

Economic and Revenue Update

Seattle City Council

May 13, 2019

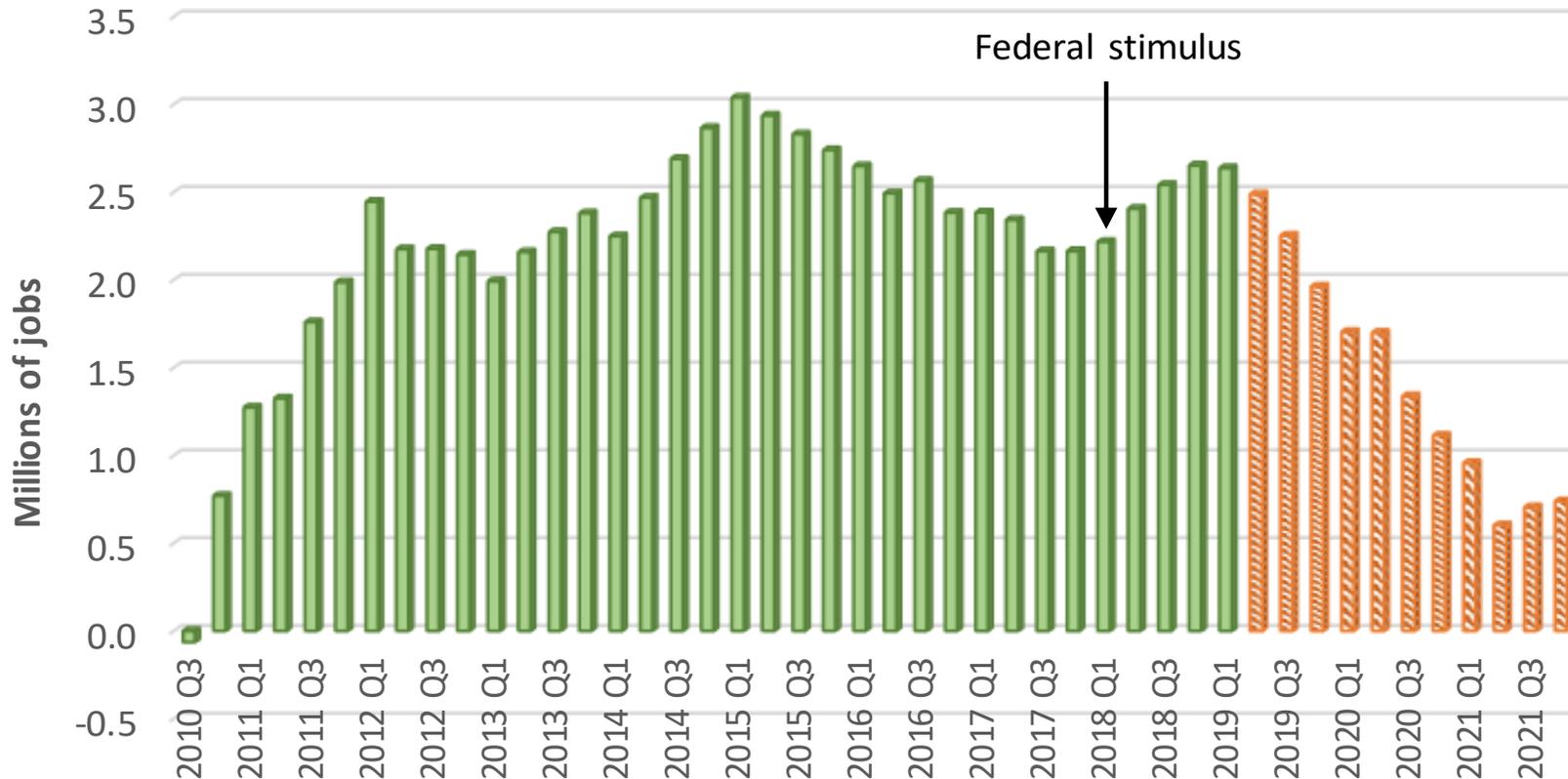
City Budget Office



City of Seattle

U.S. Economy

Annual Change in U.S. Employment



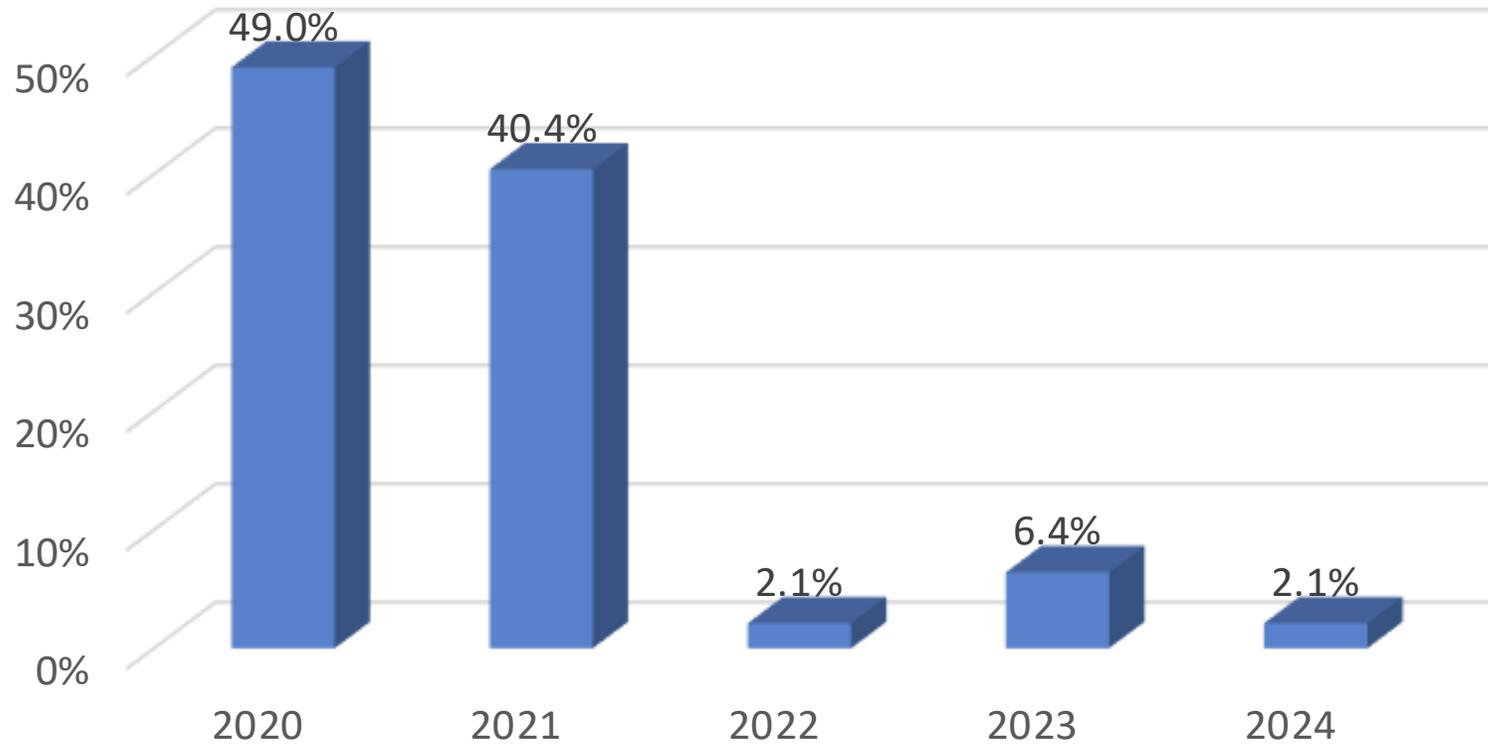
Source: U.S. Bureau of Labor Statistics, IHS Markit.

U.S. Forecast: Growth to slow in 2019, 2020

- Fading stimulus
- Global growth slowing
- Trade war, tariffs

U.S. Economy

When do you expect the next recession to start?



- IHS: Probability of recession is 30%
- Up from 20% a year ago

Source: April 2019 Wall St. Journal Survey of more than 60 business, financial, and academic economists.

Current Regional Cycle

The recovery

