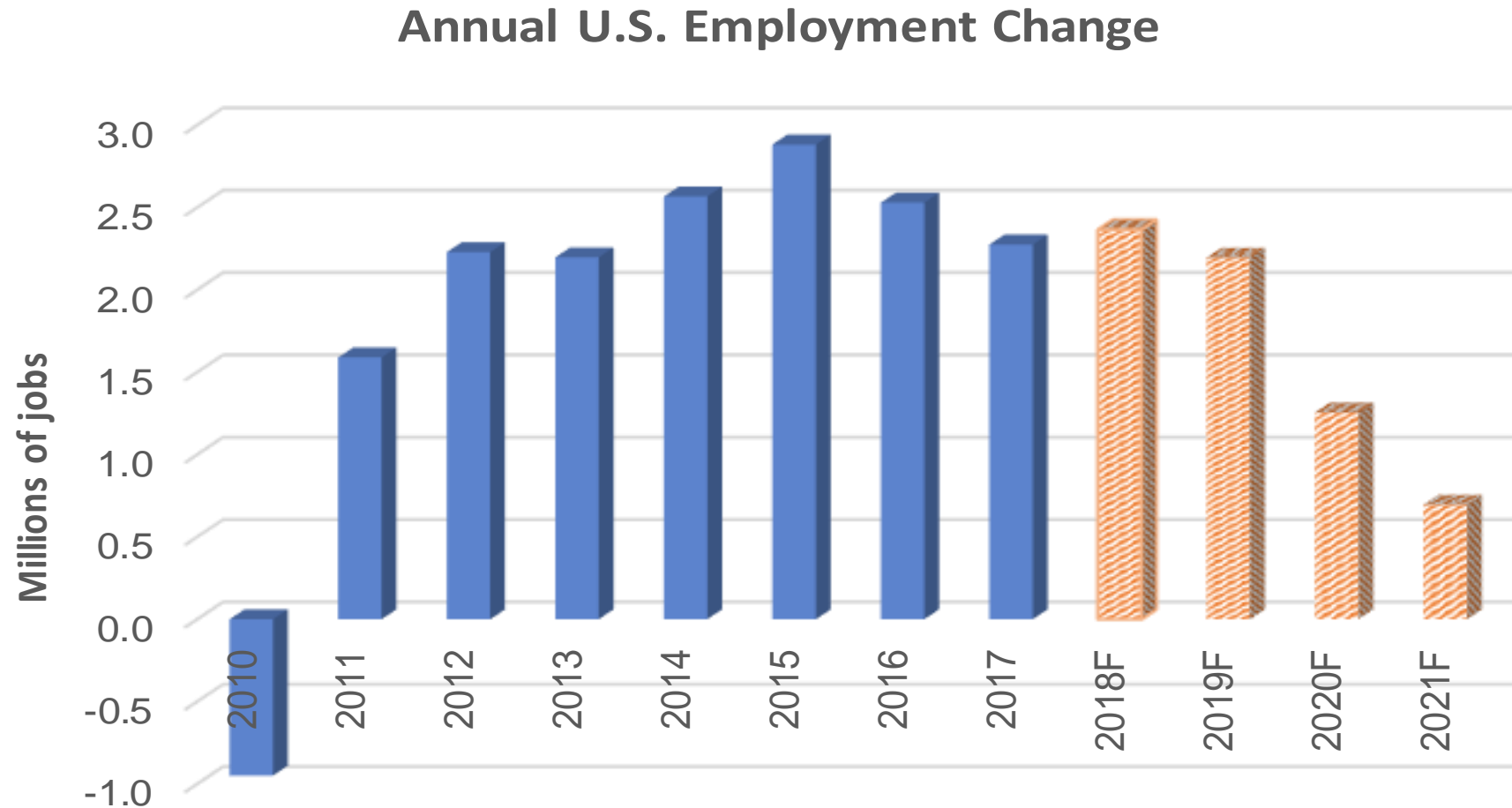
Seattle City Council
September 26, 2018



U.S. Economy

- Current expansion is 2nd longest on record at 9+ years
- Growth accelerating in 2018-19 due to federal stimulus
 - Tax cuts of \$1.5 trillion over 10 years
 - Bipartisan Budget Act
 - Adds 10% to 2018-19 federal spending
 - GDP and employment growth up in 2018
- Forecast: economy to slow in 2020
 - As boost from stimulus fades
 - Higher interest rates
 - Recession risk rises in 2020

