

General Fund Revenue Overview

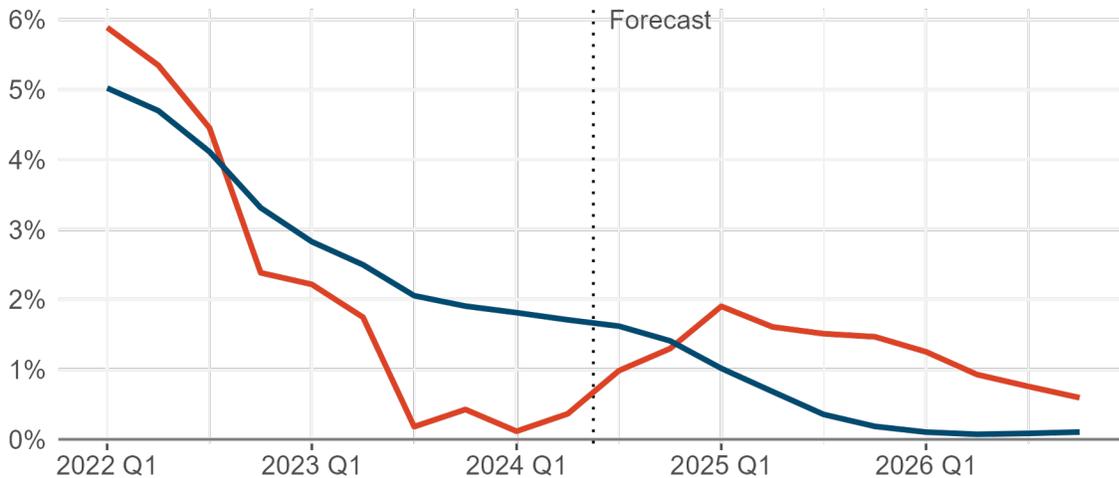
National Economic Conditions and Outlook

Disappointing inflation readings in the first half of 2024 compelled the Federal Reserve Bank to keep interest rates in the 5.25% to 5.50% range longer than anticipated in early 2024. The U.S. economy still continued to show resilience despite dramatic monetary tightening creating notable headwinds for consumer demand, investment, and job creation - real GDP grew 1.4% and 3.0% in the first two quarters of 2024. But the labor market has cooled as job openings have declined, job growth slowed, and the unemployment rate increased from 3.7% in January to 4.3% in July. Fed chair Jerome Powell acknowledged in his August press conference that the labor market is no longer overheated, but also that further weakening is not welcome. He has also signaled that the first interest rate cut can be expected in September, since inflation has continued to ease in the last few months and has shown more satisfactory progress towards the 2% inflation target.

The final August revenue forecast presented below, as well as the underlying regional economic forecast developed in July, are based on the national economic forecast from S&P Global released in the first week of July. These forecasts thus do not incorporate more recent information and data released after they were finalized, which changed the outlook for the timing of interest rate cuts and increased uncertainty regarding the likely path of the labor market. As shown in the figure below, S&P Global's July forecast expected job growth to slow further in 2025, and predicted essentially no job growth in 2026.

Employment growth, year-over-year % change

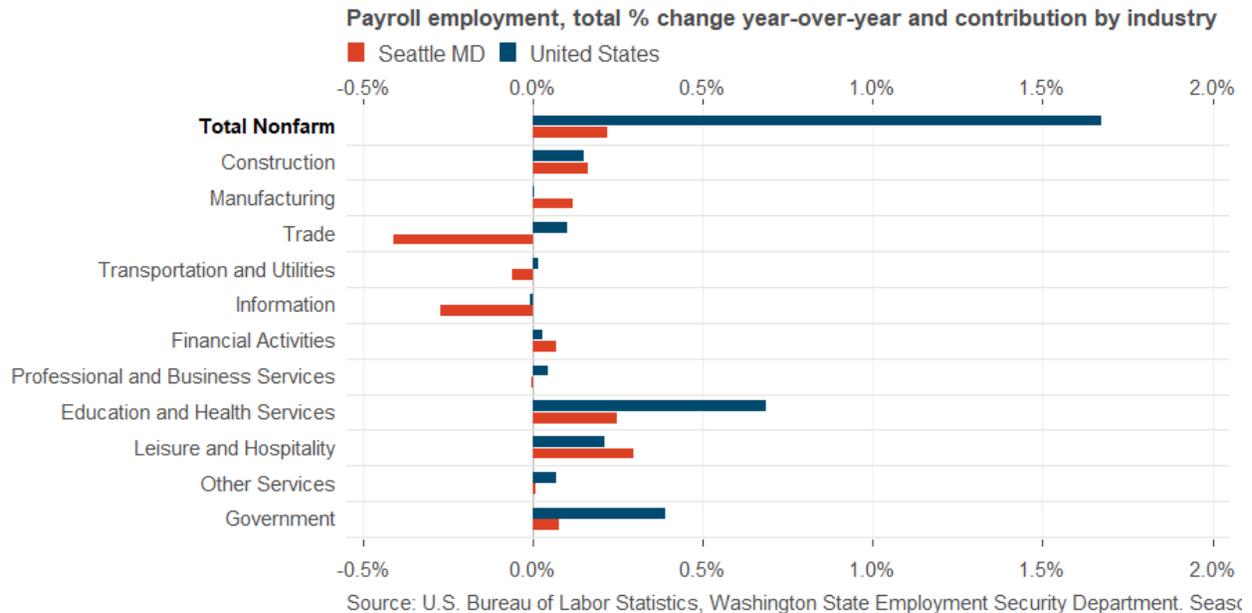
■ Seattle Metropolitan Division ■ United States