- Regional employment grows spurred by U.S. & world recovery from great recession
 - Amazon and Boeing lead early growth
- Strong employment growth draws people to region
- Employment and population growth stimulate demand for housing, office space
 - Pushing up prices and rents, lowering vacancy rates
 - Which spurs construction

Current conditions

- Following strong housing supply growth, rents have leveled off
- Employment and population growth have slowed

Forecast

- Growth of the economy will continue slowing
- And as a result, revenue growth will also slow

Regional Economy

Annual Employment Change: Seattle Metro Area*



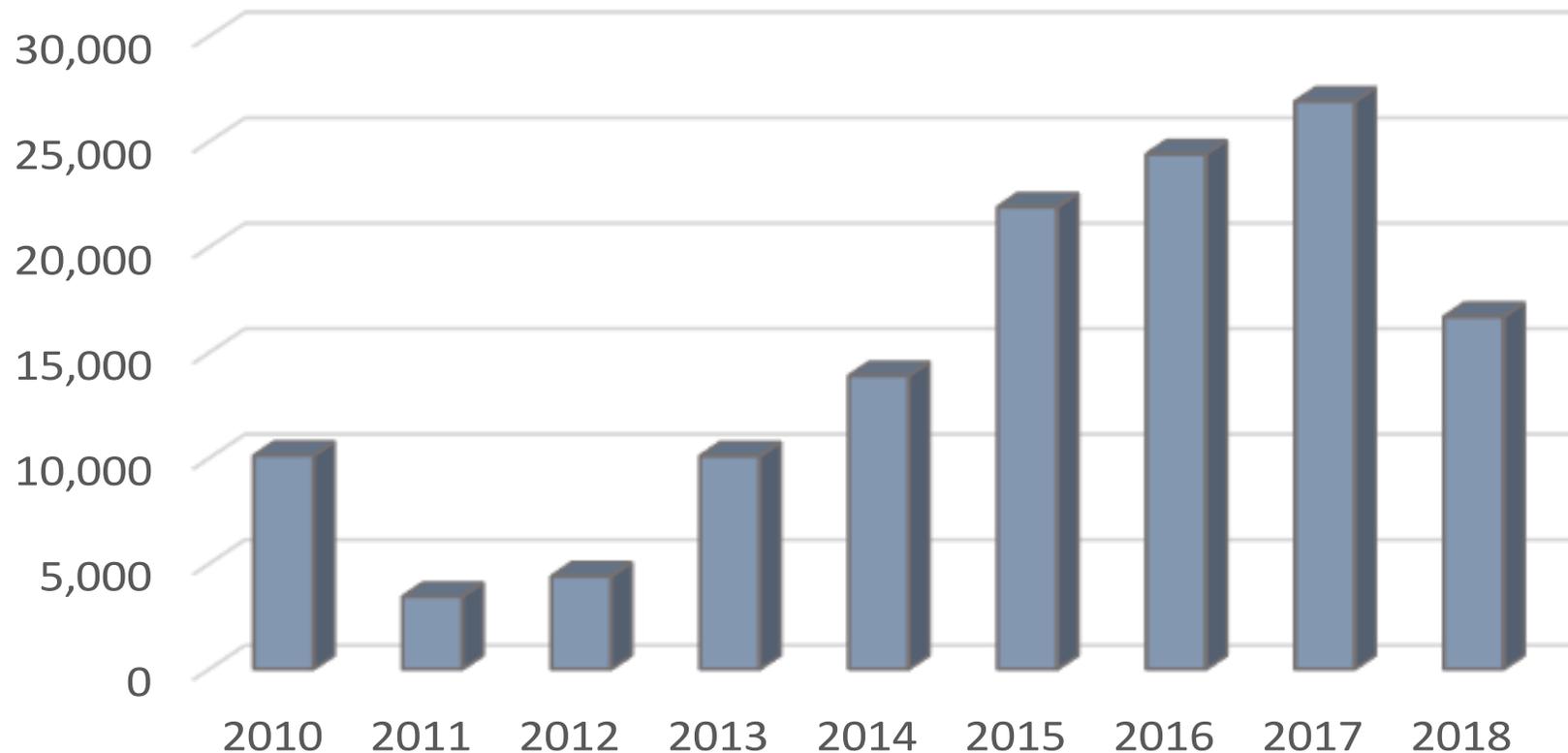
Key forecast assumptions:

