

Corrections made to page 9

City Budget Office Revenue Update: April 2022

April 20, 2022

City Budget Office



City of Seattle

Revenue Sources Projected by CBO

General Fund Revenues

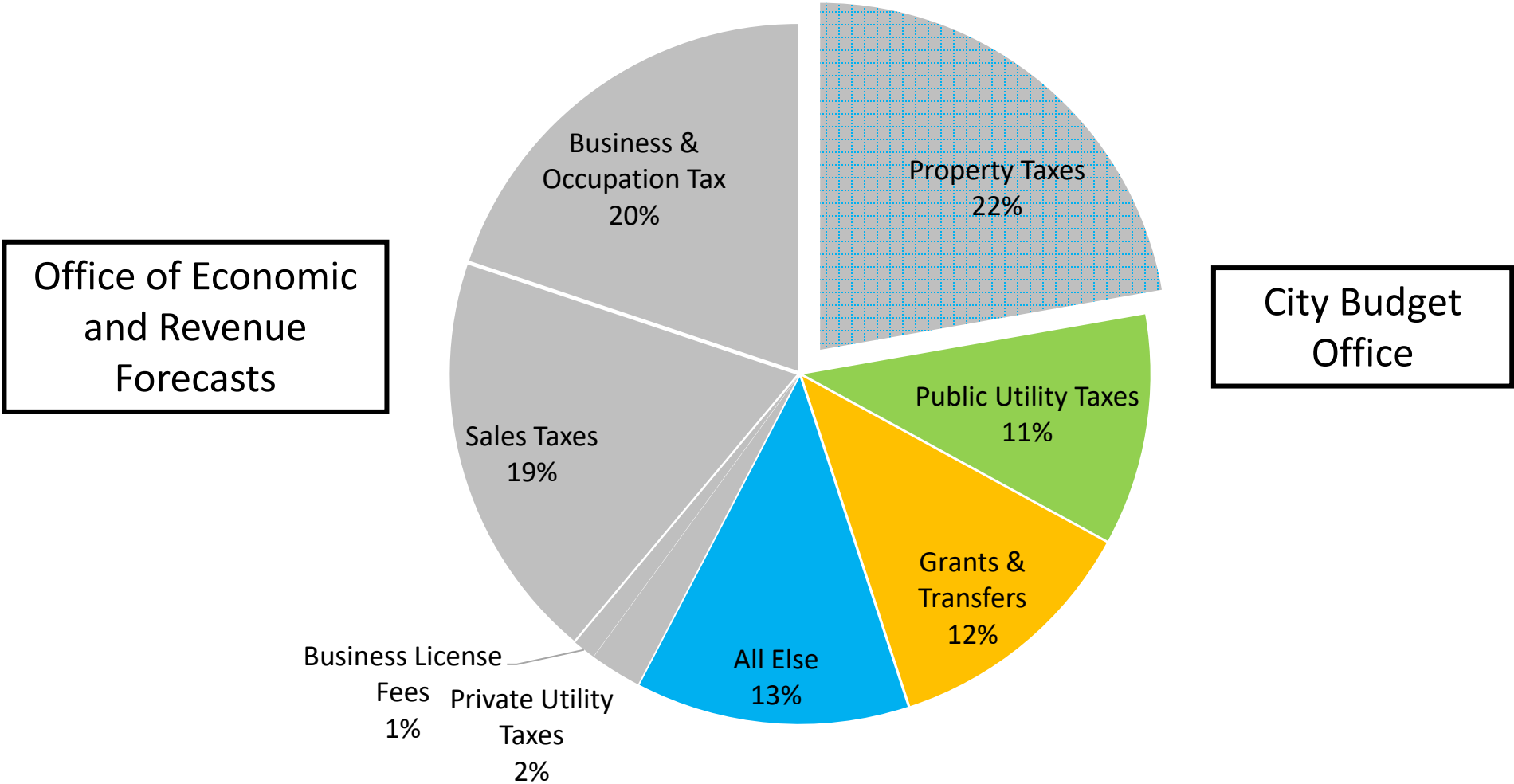
- Property Taxes – General Expense and Medic One/EMS -- final computation based on OERF inputs
- Public Utility Taxes – Seattle City Light and Seattle Public Utilities (Water, Sewer, Solid Waste)
- Other Minor Taxes – Leasehold Excise, Gambling, Guns & Ammo, Transportation Network Co.
- Licenses and Permit Fees
- Court Fines
- On-Street Parking Fees
- Grants – Federal, State, Interlocal
- Transfers

Other Fund General Government Revenues

- Short-Term Rental Tax
- Sweetened Beverage Tax
- Commercial Parking Tax
- School Zone Automated Enforcement Camera Fines
- Vehicle License Fees (Seattle Transportation Benefit District)



