



**City of Seattle**  
**Economic and Revenue Forecast Council**  
**April 8<sup>th</sup>, 2024, 11 AM – 1 PM**

## **Meeting Minutes**

### **Forecast Council Attendees:**

Forecast Council Chair Dan Strauss

City Council President Sara Nelson

Forecast Council Vice-chair Jeremy Racca's designee - City Budget Office Director Julie Dingley

Interim City Finance Director Jamie Carnell

### **Meeting Items:**

1. Adoption of the minutes from the February 16th, 2024 meeting.

The Forecast Council unanimously approved the minutes of the previous meeting.

2. Presentation of the April 2024 Economic and Revenue Forecasts, and recommendation from the Office of Economic and Revenue Forecasts regarding the 2024, 2025, and 2026 revenue forecasts.

Interim Director Duras started with a summary of the regional economic forecast for the Seattle metropolitan area, including a discussion of three different economic scenarios – baseline, optimistic, and pessimistic.

The revenue forecast portion of the presentation then first summarized the final 2023 revenue actuals. General Fund revenues excluding grants and transfers ended up 0.5% below the October 2023 forecast, due to notably lower than anticipated Sales and Use tax revenues (primarily because of the slowdown in the construction sector). Though concerning, the overall impact of this shortfall is limited by the fact that the City is collecting revenues from a wide variety of streams, with underlying tax base by industry that is well diversified as a whole, even if this is not generally the case for individual revenue streams.

Updated general fund revenue projections for 2024 presented showed a \$44.7 million (2.6%) increase relative to the October forecast, primarily due to higher than anticipated grants. Excluding grants and fund transfers, total general fund revenues were however



revised down slightly, by \$3.6 million or 0.2%. This was a result of lower than anticipated Sales and Use tax collected in 2023, as well as the higher refunds for Business and Occupation tax and the refunds for the 2021 Payroll Expense Tax obligations processed in the first quarter of 2024.

For 2025 and 2026, the April forecast anticipated overall revenue growth of general fund revenues excluding grants and transfers at 2.6% and 3.2% respectively. This would only marginally exceed the anticipated inflation.

The 2024 revenue forecast for Payroll Expense Tax was revised up considerably, by \$69 million, from \$325.7 million to 394.7 million. As discussed in the presentation, the forecasting team was compelled to do so, given higher than expected collection in 2023 (Payroll Expense Tax revenues exceeded the October forecast by \$44.6 million or 16.6%), as well as a significantly improved outlook for the stock prices of tech companies.

The presentation also addressed the potential risks to the forecast, due to the construction sector slowdown, the ongoing effects of slow return to the office, and rising office vacancy rates. Even though these can have significant negative impacts on certain revenue streams, overall, the tax base is well diversified and at this point the forecasting team still considers the baseline scenario regional economic and revenue forecasts to be the most likely future outcome. Consequently, this was the scenario recommended for adoption.

### 3. Forecast Council Adoption of the April 2024 Revenue Forecast – Discussion and Possible Vote.

After a discussion, the Forecast Council expressed their collective concurrence regarding the recommendation for using the baseline scenario forecast as the basis for the revenue projections that will underlie the upcoming budget process. Per Forecast Council's by-laws, concurrence with the Forecast Office recommendation does not require a formal vote and instead the Forecast Council Chair Strauss directed that their concurrence be formally noted in these minutes.

### 4. Presentation of the 2024 Work Program for the Office of Economic and Revenue Forecasts - Discussion and Possible Vote

Interim Director Duras presented a summary of the Forecast Office's proposed Work Program for 2024 with four main areas: Forecasts, Revenue reporting, Improvements of forecasting models, and Policy Analysis. The presentation also included the proposed schedule for delivering revenue forecasts in 2024. The Work Program was approved by a unanimous vote of the Forecast Council.