- U.S. slowdown
- Amazon
- Construction

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

Seattle Population

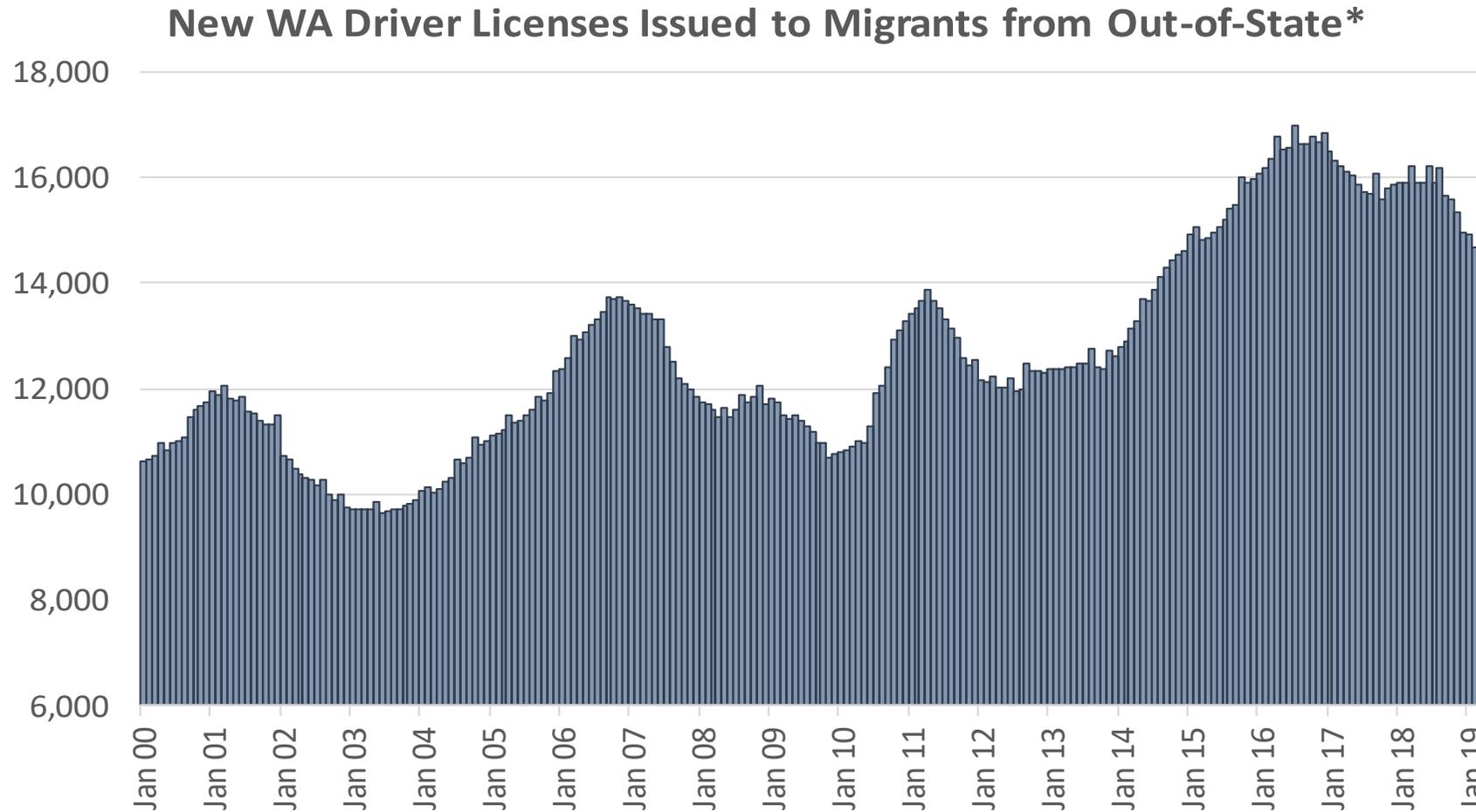
Annual Population Growth*, Seattle



- Seattle added 121,740 people from 2010 to 2018
- April 1, 2018 population was 730,400