General Fund Revenues - 2022 Revised, \$1.671B



Forecast Considerations

- **Anticipated ongoing volatility:** Projections in this 2020-2024 period are subject to considerable volatility as growth rates for several revenues are equally or more governed by health and policy responses as by underlying economic conditions
- **Impact of 2021 Actuals:** Incorporates actual year-end 2021 experience, which in several cases reduced the base revenue expectations going forward, even as growth expectations may be comparable
- **Impact of COVID response/recovery:** Several revenues are particularly susceptible to behavioral responses to COVID health concerns.
 - The recovery of Commercial Parking, Short-Term Rental and Sweetened Beverage tax revenues for example depends on return-to-office and recovery of the hospitality and travel sectors
- **Impact of policy decisions:** Other revenues are highly influenced by policy decisions, some COVID-related:
 - Court fines are significantly down due to policy decisions to suspend collections activity and credit card use fees; but some citation categories are also down due to diminished patrol hours and priorities related to traffic and non-traffic infractions
 - On-street parking revenues remain low compared to pre-pandemic levels due to decisions about the rate of growth in hourly rates over time



April Forecast - CBO Revenues, General Fund

(\$ thousands)	2021 Actuals	2022 Adopted	2022 Revised	Revised minus Adopted	2023 Forecast	2024 Forecast
Property Tax	\$294,241	\$303,789	\$303,757	-\$32	\$314,370	\$316,741
Property Tax - Medic One/EMS	\$69,448	\$69,978	\$67,843	-\$2,135	\$67,761	\$70,270
Public Utility Taxes	\$169,608	\$178,104	\$180,535	\$2,431	\$186,716	\$191,137
Other Taxes	\$16,813	\$23,376	\$21,231	-\$2,145	\$21,658	\$22,638
Court Fines	\$18,380	\$19,836	\$18,766	-\$1,070	\$24,411	\$28,952
Parking Meters	\$11,012	\$21,216	\$17,945	-\$3,271	\$25,073	\$32,836
Licenses & Permits	\$15,582	\$19,121	\$17,502	-\$1,619	\$19,781	\$20,279
Grants	\$72,551	\$12,836	\$13,495	\$658	\$28,523	\$10,439
Transfers	\$73,981	\$187,381	\$187,023	-\$358	\$27,825	\$27,970
All Else	\$76,762	\$131,870	\$135,265	\$3,396	\$74,244	\$76,882
General Fund Total - CBO	\$818,378	\$967,506	\$963,362	-\$4,144	\$790,362	\$798,145



General Fund Forecast: Notable Influences

- **Property Tax** – Medic One/EMS levy reduction due to relative assessed value growth
- **Other Taxes** – Transportation Network Company (TNC) tax – New state legislation reduces tax rate \$0.15 from \$0.57 per trip to \$0.42 beginning 1/1/2023
- **Court Fines** – base reduction in citations and revenues for most categories. 2021 parking citation volumes returned to pre-pandemic levels, but related revenue remains well below 2019 receipts
- **Parking Meters** – on-street parking rates remain 58% below pre-pandemic levels, even though paid occupancy is comparable. Forecast assumes series of proposed rate increases beginning in April 2022 (delayed from December 2021)
- **Licenses & Permits** – base reduction in street use permits based on 2021 actuals
- **Transfers** – Includes \$64.2 million of federal Coronavirus Local Fiscal Recovery (CLFR) funds in 2022 and \$85.4 million Jump Start Payroll Expense Tax transfer to the General Fund
- **All Else** – comprised of many smaller items with adjustments up and down across external service charges, interest earnings, state-shared revenue, and other miscellaneous smaller items. But also includes the General Fund proceeds (\$65 million) from the sale of the Mercer properties



April Forecast – CBO Revenues

Other General Government Funds

(\$ thousands)	2021 Actuals	2022 Adopted	2022 Revised	Revised minus Adopted	2023 Forecast	2024 Forecast
Short-term Rental Tax	\$6,049	\$9,807	\$7,924	-\$1,884	\$8,372	\$8,755
Sweetened Beverage Tax	\$21,236	\$20,384	\$22,191	\$1,807	\$22,857	\$23,314
Commercial Parking Tax	\$28,554	\$36,540	\$38,442	\$1,902	\$50,339	\$52,624
School Zone Camera Fund	\$8,079	\$15,207	\$13,409	-\$1,797	\$14,994	\$14,118
STBD Vehicle License Fee	\$13,354	\$16,012	\$15,476	-\$536	\$15,693	\$15,912