Seattle Metropolitan Area Economic Conditions and Outlook

Evident in the figure above, Seattle’s regional economy has lagged the performance seen at the national level since the second half of 2022. Based on the employment estimates released by the Washington State Employment Security Department in July 2024, which revised regional employment down significantly going back to October 2023, there has been little job growth since Summer 2023. The net addition of 3,900 jobs between June 2023 and June 2024 represents an increase of a mere 0.2%, and as the figure below shows, growth has been very uneven across sectors.

There are at least two significant factors that have negatively affected the region’s recent economic performance. The first is an ongoing reversal of growth in the technology sector, which has been a key driver of the region’s post-pandemic recovery as its employment grew at a rapid pace. Early evidence of a correction in the tech sector’s growth path can be seen in the second half of 2022, as announcements of hiring freezes and layoffs were accompanied by declining stock prices and in the following months layoffs became common even among the region’s largest technology employers. While these layoffs were not unique to Seattle, the technology sector has a disproportionate impact on the Seattle region, relative to the nation as whole. Based on the estimates released by the Washington State Employment Security Department in July 2024, regional employment in Trade, Information and Professional and Business Services (sectors where regional tech companies operate) declined by 24,500 since June 2022, approximately 1.4% of total regional employment. The extent to which the Trade and Information sector weighs down regional job growth is also visible in the chart below, which shows their contribution to the total change in employment over past 12 months at a combined -0.7%.



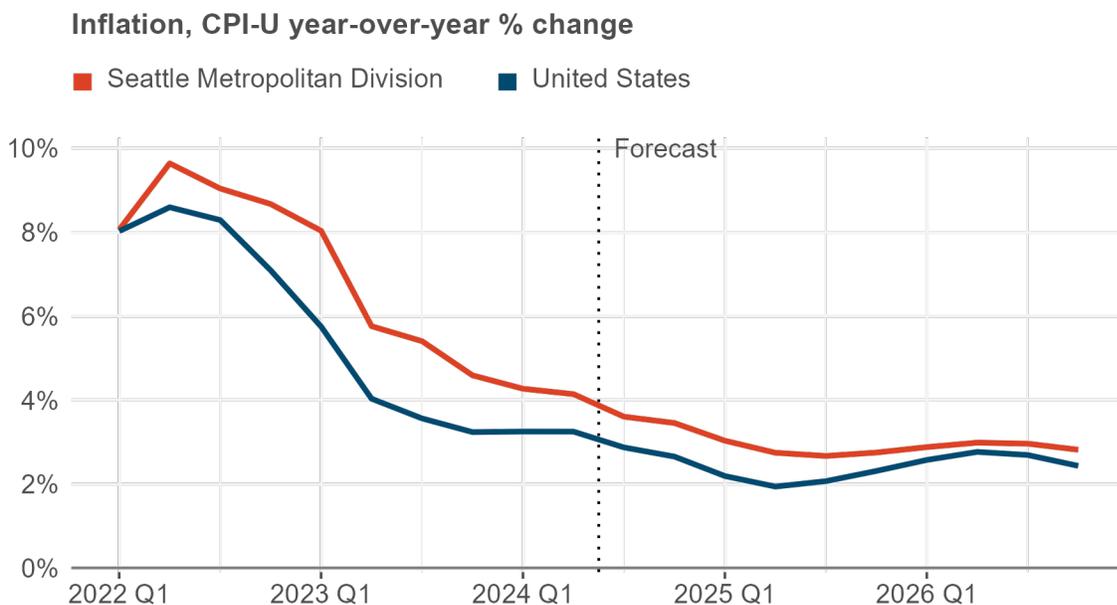
The second, and somewhat related, factor affecting the regional economy is a slow return to the office, indicating that overall economic activity in Seattle has been slow to recover as well. Jobs in the technology sector are generally remote-friendly and as a result Seattle workers have lagged the overall national trends in returning to traditional work locations. This has also led to a reduction in demand for office space and quickly rising office vacancy rates, which combined with high interest rates have resulted in a slowdown of construction activity after a decade of construction boom.