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

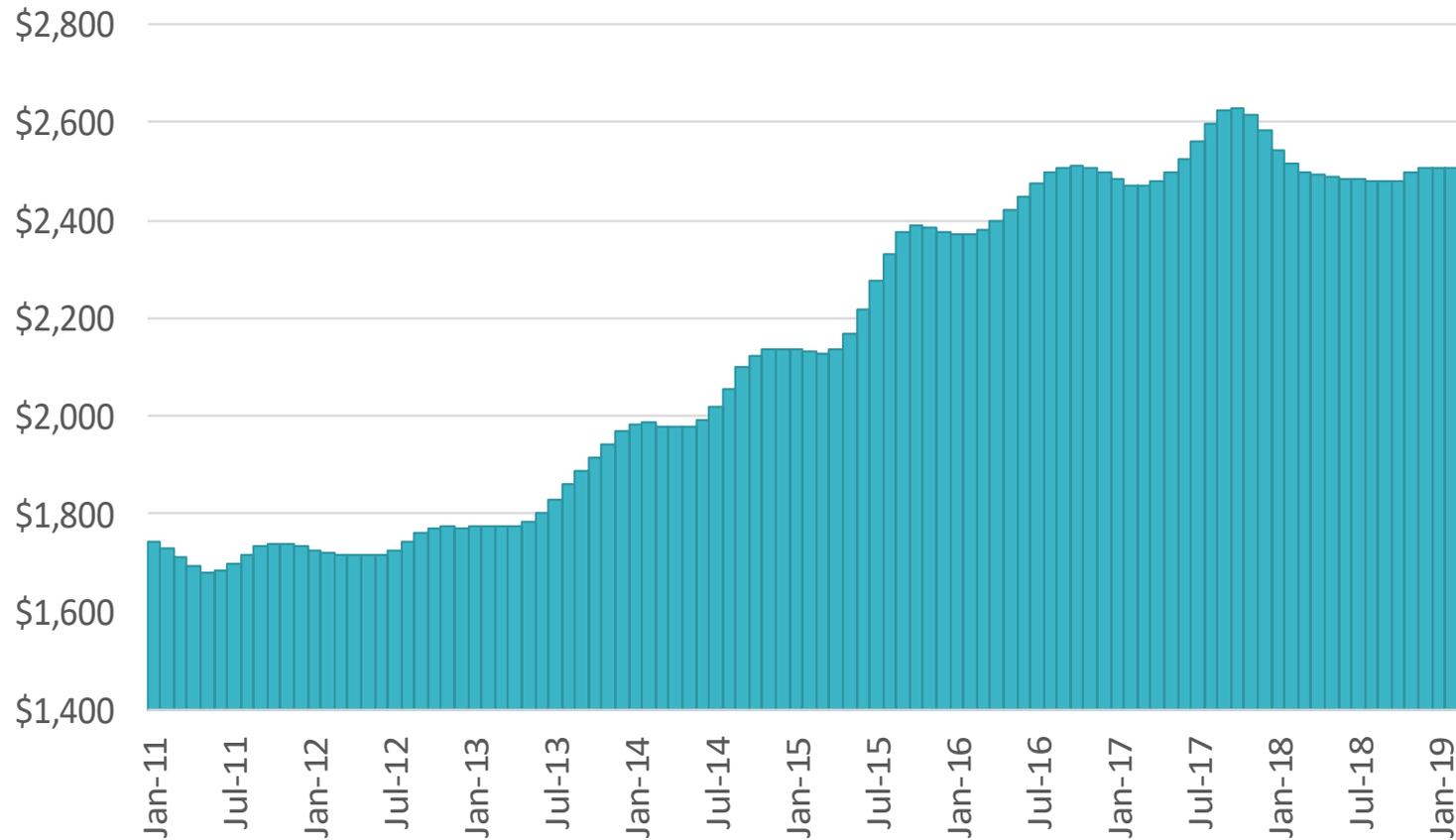
Migration from out-of-state



*12-month moving average. Source: WA Dept. of Licensing.