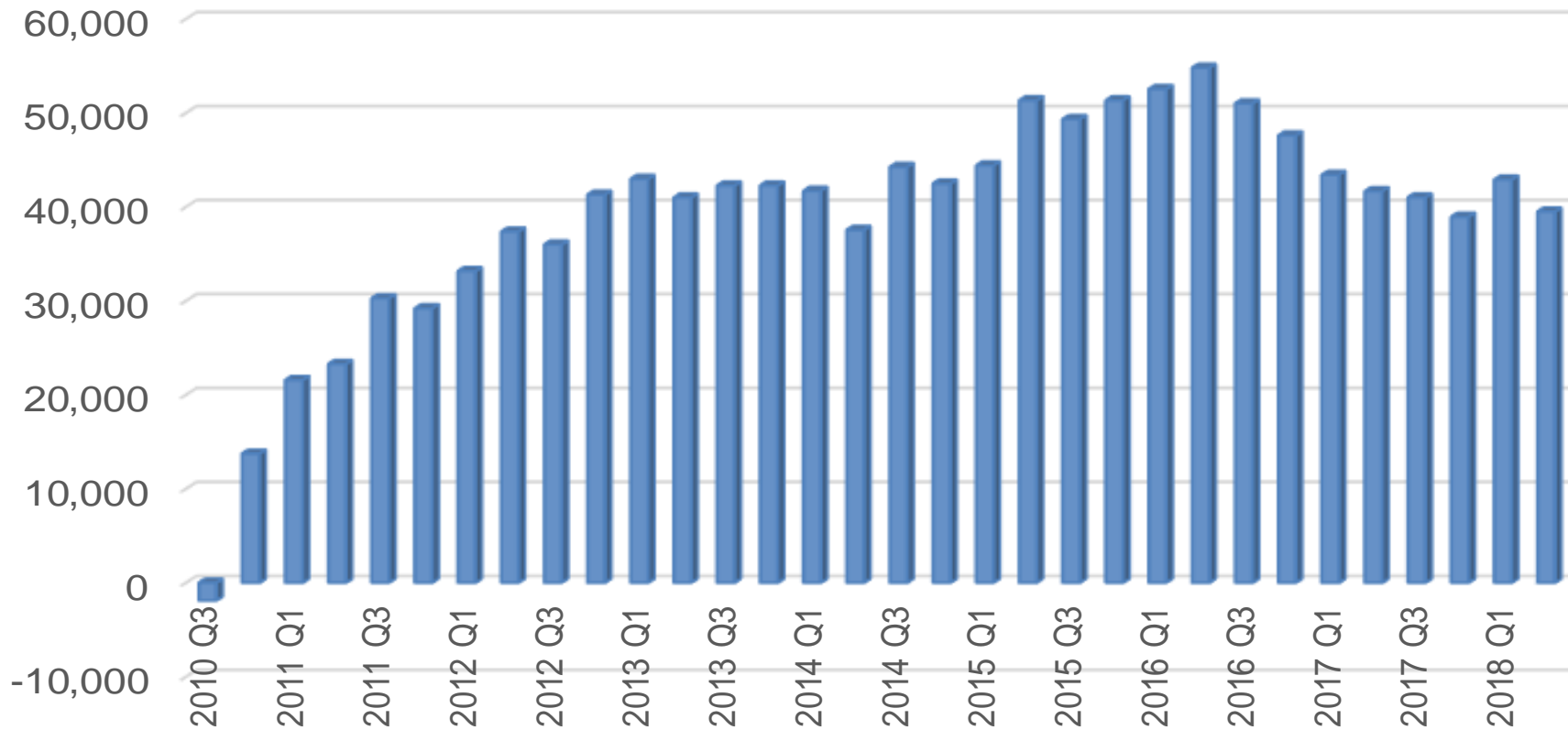
U.S. Economy: Forecast



Source: U.S. Bureau of Labor Statistics, IHS Markit.