Like the nation, the regional economy is still likely to avoid a recession as there is currently no expectation of overall net job loss and employment is expected to grow modestly even as hiring slows.

However, the most recent regional economic forecast, prepared by the Office of Economic and Revenue Forecasts in July¹, projects that regional employment will grow just 0.7% in 2024, down from 1.9% expected in March. This change reflects the downward revision in year-to-date job growth in the employment estimates data released by the Washington State Employment Security Department in July, as well as their composition by industry.

Most of the uncertainty and downside economic risks are now with regard to the path of the labor market, rather than inflation. In the first half of 2024, both the national and the Seattle area inflation rates were close to the forecasts from March as inflation continued to ease, though at a slightly slower pace than in the second half of 2023. Regional inflation is still outpacing the national level. In the 12 months ending in June, the overall price level as measured by the CPI-U increased by 3.3% in the U.S. as a whole and by 4.5% in the region.

The current forecast from the Office of Economic and Revenue Forecasts anticipates that the annual regional CPI-U inflation rate for 2024 will be just 3.8%, and that in 2025 inflation will further cool to 2.8%². A softening in the regional residential rental market and slower rent growth have been key factors in recent declines, as housing represents close to 50% of the overall expenditures accounted for in CPI-U.



¹ <https://www.seattle.gov/economic-and-revenue-forecasts/forecasts>

² <https://www.seattle.gov/economic-and-revenue-forecasts/inflation>

City Revenue

The following sections present the current forecast for revenue sources supporting the City's primary operating fund, the General Fund, its primary capital funds REET 1 and REET 2, and six select other funds – the Arts and Culture Fund, Seattle Park District Fund, Sweetened Beverage Tax Fund, the Short-Term Rental Tax Fund, the Transportation Fund, and the JumpStart Payroll Expense Tax Fund.

General Fund Revenue Forecast

Based on the weaker than expected performance of the regional economy and weaker revenue collection since the second half of 2023, overall 2024 General Fund revenues excluding Grants and Fund Balance Transfers are projected to be about \$2.9 million (0.2%) lower relative to the October forecast underlying the 2024 Adopted Budget. This is due to a lower forecast for the main economically driven revenues - Sales and Use Tax and Business and Occupation Tax were revised down by \$25.4 million (3.5%) - which was partially offset by a higher forecast for other revenues, most notably a \$16.1 million increase in the Public Utility Taxes. Further details about changes in the forecast for individual revenue streams can be found below. Including Grants and Fund Balance Transfers, the revised 2024 forecast for General Fund is \$48.4 million higher relative to the 2024 Adopted Budget forecast.

As the table below indicates, the 2025-2026 Proposed Budget anticipates \$1,934.4 million of General Fund revenues in 2025 and \$1,941.4 million in 2026. The increase from 2024 to 2025 of \$188.5 million is in large part attributable to a significant transfer from the JumpStart Payroll Expense Tax Fund to support general government programmatic and administrative needs. Excluding Grants and Fund Balance Transfers, General fund revenues are projected to grow 2.6% in 2025 and 4.3% in 2026. Revenues presented in the table below include those resulting from proposed policy changes added to the forecast since the August forecast was approved by the City's Economic and Revenue Forecast Council on August 5, 2024. These changes total \$295.4 million and \$232.3 million for 2025 and 2026, respectively. They are primarily the result of changes to Court Fines, which were increased by \$4.9 million for both 2025 and 2026, as well as the addition of programmatic transfers from the JumpStart Payroll Expense Tax Fund, which were increased by \$287 million for 2025 and \$223 million for 2026.