Housing Market - Rental

Median Rent, All Rental Units, Seattle



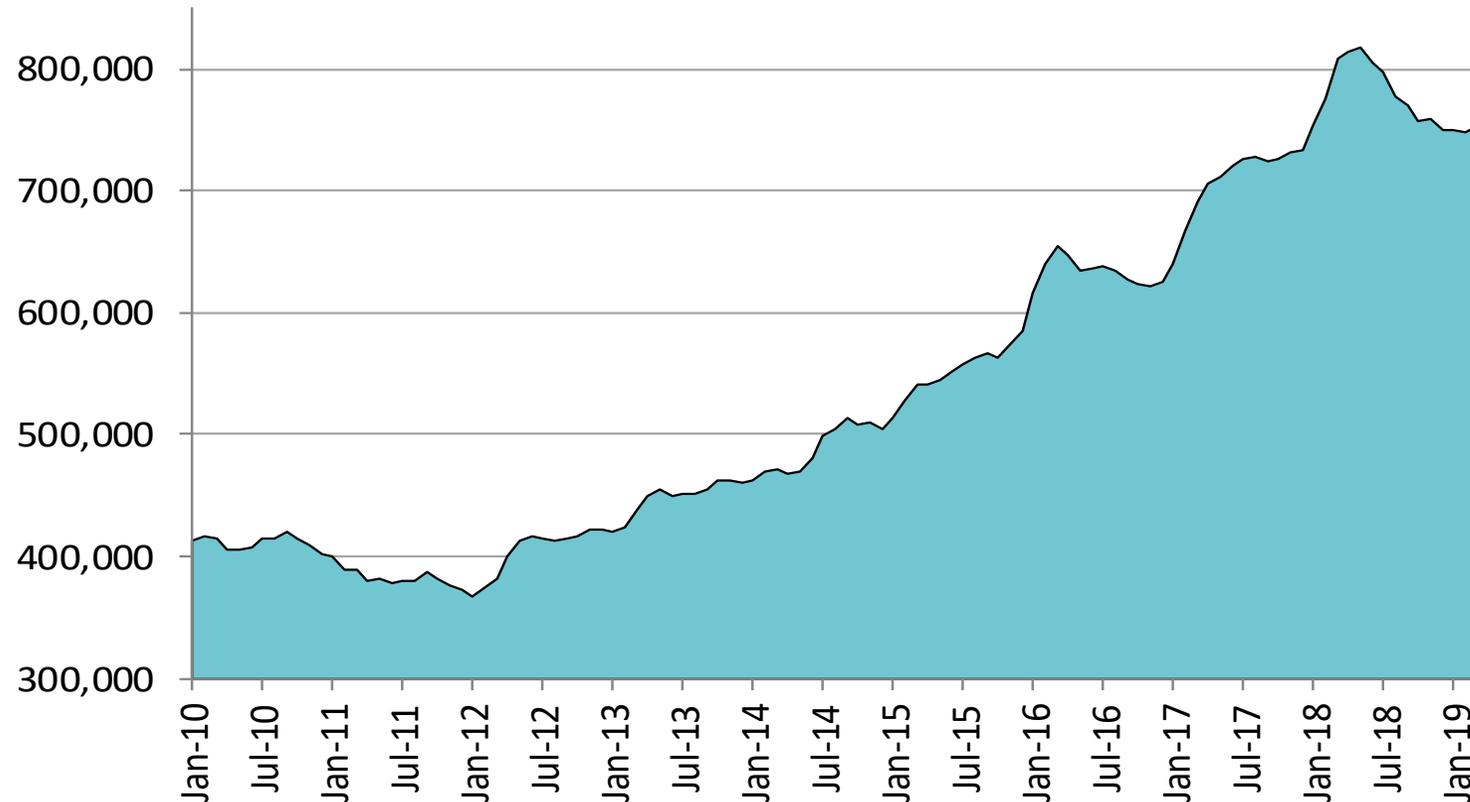
Source: Zillow Research.

- 28,233 housing units have been added* in Seattle since Jan. 1, 2016
- 17,904 housing units are currently under construction
- Roughly 1 in 10 apartments in Seattle are vacant

*New units less demolitions

Housing Market - Purchase and Sales

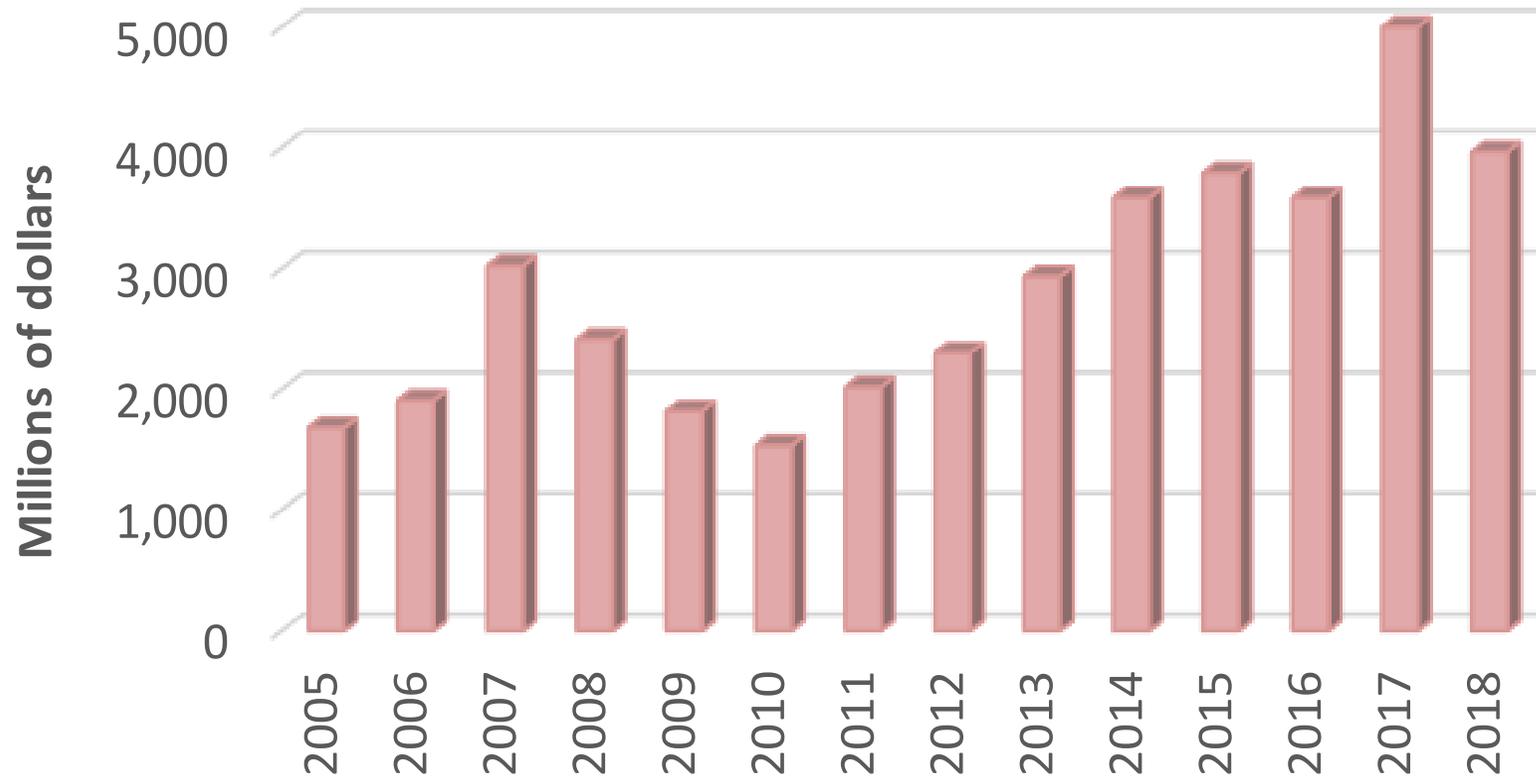
Seattle Single-Family Home Sales, Median Price*