Other General Government Funds: Drivers of Revenue Revisions

- **Short-Term Rental Tax** – base reduction in revenues due to 2021 actuals
- **Sweetened Beverage Tax** – ready-to-drink (bottled) beverage consumption has nearly returned to pre-pandemic levels, concentrates (fountain drinks and syrups) consumption in 2021 is at only 59% of 2019 levels
- **Commercial Parking Tax** – forecast includes rate increase from 12.5% to 14.5%, effective July 1, 2022, which will help speed up revenue recovery
- **School Zone Cameras** – 31 cameras now in operation (5 new since Oct/Nov 2021). Four additional cameras delayed in construction (concrete strike affected)



April Revenue Forecast Summary

General Government Funds

(Grey = OERF / Blue = CBO)

(\$ thousands)	2021 Actuals	2022 Adopted	2022 Revised	Revised minus Adopted	2023 Forecast	2024 Forecast
Sales Taxes	\$299,412	\$303,929	\$318,465	\$14,536	\$331,742	\$349,725
Business & Occupation Tax	\$315,425	\$317,427	\$331,860	\$14,433	\$348,978	\$366,982
Business License Fees	\$16,824	\$18,048	\$17,674	-\$373	\$18,586	\$19,545
Private Utility Taxes	\$44,717	\$38,958	\$40,038	\$1,081	\$36,051	\$34,110
Payroll Expense Tax	\$248,102	\$0	\$0	\$0	\$0	\$0
Admission Tax	\$9,478	\$0	\$0	\$0	\$0	\$0
Property Taxes	\$363,689	\$373,767	\$371,600	-\$2,167	\$382,130	\$387,011
Public Utility Taxes	\$169,608	\$178,104	\$180,535	\$2,431	\$186,716	\$191,137
Court Fines/Parking	\$29,392	\$41,052	\$36,711	-\$4,341	\$49,484	\$61,789
Other Licenses & Permits	\$15,582	\$19,121	\$17,502	-\$1,619	\$19,781	\$20,279
Grants	\$72,551	\$12,836	\$13,495	\$658	\$28,523	\$10,439
Transfers	\$73,981	\$187,381	\$187,023	-\$358	\$27,825	\$27,970
All Else	\$93,689	\$155,245	\$156,496	\$1,251	\$95,902	\$99,521
General Fund Total	\$1,752,450	\$1,645,866	\$1,671,400	\$25,534	\$1,525,719	\$1,568,507
Payroll Expense Tax	\$0	\$233,872	\$277,487	\$43,615	\$296,252	\$311,970
Short-term Rental Tax	\$6,049	\$9,807	\$7,924	-\$1,884	\$8,372	\$8,755
Sweetened Beverage Tax	\$21,236	\$20,384	\$22,191	\$1,807	\$22,857	\$23,314
Commercial Parking Tax	\$28,554	\$36,540	\$38,442	\$1,902	\$50,339	\$52,624
School Zone Camera Fund	\$8,079	\$15,207	\$13,409	-\$1,797	\$14,994	\$14,118
Grand Total	\$1,816,367	\$1,961,676	\$2,030,854	\$69,177	\$1,918,533	\$1,979,288



April Revenue Forecast Summary

Other General Government Funds

(\$ thousands)	2021 Actuals	2022 Adopted	2022 Revised	Revised minus Adopted	2023 Forecast	2024 Forecast
Admissions Tax	\$9,476	\$20,054	\$20,054	\$0	\$21,401	\$22,043
Real Estate Excise Tax (REET)	\$112,176	\$88,044	\$99,720	\$11,676	\$87,812	\$82,552
STBD Sales Tax	\$37,327	\$47,755	\$49,205	\$1,450	\$49,417	\$50,313
STBD Vehicle License Fee	\$13,354	\$16,012	\$15,476	-\$536	\$15,693	\$15,912
Seattle Transportation Benefit District Total	\$50,681	\$63,767	\$64,681	\$914	\$65,109	\$66,225



Revenues in context - what it all means

- Revenue forecast provides basis for developing a balanced 2023-2024 Proposed Budget.
- Revenues are only half of the picture – expenditures also matter.
- Inflation, now at a 30-year high, affects both revenues and expenditures.
- Rising prices boosts percentage-based taxes such as sales tax; but also puts pressure on buying power for wages/commodities.
- Labor contract negotiations with City unions are ongoing.
- Revenues continue to recover from pandemic; however, expense growth is outpacing revenues.
- This results in structural deficits in the General Fund.
- Significant one-time resources (Mercer Megablock sale, federal CLFR dollars, and the bump from the (JumpStart) Payroll Expense Tax) are no longer available to help balance in 2023 and beyond.
- More to come at the May 4 Finance and Housing Committee meeting when an update on General Fund balancing is presented by CBO and CCS.