General Fund Revenue, 2024 – 2026, thousands of dollars

Revenue	2023 Actuals	2024 Adopted	2024 Revised	2025 Proposed	2026 Proposed
Property Tax	314,262	318,226	315,780	324,810	325,982
Property Tax - Medic One Levy	63,540	67,258	67,135	64,712	83,286
Property Tax Total	377,802	385,484	382,915	389,522	409,267
Sales & Use Tax	312,029	325,318	311,706	319,450	328,876
Sales & Use Tax - Criminal Justice	27,857	30,068	28,217	28,860	29,641
Sales & Use Tax Total	339,886	355,386	339,923	348,310	358,518
Business & Occupation Tax	356,330	368,172	358,265	379,938	404,282
Payroll Expense Tax	3,646		-2,135		
Admission Tax	171				
Sweetened Beverage Tax	-2				
Utilities Business Tax - Private Utilities	43,238	38,444	37,647	35,253	33,937
Utility Tax - Private Total	43,238	38,444	37,647	35,253	33,937
Tonnage Tax	5,219	5,072	5,483	5,521	5,703
Utilities Business Tax - City Light	52,808	65,552	73,831	70,580	72,255
Utilities Business Tax - City SWU	29,325	25,684	26,711	27,546	28,455
Utilities Business Tax - City Water	34,912	37,608	40,640	38,740	39,547
Utilities Business Tax - Drainage/Waste Water	63,421	64,870	68,180	72,560	76,593
Utility Tax - Public Total	185,684	198,786	214,844	214,947	222,553
Firearms & Ammunition Tax	170	160	70	100	100
Gambling Tax	418	380	425		325
Leasehold Excise Tax	8,124	7,316	7,389	7,885	8,001
Pleasure Boat Tax	116	140	124	130	130
Transportation Network Company Tax	5,284	5,383	5,343	5,664	5,772
Other City Taxes Total	14,112	13,379	13,351	13,778	14,329
Meter Hood Service	4,774	4,000	4,400	4,400	4,400
Parking Meters	32,219	41,735	35,400	37,367	39,413
Parking Meters Total	36,993	45,735	39,800	41,767	43,813
Adult Probation and Parole	2				
Court Fees & Charges	441	172	144	528	478
Court Fines	23,546	19,451	19,514	24,419	24,467
Court Fines Total	23,989	19,623	19,657	24,947	24,945
Criminal Justice Assistance	5,061	4,901	5,154	5,371	5,578
E-911 Reimbursements & Cellular Tax Revenue	718	718	948	1,004	1,004
Liquor Board Profits	5,830	5,951	5,952	5,996	6,061
Liquor Excise Tax	5,395	5,393	5,460	5,341	5,480
Marijuana Excise Tax	1,919	1,931	1,982	2,108	2,267
Trial Court Improvement Account	150	150	150	150	150
Revenue from Other Public Entities Total	19,072	19,044	19,646	19,969	20,539

General Fund Revenue, 2024 – 2026, thousands of dollars, continued

Revenue	2023 Actuals	2024 Adopted	2024 Revised	2025 Proposed	2026 Proposed
Federal Direct Grants	18,391	6,209	34,127	3,992	3,992
Federal Direct Grants - FEMA	0	1,162	2,393		
Federal Indirect Grants	6,675	2,785	14,422	2,690	2,690
Other Grants	862	552	3,099	554	554
State and Local Grants	8,219	6,868	13,726	7,489	7,471
Grants Total	34,148	17,576	67,768	14,724	14,706
Transfer from - Other Fund	10,668	3,364	4,226		
Transfer from - Payroll Expense Tax Fund	69,837	91,528	91,829	296,925	233,373
Fund Balance Transfers Total	80,505	94,891	96,055	296,925	233,373
Cost Allocations & Administrative Charges	30,955	30,077	32,486	34,146	35,686
Legal Services	1,461	3,216	4,654	3,567	3,686
Other Proceeds	344	114	207	89	90
Personnel Service Charges	30,183	33,441	33,568	34,032	35,455
Public Safety Enforcement	13,113	5,719	10,629	10,034	10,436
Sales Proceeds	7				
Use Charges	215	159	190	225	225
Service Charges & Reimbursements Total	76,277	72,726	81,735	82,094	85,579
Animal Shelter Licenses & Fees	2,247	2,608	2,569	2,587	2,617
Business License Fees	23,989	18,936	20,722	20,751	21,344
Emergency Alarm Fees	1,738	1,200	1,200	514	514
Fire Permits & Fees	7,327	7,257	7,503	9,482	9,496
Interest on Investments	17,926	17,731	19,149	18,012	17,870
Miscellaneous Revenue	11,282	8,288	13,364	7,607	7,468
Other Business Licenses, Permits, & Fees	7,119	7,427	6,974	8,146	10,671
Other Interest Earnings	1,293	400	800	650	550
Private Contributions & Donations	167				
Professional & Occupational Licenses	3,573	3,579	3,582	3,763	4,316
Street Use Permits	804	865	620	760	760
Licenses, Permits, Interest Income and Other Total	77,465	68,291	76,481	72,272	75,606
Total General Fund	1,669,315	1,697,538	1,745,953	1,934,447	1,941,447