*Seasonally adjusted, 3-month moving average. Source: NW Multiple Listing Service.

Construction

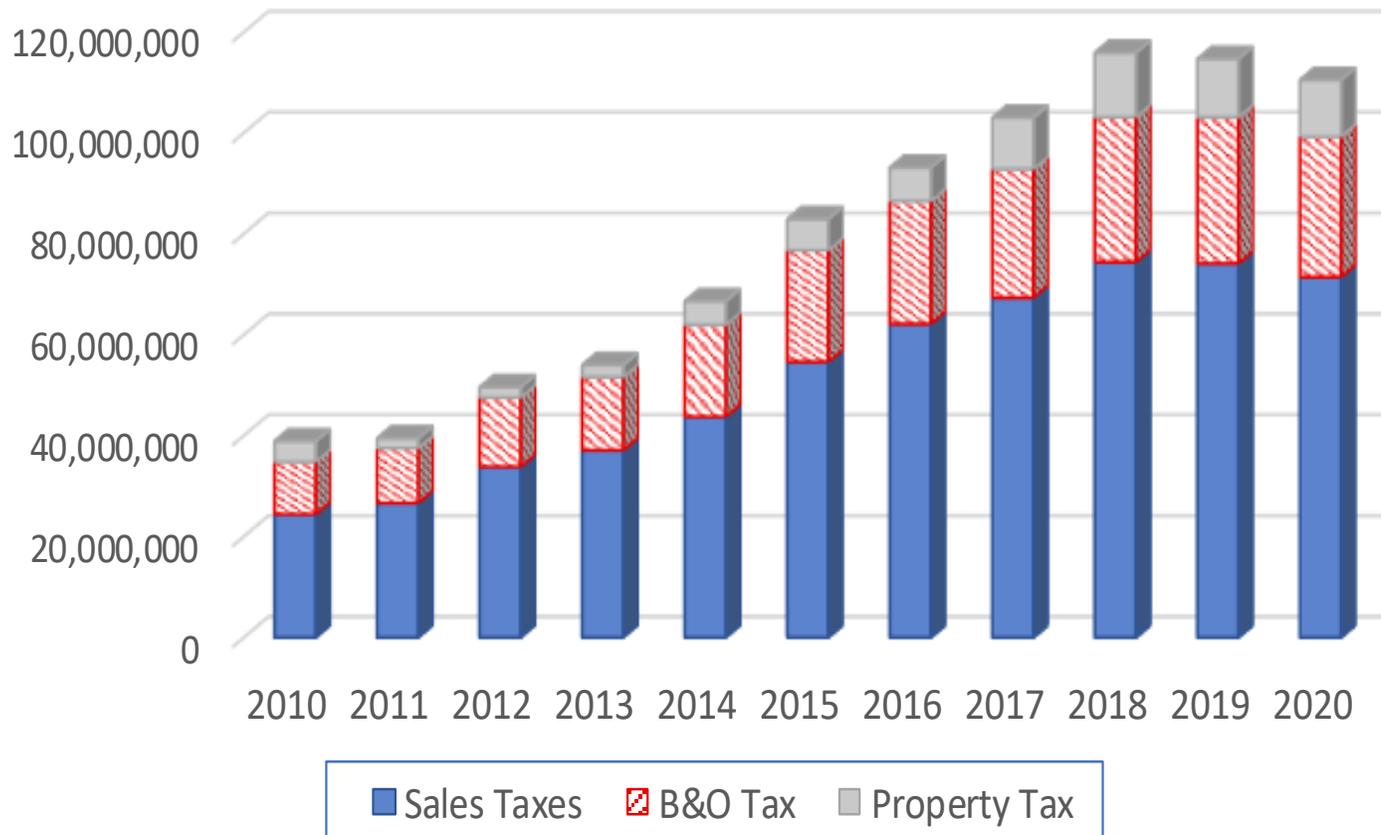
Value of Permits Issued for Construction, Seattle



Source: Seattle Dept. of Construction and Inspections.