Seattle Metro Area Economy

Seattle Metro Area* Year-over-Year Employment Change

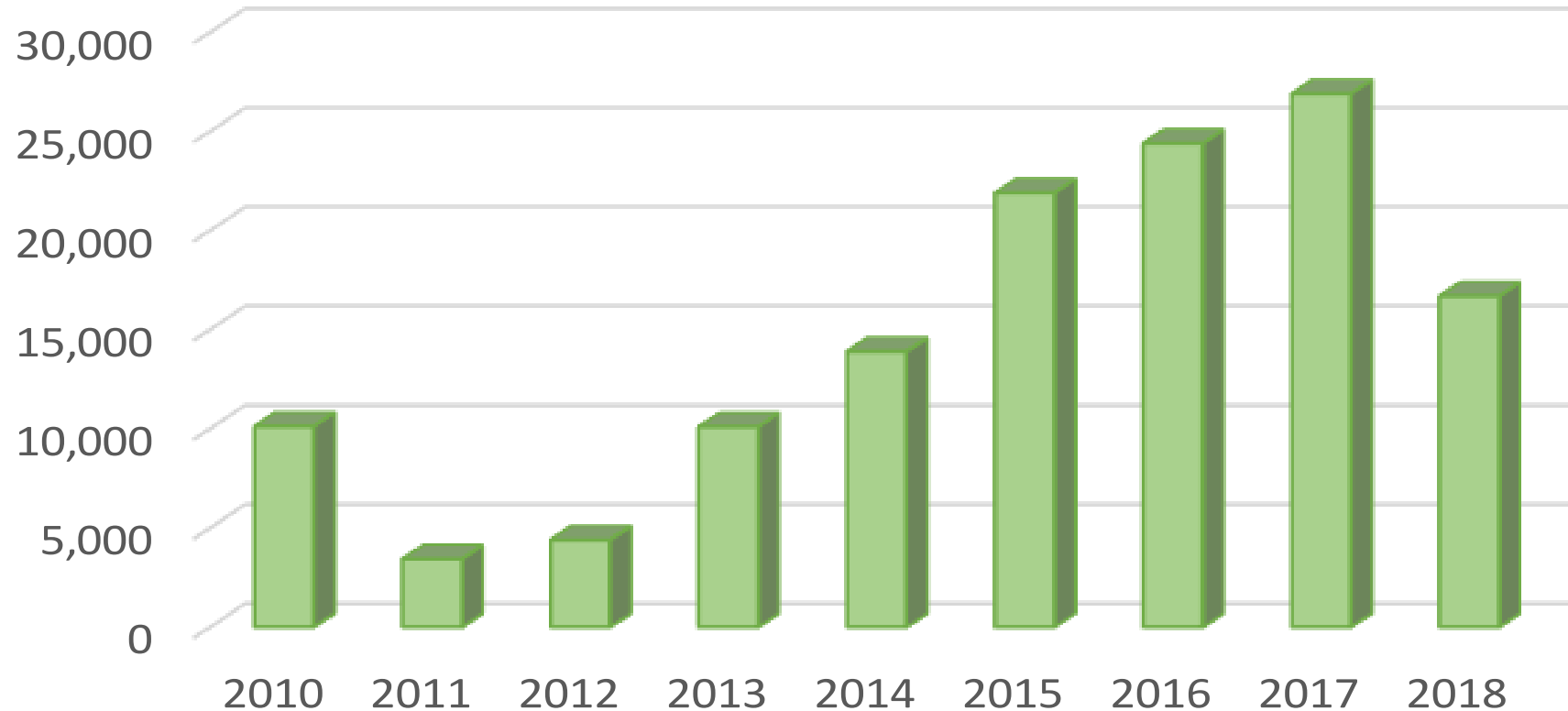


- Boeing cut 9,900 jobs from July 2016 to Sept 2017
- Amazon's hiring has slowed in the past year

*King and Snohomish Counties. Source: WA Employment Security Dept.

