



City of Seattle
Economic and Revenue Forecast Council
October 22nd, 2024

Meeting Minutes

Forecast Council Attendees:

Forecast Council Chair Dan Strauss
City Council President Sara Nelson
Forecast Council Vice-chair Jeremy Racca
City Finance Director Jamie Carnell

Meeting Items:

1. Adoption of the minutes from the August 5th, 2024 meeting.
The Forecast Council unanimously approved the minutes of the previous meeting.
2. Presentation of the October 2024 Economic and Revenue Forecasts, and recommendation from the Office of Economic and Revenue Forecasts regarding the 2024, 2025, and 2026 revenue forecasts.

Forecast Council was first briefed on the current economic conditions and changes in the outlook, in particular regarding Fed's monetary policy and the expected faster monetary easing. Fed started monetary policy easing with a 0.5% rate cut in September, this was to be followed by two 0.25% cuts in November and December. In addition, S&P Global predicted six more 0.25% cuts in 2026. National labor market continued to outperform expectations, job growths continued to be weaker in regional economy than in the U.S. and in Washington State. The updated regional employment forecast also takes into account the strike and the announced layoffs at Boeing.

Updated General Fund revenue projections for 2024 were presented next and showed a \$6.5 million (0.4%) decrease relative to the August forecast. For 2025 and 2026, the October forecast anticipates overall revenue growth of general fund revenues excluding grants and transfers at 2.3% and 4.3% respectively. The total General Fund revenues for 2025-2026 biennium were revised down by \$42.1 million. Forecast revisions were particularly notable for main economically driven revenues. Business and Occupation tax was revised down by \$4.3 million for 2024, \$10.5 million for 2025, and \$9.7 million for



2026 as the result of year-to-date actuals and a downward revision of the regional outlook for employment. Sales and Use tax revenue was revised slightly less given already weaker starting point - by \$1.9 million for 2024, \$4.3 million for 2025 and \$9.7 million for 2026. Combined, the revisions to Sales and Use tax and the Business and Occupation tax accounted for \$32 million of the total General Fund 2025-2026 revision. Property tax revision accounted for an additional \$7.5 million reduction.

The revised 2024 forecast for non-General Fund revenues anticipated \$2.4 million more in Payroll Expense Tax, up from \$404.4 million to 406.7 million on a stronger than previously expected stock market performance. Rising stock prices of tech companies are increasing value of stock grants that are subject to the tax. The reported 17% decline in Amazon's headcount in Seattle city from its peak in 2020 has not led to revenue declines yet, as the effect of higher stock prices has so far dominated the employment effects. There are same risks to the forecast as in past - limited tax collection history and imperfect data to forecast Payroll Expense Tax revenues make it difficult to account properly for all relevant factors. These risks are also reflected in the wide range between the 2024 pessimistic scenario forecast of \$360 million and the optimistic scenario forecast \$424.1 million revenue forecast. Risks are skewed to the downside.

The presentation included the pessimistic and optimistic scenario outlook and also addressed the potential risks to the forecast – weaker employment growth, construction sector slowdown, rising office vacancy rates and the risks that the Initiative 137 Proposition 1A poses for job growth and City's revenues. In addition, higher uncertainty regarding the economic outlook due to elections and the negative economic impacts of some policies proposed by presidential candidates emerged as a new risk.

In the pessimistic scenario, the underlying U.S. forecast by S&P Global assumes a recession. Recognizing the risks and the elevated uncertainty regarding the outlook, the forecasting team still considers the baseline scenario regional economic and revenue forecasts to be the most likely future outcome. Like the nation, the regional economy is still likely to avoid a recession. Consequently, the baseline scenario was recommended for adoption.

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

The Forecast Council discussed the forecast, forecasting team addressed their follow up questions regarding the size of the revenue revision and the rationale for the scenario recommendation. Given the following unanimous consensus among Council members to concur with recommendation to use the baseline scenario forecast as the basis for the revenue projections, the Forecast Council Chair Strauss directed that these meeting minutes reflect that decision.