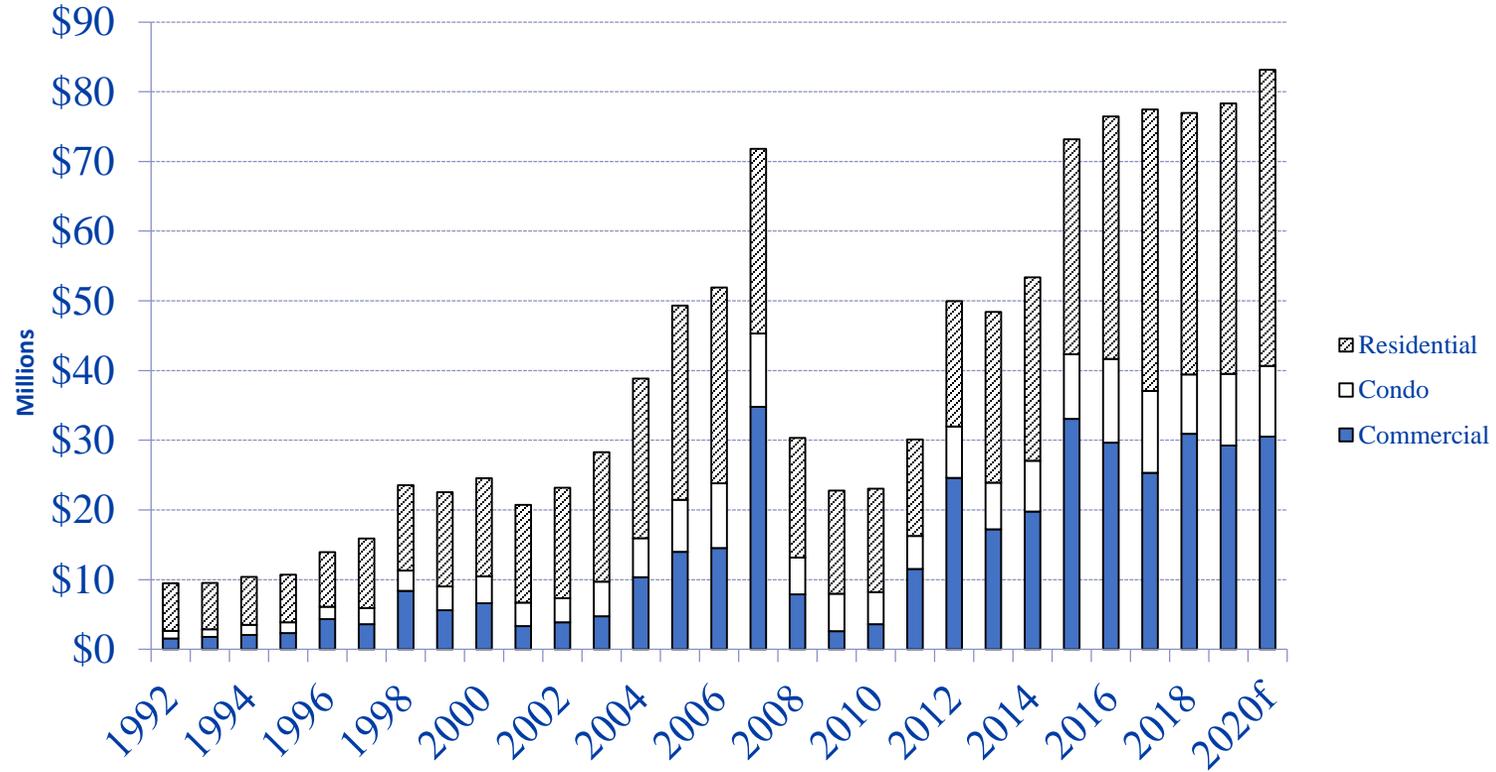
Construction and Real Estate

Tax Revenue from Construction



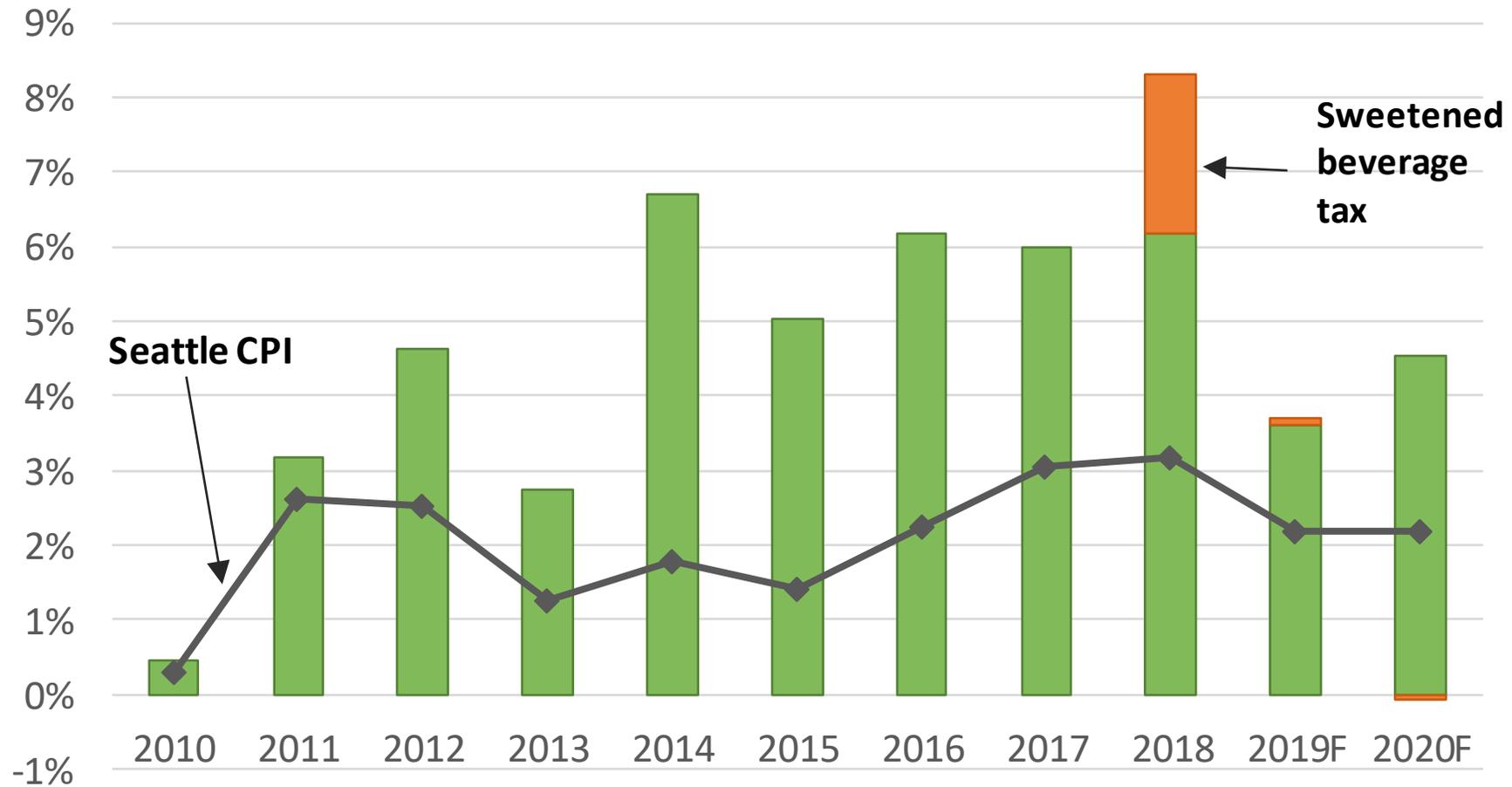
- Growing dependence on construction & real estate
 - 8.6% (\$116 mil) of 2018 GF revenue is from construction industry
 - Up from 4.2% in 2010
 - Real Estate Excise Tax (REET) hit record \$77 million in 2018
- 2018 is likely peak year for construction activity
 - Convention Center & Key Arena will mitigate slowdown

Real Estate Excise Tax



Tax Revenue

Annual Growth of General Fund Tax Revenue



Revenue

	2018		2019		2020	
	Actuals	Chg from Nov	Revised	Chg from Nov	Revised	Chg from Nov
General Fund						
Property Taxes	311,327,113	716,113	320,702,000	573,203	347,043,000	(2,407,019)
Sales Taxes	276,274,465	252,338	287,717,935	2,622,517	294,951,626	4,137,542
Business Taxes	274,773,690	5,096,680	287,771,807	2,304,366	296,625,320	1,533,430
Public Utility Taxes	159,096,175	2,783,586	163,067,209	(604,646)	171,487,506	(625,992)
Private Utility Taxes	55,780,027	(3,286,674)	58,066,876	(903,851)	57,505,214	(1,060,924)
Business License Fees	17,314,071	690,557	18,163,026	724,483	18,598,939	741,871
Court Fines	26,420,690	437,190	26,400,500	537,000	26,317,500	525,000
Parking Meters	39,013,373	(374,627)	40,945,000	(188,000)	39,874,000	(1,140,000)