Seattle Population

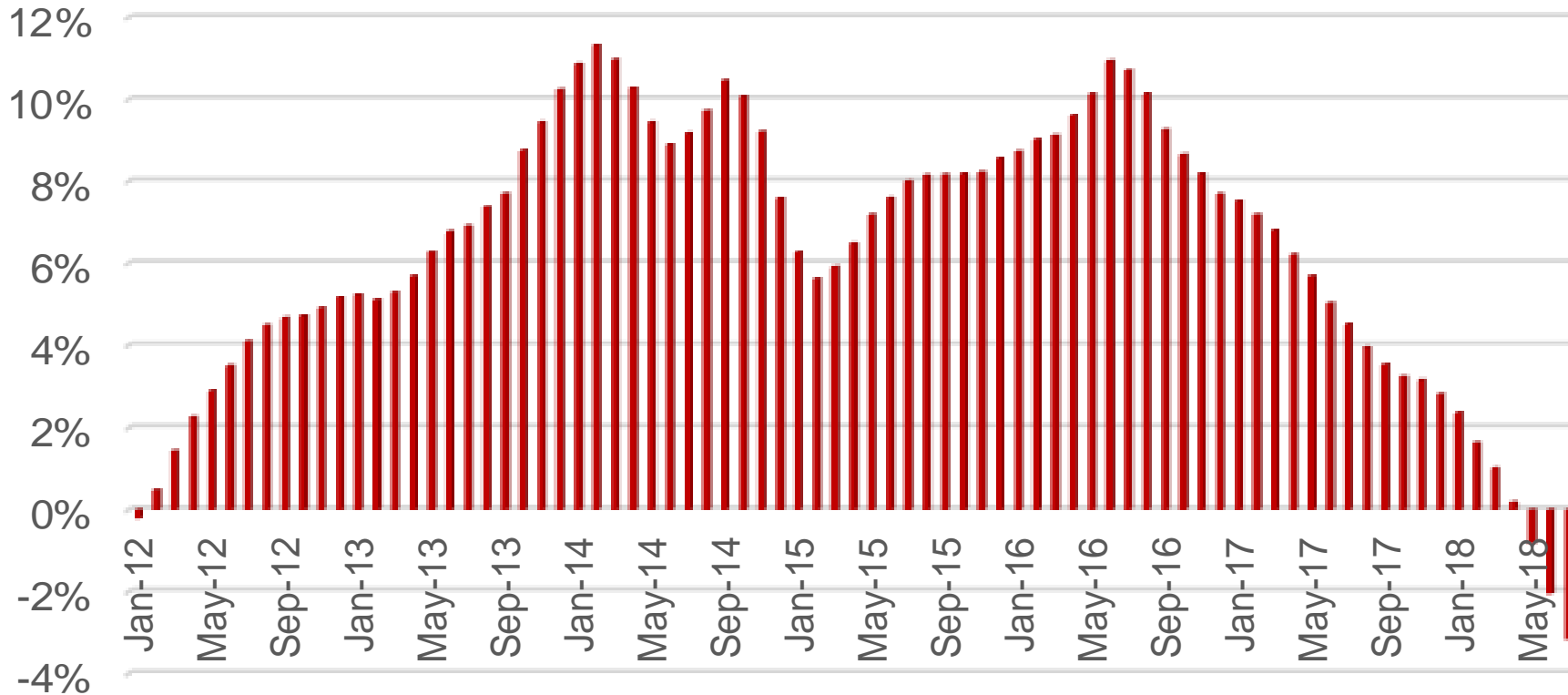
Annual Population Growth*, Seattle



*April 1 data. Source: WA Office of Financial Management.

Seattle Metro Area Housing Market

Median Multi-Family Rent, Seattle Year-Over-Year Growth Rate

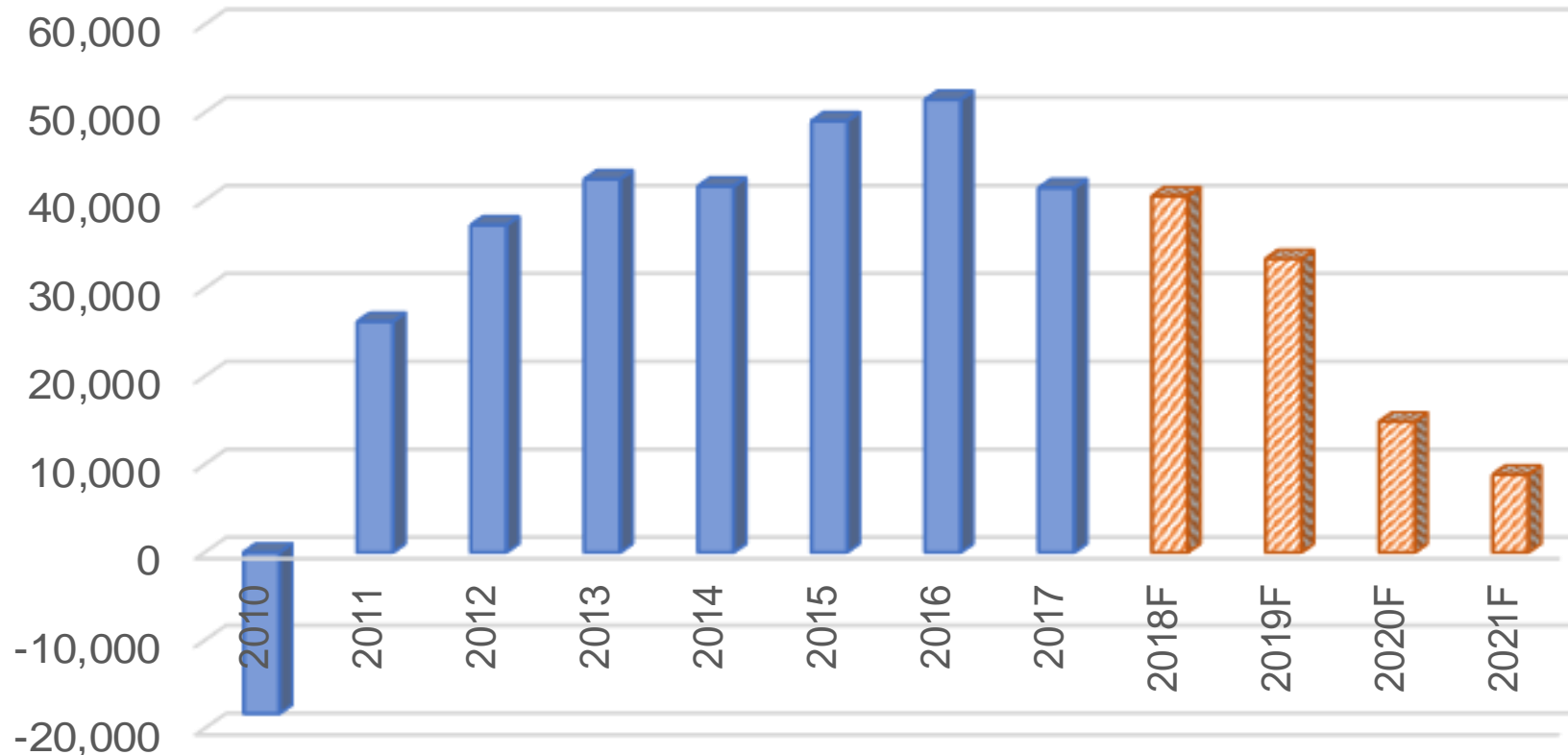


Source: Zillow Research.