Property Tax. Property taxes paid in the current year are based on valuations as of January 1 of the previous year. The revenue forecasts and projected tax rates for 2025 are based on January 1, 2024 valuations. Over the course of the year, the King County Assessor conducts the research and appraisals needed to retroactively determine those valuations. Assessed values declined over the last few years due to the high-interest rate environment, the uncertainty of the long-term demand of office space, and a cooling residential market. But with the expectations of interest rate cuts later this year, which will boost the housing market, residential assessed values are now expected to grow, mitigating the continued challenges in the commercial real estate sector. However, the construction sector continues to grapple with high costs and rising office vacancy rates that are likely to prevail for an extended period of time. As a result, new construction is projected to decline through 2026, with growth resuming in 2027. The 2025-26 Proposed Budget forecasts modest growth in the general expense property tax in the next two years, anticipating \$324.8 million in revenue in 2025 and \$326.0 million in 2026.

Medic 1/Emergency Medical Services. This county-wide property tax is levied by King County. Conceptually, the City of Seattle receives a distribution of the proceeds equal to the county-wide tax rate multiplied by the City's assessed value (AV). The county-wide tax rate is based on the approved annual Medic 1/EMS levy amount divided by total King County AV. Thus, the tax rate will increase or decrease respectively when King County AV shrinks or grows faster than the rate of growth of the levy amount. The City's share will, in turn, grow or shrink with the tax rate and whether City AV growth is sufficient to outpace any changes resulting from King County AV changes. The 2025-2026 Proposed Budget includes a decrease of \$2.4 million for 2025 relative to the 2024 Adopted Budget, due to the effect of faster King County AV growth and the resulting decrease in the tax rate outweighing the growth in City AV in 2024 and 2025. Revenues in 2026 increase sharply by approximately \$18.5 million to \$83.3 million from \$64.7 million projected for 2025, due to assumptions about the initial levy rate from the Medic 1/EMS levy renewal vote scheduled for the fall of 2025. Although still in the process of approval, this forecast assumes a rate of \$0.265 per \$1,000 of assessed value.

Sales and Use Tax. Consistent with the weak performance of the regional economy and notable declines in revenues from construction and trade sectors that started in late 2023, the revised forecast anticipates essentially no growth in sales tax revenues between 2023 and 2024, thus reducing the 2024 sales tax revenues by \$15.5 million compared to the 2024 Adopted Budget forecast. This is expected to be followed by a modest 2.5% and 2.9% sales tax revenue growth in 2025 and 2026, as interest rates decline gradually and demand recovers.

Business and Occupation (B&O) Tax. Similar to the sales tax, Seattle's weak economic performance is expected to weigh on B&O tax revenues as well. But while sales tax and B&O tax in general tend to move together, the tax base for B&O tax is more diversified, with smaller shares taken up by the construction and trade sectors. Consequently, B&O revenues are expected to show slightly stronger performance since the decline in the construction sector has created a larger drag on sales tax growth. Compared to the forecast from last fall, the revised forecast reduces 2024 B&O revenues by \$9.9 million to \$358.3 million. B&O tax is then projected to generate \$379.9 million in 2025 and \$404.3 million in 2026.

Utility Business Tax – Private Utilities. This revenue category includes taxes on cable television, telephone service, natural gas, and the central steam heat services provided in the downtown core. The overall forecast for this revenue category remains unchanged as the underlying revenue streams had slight, offsetting revisions. Natural gas and steam have seen positive upward changes due to a recent pattern of growth but are negated by continued declines in cable and telephone tax revenues. A

decline was initially predicted as consumers switched to different modes of communication and entertainment, but recent data suggest that these tax revenues have not yet “bottomed out”.

Utility Business Tax – Public Utilities. The City levies a tax on most revenue from retail sales collected by City-owned utilities (Seattle City Light and Seattle Public Utilities). Tax rates range from a State-capped 6% on City Light up to a current 15.54% on the City Water utility. The current forecast revises 2024 revenues upward by \$16.1 million compared to the Adopted, half of which is a result of a shift in accounting of water and electric tax revenues from 2023 to 2024. The 2025-26 Proposed Budget estimates total public utility revenues at \$214.9 million for 2025 and \$222.6 million for 2026.

Transportation Network Company Tax. In November 2019, Council approved a tax on transportation network companies (TNC), such as Uber and Lyft, effective July 1, 2020. As approved, the tax of \$0.57 per trip is owed for all rides originating in Seattle by TNC’s with more than 1 million rides per calendar quarter. Council reduced the ride threshold to 200,000 rides per quarter effective October 2020, and then, per state law, the tax rate to \$0.42 per trip effective January 1, 2023. At the start of the COVID-19 pandemic, the demand for rides and the number of drivers plummeted, dramatically reducing TNC tax revenue. Since this pandemic low, the recovery of both demand and supply has been anemic. The 2025-26 Proposed Budget assumes \$5.7 million in 2025 and \$5.8 million in 2026.