Other General Subfund Revenues	148,956,179	28,605,858	146,157,862	(1,337,200)	132,542,857	(152,569)
Grand Total	1,308,955,784	34,921,022	1,348,992,215	3,727,872	1,386,233,962	2,839,339
General Fund Revenues - Project Specific						
Sweetened Beverage Tax	22,254,493	1,591,493	23,970,000	2,583,795	24,329,000	2,408,140
Short-term Rental Tax	-	-	8,803,000	(1,697,000)	10,500,000	-
Admission Tax	11,616,454	301,864	11,598,438	296,503	11,705,476	44,617
Other Funds						
Real Estate Excise Tax	76,938,541	(1,574,472)	78,341,103	(3,258,286)	83,125,598	(2,656,500)
Commercial Parking Tax	42,978,233	(2,608,834)	44,267,580	(3,474,320)	45,595,607	(4,289,132)
School Zone Camera Fund	12,271,643	267,809	10,158,000	(526,141)	9,890,000	(449,401)

Forecast Risks

- U.S. economy
 - Probability of recession rises as impact of fiscal stimulus fades
 - Tariffs, trade war
- Construction
- Amazon
- Boeing

General Fund Update

Preliminary Financial Update for the General Fund - May 2019			
	2018 Actuals	2019 Revised	2020 Projected
Beginning Fund Balance	\$63,826,000	\$22,545,000	\$10,072,000
Revenues/Resources	\$1,342,827,000	\$1,393,354,000	\$1,435,780,000
Actual/Budgeted Expenditures	(\$1,374,436,000)	(\$1,365,856,000)	(\$1,374,503,000)
Additional Anticipated Expenditures	(\$9,672,000)	(\$39,971,000)	(\$66,425,000)
Ending Fund Balance	\$22,545,000	\$10,072,000	\$4,924,000