Seattle Metro Area Economy: Forecast

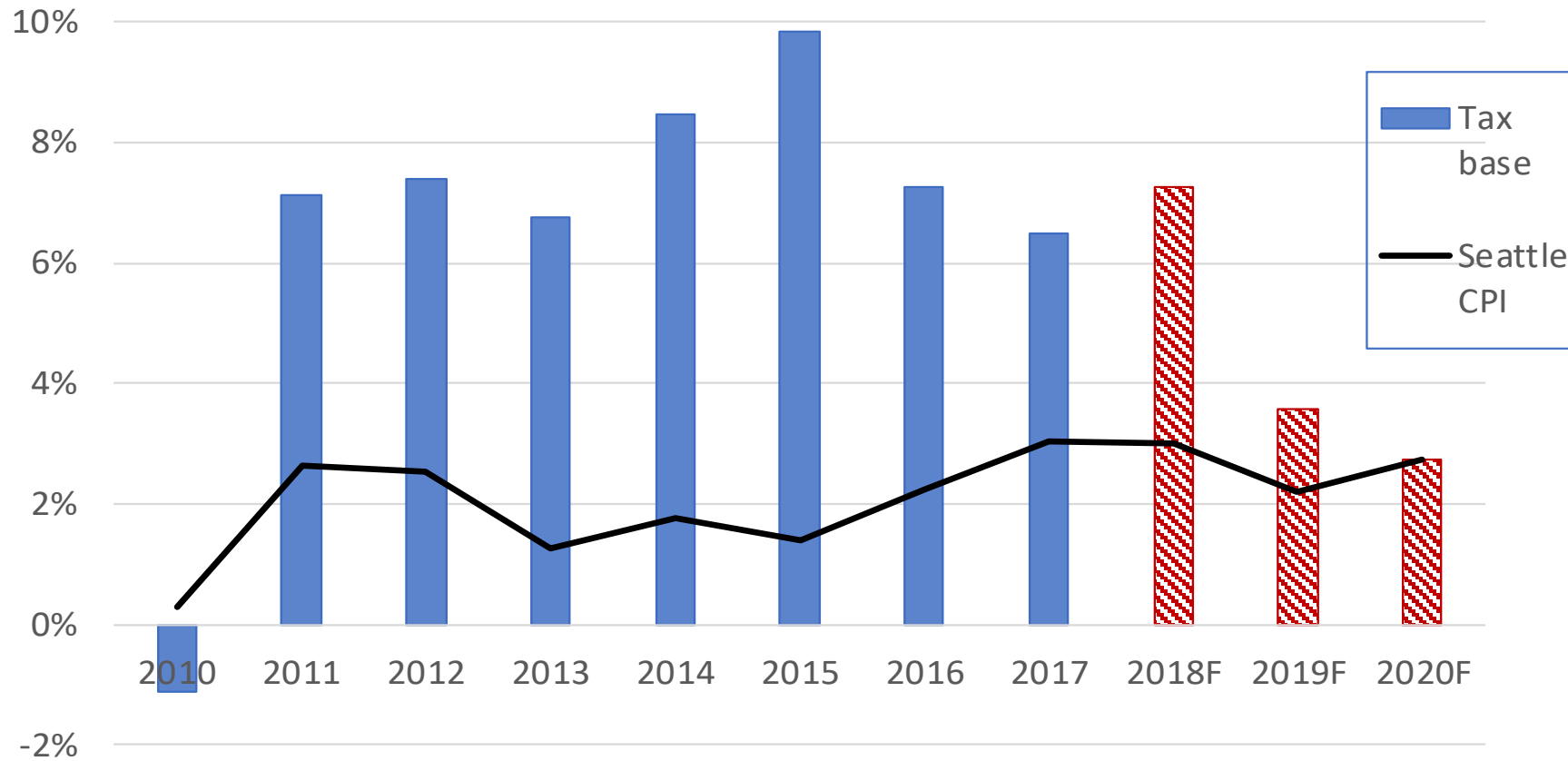
Annual Growth of Seattle Metro Area* Employment



*King and Snohomish Counties. Source: WA ESD, City of Seattle Budget Office.