Parking Meters. Revenue from on-street parking meters is forecast to be \$35.4 million in 2024 and \$37.4 million in 2025, a year-over-year increase of \$2 million or 5.6%. However, the 2025 forecast represents a drop of \$1.8 million (-4.7%) relative to the 2024 Adopted budget. The year-over-year increase is due mostly to rate changes that the Seattle Department of Transportation implements 3-4 times per year with rates determined by its Performance-Based Parking Program model which sets rates to achieve 1-2 open spaces per block face. Also contributing to rising revenues is the increased minimum and maximum allowable parking rates, approved with the 2024 Adopted Budget, which took effect March 2024. That change increased the minimum rate from \$0.50 to \$1 and the maximum from \$5 to \$8. The reduction in 2025 projected revenues relative to the 2024 Adopted Budget reflects lower than assumed increases in 2024 from rate changes compared to recent years and lowered expectations for future rate increases.

Court Fines. The City imposes and collects fines and related fees on various citations, primarily on-street parking tickets and camera-enforced red-light violations. Relative to the 2024 Adopted budget, the 2025 Proposed budget assumes a decrease of \$1.9 million in revenue in 2025 and \$2.4 million in 2026. The reduction is mostly attributable to parking and red-light camera citations being lower in 2024 than previously expected and estimates of future volumes being adjusted accordingly. Expected volumes for certain traffic violations have also been revised downward based on recent totals. However, relative to the August forecast approved by the City’s Economic and Revenue Forecast Council, the 2025 Proposed budget includes a proposal to increase parking citation fine amounts, which would add a projected \$4.9 million to these revenues in 2025. Those rates have not changed since 2011 and the proposal would bring them closer to inflation adjusted levels and to rates in similar U.S. cities. For more details, see the Seattle Municipal Court section of the budget.

Grant Revenues. Federal, State and local grant revenues can change significantly with the passage of time as departments learn of new grant opportunities and applications are successful. Importantly, grant revenues are by their nature and purpose matched dollar-for-dollar with expenditures across the life of the grant. As such, grants are not providing additional discretionary revenues for allocation

through the budget process. The 2025-26 Proposed Budget contains an expected \$14.7 million of grant revenues in both years.

Fund Balance Transfers. Fund balance transfers in the 2025-26 Proposed Budget total \$296.9 million in 2025 and \$233.4 million in 2026, the majority of which are transfers from the Payroll Expense Tax Fund to support programmatic and administrative expenses. For further explanation of the transfer and uses of the payroll expense tax, please see the Budget Overview section of this budget book.

Service Charges and Reimbursements. This category includes revenues to recover the costs for services within city government and revenues generated from legal and personnel services. The total revenues expected in the 2025-26 Proposed Budget of \$82.1 million in 2025 and \$85.6 million in 2026 reflect a continued rise in the overall cost of service provision.

Licenses and Permits. The City requires all businesses operating in Seattle to have a business license. The cost of these licenses increases with the business' revenues. The current forecast shows a notable \$4 million decline in revenues from 2023 Actuals to the 2024 Revised forecast, primarily due to a significant shift in payments from 2022 to 2023. In particular, an atypically large share of payments made at the end of 2022 was fully processed and accounted for only in early 2023, which increased 2023 totals. For 2024, business license revenues were revised up \$1.8 million compared to the 2024 Adopted Budget forecast. The current forecast anticipates 2025 and 2026 revenues to be \$20.8 million and \$21.3 million, respectively.

Interest Income. The City receives interest earnings on its cash holdings. Increases in earnings rates have led to revised 2024 increase projections of approximately \$1.4 million to \$19.1 million from \$17.7 million in the 2024 Adopted Budget. Cash balances remain elevated, but are projected to decline gradually throughout 2024-2026. Earnings rates are projected to remain relatively flat across the biennium. The resultant forecast is for modest declines in interest earnings relative to the revised 2024 forecast, but still higher than assumed in the 2024 Adopted.

Non-General Fund Revenues of Note

In addition to forecasts of General Fund revenues, the Forecast Office and the City Budget Office track and forecast various other revenues that are accounted for in separate funds and that support general government purposes.

REET 1 and REET 2 Capital Funds – Real Estate Excise Tax (REET).