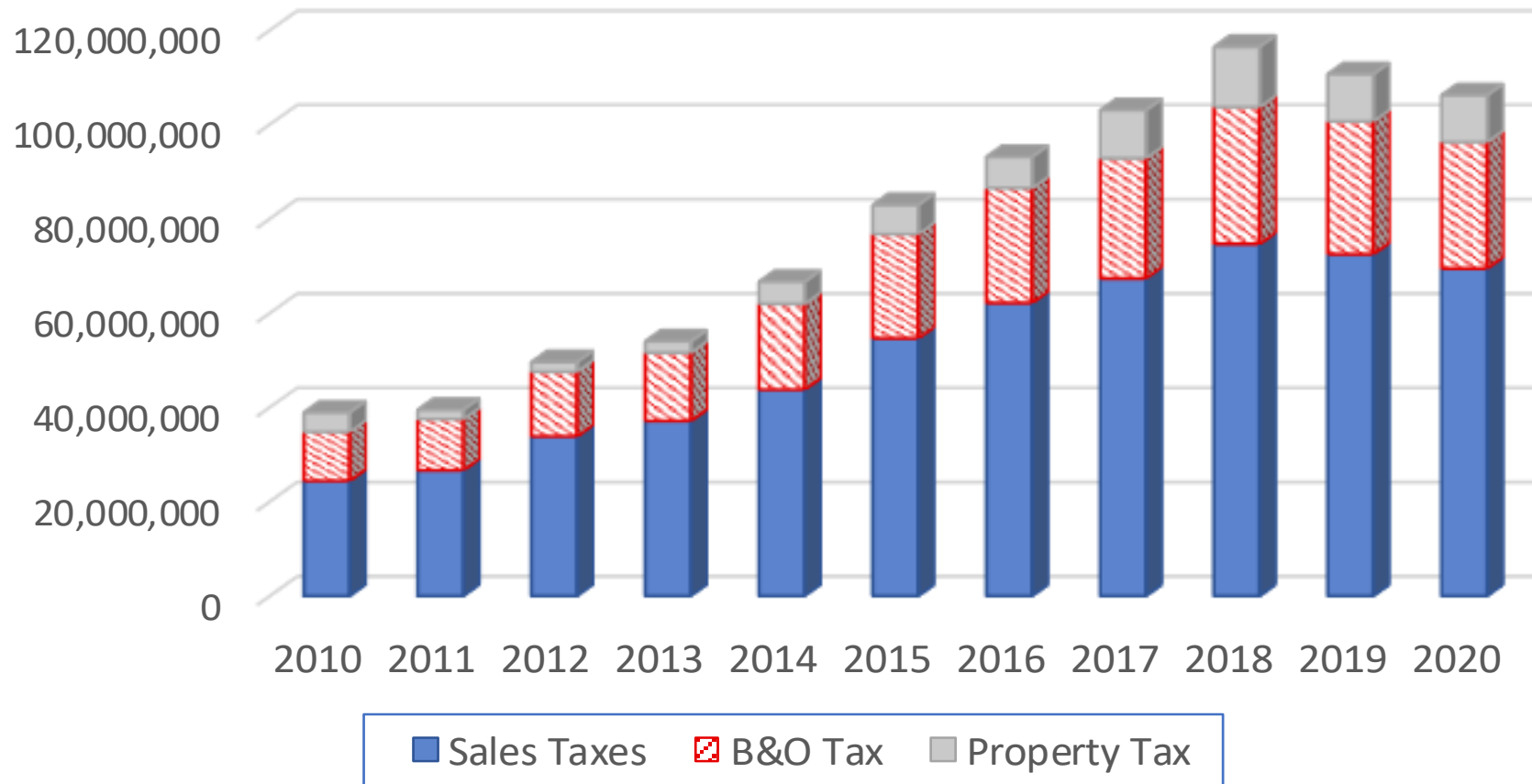
Retail Sales and B&O Tax Revenue

Combined Sales and B&O Tax Base Annual Growth Rate

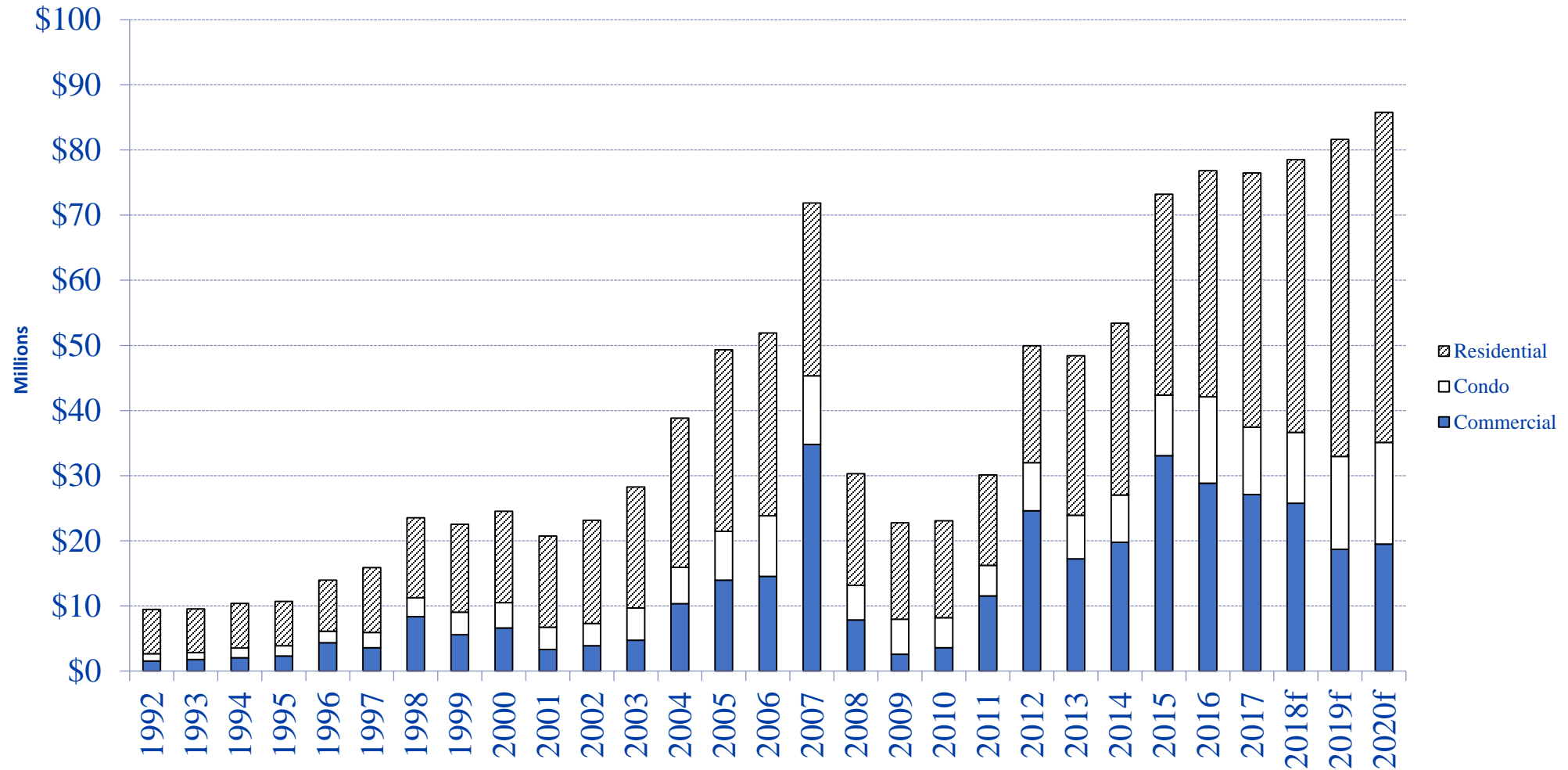


Construction Revenue

Tax Revenue from Construction



Real Estate Excise Tax



General Fund Revenues

	2017		2018		2019		2020	
	Actuals	Revised	Change	Proposed	Change	Proposed	Change	
Property Taxes	294,731,000	310,611,000	15,880,000	318,677,000	8,066,000	348,209,000	29,532,000	
Sales Taxes	253,036,000	275,163,000	22,127,000	284,864,000	9,701,000	290,578,000	5,714,000	
Business Taxes	264,183,000	282,541,000	18,358,000	296,369,000	13,829,000	306,253,000	9,883,000	
Public Utility Taxes	153,780,000	156,313,000	2,533,000	163,672,000	7,359,000	172,113,000	8,442,000	
Private Utility Taxes	59,994,000	59,067,000	-927,000	58,971,000	-96,000	58,566,000	-405,000	
Business License Fees	14,801,000	16,624,000	1,822,000	17,439,000	815,000	17,857,000	419,000	
Sweetened Beverage Tax	-	20,663,000	20,663,000	21,386,000	723,000	21,921,000	535,000	
Short-term Rental Tax	-	-	-	10,500,000	10,500,000	10,500,000	-	
Court Fines	26,258,000	25,984,000	-274,000	25,864,000	-120,000	25,793,000	-71,000	
Parking Meters	38,223,000	39,388,000	1,165,000	41,133,000	1,745,000	41,014,000	-119,000	
Other General Fund Revenues	114,283,000	119,432,000	5,149,000	146,706,000	27,274,000	131,924,000	-14,782,000	
General Fund - Grand Total	1,219,288,000	1,305,784,000	86,495,000	1,385,580,000	79,796,000	1,424,728,000	39,148,000	

Forecast Risks

- U.S. economy
 - Possible recession when impact of fiscal stimulus fades
 - Tariffs, trade war
- Construction
- Amazon



Budget Overview

Seattle City Council
September 26, 2018



Highlights of the 2019-2020 Budget

The Proposed Budget totals \$5.9 billion.

- \$2.6 billion for utility services at Seattle City Light and Seattle Public Utilities
- \$695 million for public safety
- \$609 million for transit and transportation investments
- \$89.5 for homelessness across all departments

High-Level Budget Priorities

- Creating a Sustainable Budget
- Public Safety & Basic Services
- Homelessness and Housing
- Transit and Transportation
- Building a More Equitable, Inclusive Seattle
- Investing in the City's Future

A Sustainable Budget

- Identify ongoing revenue streams to pay for previously one-time funded activities
 - General Fund – forecast for moderate growth
 - Short-term rental tax revenues
 - Sweetened beverage tax
 - Real Estate Excise Tax
- Reduce discretionary spending across all departments – e.g., consultant contracts, fuel allocations
- Abrogate approximately 150 primarily vacant positions
- Continue to grow financial reserves consistent with adopted policy. Will have more than \$60 million in both the City’s Rainy-day Fund and Emergency Sub-fund.



Public Safety

Seattle Police Department

- Funding for an additional 40 officers over 2019-2020
 - Recruiting has been hampered by wages set at 2014 levels
 - Larger than anticipated number of separations has reduced net addition of new officers in 2018
- Budget includes the resources needed to fund the tentative Seattle Police Officer's Guild (SPOG) contract
- Re-establishes the Community Service Officer Program with a total of 12 CSOs, including 2 supervisors. The unit will be part of Chief Best's new Collaborative Policing Bureau.
- Funding for significant technology upgrades – replacing in-car data terminals and video systems

Seattle Fire Department

- Funding for two recruit classes in both 2019-2020
- Technology upgrades to scheduling and time-tracking systems

Homelessness and Housing

- A total of \$89.5 million in funding across City departments
- Sustains funding for investments that had been supported with one-time resources in 2018 – including increased spending on permanent supportive housing, new shelters and tiny home villages
- Includes funding to expand the Navigation Team and to support targeted outreach efforts in the Chinatown/ID, Capitol Hill and First Hill neighborhoods
- Relies on both Short-term Rental and Sweetened Beverage taxes to sustainably fund spending in support of people experiencing homelessness and those in greatest need
- At least \$100m over the biennium for new affordable housing, including transit-oriented development

Transportation and Transit

- **Basic Infrastructure:** Use available resources from the School Safety Fund and REET to increase funding for curb ramps (\$5M), new sidewalks (\$2.8M), sidewalk repair (\$4.1M), neighborhood greenways (\$1.4M) and paving (\$2M)
- **Expand/Enhance Transit Service:** Use available resources from the Seattle Transportation Benefit District to:
 - Establish new transit service – where and how much?
 - Make capital investments to improve/enhance transit service
 - Sustain funding for the ORCA Opportunity prog
- **Manage the Period of Maximum Constraint.** Use commercial parking tax and other existing revenue source to:
 - Invest in signal timing improvements for Central Business District
 - Improve operations at SDOT's Transportation Operations Center
 - Enhance outreach to employers and employees
 - Further study and evaluate potential for congestion pricing

Building A More Equitable, Inclusive Seattle

- Budget provides a sustained on-going funding source for the Equitable Development Initiative - \$5 million per year from the Short-term Rental Tax
- Also includes funding to sustain the immigrant Legal Defense Network (LDN); \$800,000 from the City and a total of \$1.6 million per year including County funding. Funding also being provided at the State level
- Budget provides \$150,000 to provide outreach and engagement grants to community groups for the United States 2020 Census
- Following through on recommendations from the City's Anti-harassment IDT, the budget:
 - Establishes an independent Office of the Employee Ombud (OEO), including Ombud and 2 staff
 - Adds a leadership position at SDHR to direct a centralized unit to conduct workplace misconduct investigations.
 - Adds a second leadership position at SDHR to coordinate Citywide training on harassment (and other issues)
- To help protect workers across Seattle, the budget includes funding for 5 new positions at the Office of Labor Standards to effectively enforce existing workplace regulations and to implement the new Domestic Workers Bill of Rights legislation



Investing in City's Future

- Fund an active and early partnership with Sound Transit to continue planning for ST3's investments in Seattle. \$2.3 million in 2019 transportation resources will support staff in SDOT, OPCED, DON and SDCI including \$275,000 to begin planning to advance work on Graham St. Station
- Continue implementation of the waterfront redevelopment to reconnect downtown with Elliot Bay and creation of a "Waterfront for All"
- Advance redevelopment of the Seattle Center Arena and mitigate the near-term financial impacts to Seattle Center with an interfund loan to support operations in 2020
- Provide funding for a new Seattle Colleges apprenticeship pilot to enhance building trades opportunities for low-wage students