REET revenues are generated by a combined 0.5% tax on all real estate transactions. The sharp increase in interest rates, induced by the Federal Reserve’s monetary tightening that started in 2022, has restricted the supply of homes for sale due to the mortgage rate lock-in effect and a significantly increased overall cost of borrowing, thus negatively impacting the volume of both residential and commercial real estate transactions. In addition, the slow return to the office has created a great deal of uncertainty about the value of commercial office space. This uncertainty has further dampened the sales of large office properties, which had previously represented a notable share of REET revenues. REET revenues declined 47.6% in 2023 and the recovery is expected to take several years. Nevertheless, there were nine real estate transactions with sales price above \$50 million in the first half of 2024, which contributed about \$5 million to the REET collection. As a result, the REET forecast for 2024 has been increased from \$52.3 million to \$57.2 million. The Federal Reserve is expected to start cutting interest rates in the second half of 2024, which will lower borrowing costs, improve the demand for mortgages and at least partially alleviate the interest rate lock-in effect. For 2025 and 2026, the forecast anticipates \$63.9 million and \$80.2 million, respectively.

Arts and Culture Fund - Admission Tax.

Relative to the forecast from last October, anticipated admission tax revenues have increased by \$1.9 million for 2024 to \$26.3 million. This adjustment reflects an overall increase in the demand for entertainment activities, attributable to both residents and tourists. This increased demand also increases the total projected revenues for 2025 and 2026 to \$27 million and \$27.8 million, respectively.

Seattle Park District Fund – Property Tax Levy.

In August 2014, voters approved creation of a Metropolitan Park District (MPD). Pursuant to RCW 35.61, the MPD is a legally separate taxing jurisdiction from the City of Seattle, whose property tax levy authority of \$0.75 per \$1,000 assessed value is outside of the City’s statutory rate limit of \$3.60 per \$1,000 assessed value and whose revenues will not be accounted for in the City’s General Fund. The MPD is levying \$127.4 million in 2025 and \$131.2 million in 2026 in line with the adopted six-year spending plan.

Sweetened Beverage Tax Fund.

The Sweetened Beverage Tax is a tax of 1.75 cents per ounce of sweetened beverages or the equivalent for condensed syrups distributed into the City of Seattle. Consumption patterns and volumes changed during the COVID-19 restrictions reducing revenues. Although not completely returned to 2019 pre-COVID consumption and revenue levels (\$24.1 million), consumption and revenues have grown from the 2020 low of \$15.6 million to a plateau of approximately \$21 million over 2021-2023. The 2025-2026 Proposed Budget further anticipates revenues of \$21.3 and \$21.7 million in 2025 and 2026 respectively. These are essentially flat from the 2024 Adopted Budget of \$21.2 million.

Short-Term Rental Tax Fund.

Effective January 1, 2019, the State legislature authorized the public facilities district that is the Washington State Trade and Convention Center to impose a 7% tax on the sale of or charge made for the furnishing of lodging (including but not limited to any short-term rental). Beginning in 2020 these revenues and associated expenditures were moved from the General Fund to the Short-Term Rental Tax Fund in the City's accounting system. These revenues were severely affected by the reduction in travel due to COVID-19 concerns in 2020 and 2021 but have since rebounded, surpassing 2019 collections, and are currently expected to grow at a steady pace, reflecting the strength of the hospitality sector. The 2025-26 Proposed Budget anticipates \$11.8 million in 2025 and \$12.4 million in 2026.

Transportation Fund - Commercial Parking Tax.

Commercial parking tax revenues continue a robust recovery from the effects of the COVID-19 pandemic, buoyed by a rate increase of 2 percentage points from 12.5% to 14.5% that took effect July 2022. However, year-over-year growth is expected to slow given the signs of a cooling economy. The 2025-26 Proposed Budget anticipates \$54.0 million in 2025 and \$54.6 million in 2026.

JumpStart Payroll Expense Tax Fund.

For 2024, the City's Payroll Expense tax applies to those businesses with a total 2023 payroll expense in Seattle of at least \$8,511,281 and one or more employees with a 2024 annual compensation of at least \$182,385. Specific tax rates vary with the level of individual employee's compensation and a company's total Seattle payroll³. The Payroll Expense Tax was first imposed in 2021, with the first payments made in January 2022. Total 2021 tax obligations were approximately \$293 million, falling to \$253 million in 2022, then rising to \$313 million in 2023. The revised forecast for 2024 is \$404.4 million, \$78.7 million higher than the 2024 Adopted Budget forecast. The 2025-2026 Proposed Budget anticipates \$430.0 million in 2025 and \$451.5 million in 2026.

Though the City's experience with this tax is limited, it suggests that the payroll expense tax will be more volatile year to year and also more complicated to forecast than other similarly sized revenues streams (property tax, sales tax, and business and occupation tax) for several reasons. About 70% of the revenues from this tax are paid by only 10 companies and most of them are in the technology sector. The sharp drop in tax obligations in 2022 was associated with a slowdown in this sector, accompanied by layoffs and falling stock values, which negatively affect payroll tax revenues since stock grants represent a notable share of total compensation for technology workers.

As a result, the stock market outlook rather than the outlook for employment growth is a main driver of the upward revision in the revenue forecast for 2024 through 2026. The strong bounce back of stock prices in 2023 and an improved stock market outlook for 2024 are anticipated to more than offset the effect of ongoing tech sector job losses on payroll expense tax revenues. As a prime example, while Amazon continues to expand on the Eastside, it was reported that the company's headcount within Seattle city limits dropped by about 10,000 employees (17%) between the peak in 2020 and early 2024. However, based on the predictions of Wall Street analysts from late July, Amazon's stock price is expected to grow on average 52.1% in 2024 and 20.4% in 2025, after declining 24.6% in 2022 and 3.7% in 2023. The volatility due to the dependence of the tax base on stock price movements will remain an important risk going forward. In addition, given that total payroll expense tax revenues are significantly

³ Initial tax rates varied from 0.7% to 2.4%, starting from 2024 tax year they increased by approximately a factor of 1.065 and range from 0.746% to 2.557%. For more details see <https://www.seattle.gov/city-finance/business-taxes-and-licenses/seattle-taxes/payroll-expense-tax>.

affected by business decisions made by a small number of companies, rising office vacancy rates and the negative incentive effects of Initiative 137 also pose large risks in the coming years.

Seattle City Tax Rates

	2020	2021	2022	2023	2024
Property Taxes (Dollars per \$1,000 of Assessed Value)					
General Property Tax	\$1.12	\$1.16	1.14	1.06	1.11
Families & Education	0.34	0.34	0.32	0.29	0.30
Low Income Housing	0.16	0.16	0.15	0.14	0.47
Transportation	0.38	0.38	0.37	0.33	0.34
Library	0.12	0.12	0.11	0.10	0.11
Election Vouchers	0.01	0.01	0.01	0.01	0.01
City Excess GO Bond	0.09	0.09	0.06	0.05	0.05
Other Property Taxes related to the City					
Seattle Park District	0.21	0.21	0.20	0.39	0.41
Emergency Medical Services	0.26	0.26	0.25	0.21	0.23
Retail Sales and Use Tax					
	0.85%	0.85%	0.85%	0.85%	0.85%
Transportation Benefit District Sales and Use Tax					
	0.10%	0.15%	0.15%	0.15%	0.15%
Business and Occupation Tax					
Retail/Wholesale	0.222%	0.222%	0.222%	0.222%	0.222%
Manufacturing/Extracting	0.222%	0.222%	0.222%	0.222%	0.222%
Printing/Publishing	0.222%	0.222%	0.222%	0.222%	0.222%
Service, other	0.427%	0.427%	0.427%	0.427%	0.427%
International Finance					
City of Seattle Public Utility Business Taxes					
City Light	6.00%	6.00%	6.00%	6.00%	6.00%
City Water	15.54%	15.54%	15.54%	15.54%	15.54%
City Drainage	11.50%	11.50%	11.50%	11.50%	11.50%
City Wastewater	12.00%	12.00%	12.00%	12.00%	12.00%
City Solid Waste*	14.20%	14.20%	14.20%	14.20%	14.20%
City of Seattle Private Utility B&O Tax Rates					
Cable Communications (not franchise fee)	10.00%	10.00%	10.00%	10.00%	10.00%
Telephone	6.00%	6.00%	6.00%	6.00%	6.00%
Natural Gas	6.00%	6.00%	6.00%	6.00%	6.00%
Steam	6.00%	6.00%	6.00%	6.00%	6.00%
Commercial Solid Waste*	14.20%	14.20%	14.20%	14.20%	14.20%
Other Taxes					
Admissions	5.00%	5.00%	5.00%	5.00%	5.00%
Amusement Games (less prizes)	2.00%	2.00%	2.00%	2.00%	2.00%
Bingo (less prizes)	10.00%	10.00%	10.00%	10.00%	10.00%
Punchcards/Pulltabs	5.00%	5.00%	5.00%	5.00%	5.00%
Cable Franchise Fee	4.40%	4.40%	4.40%	4.40%	4.40%
Fire Arms Tax (Dollars per weapon)	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Ammunition Tax (Dollars per round)	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Sweetened Beverage Tax (Dollars per fluid ounce)	\$0.0175	\$0.0175	\$0.0175	\$0.0175	\$0.0175