



August Revenue and Budget Update

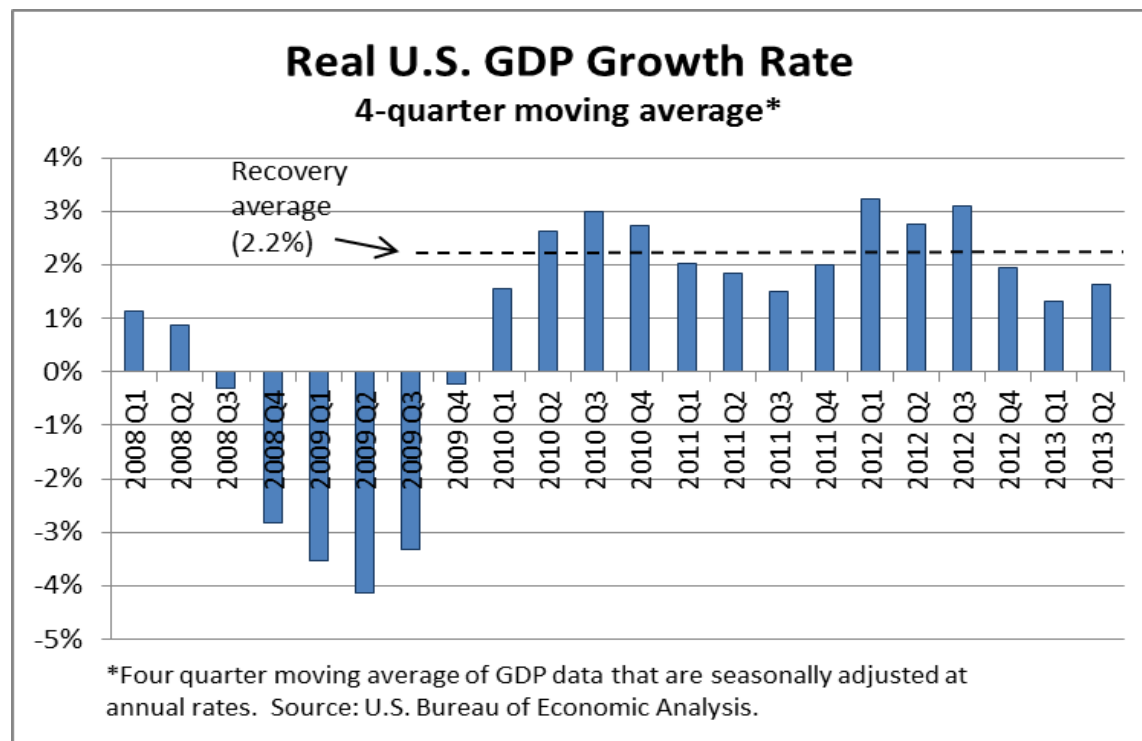
Presentation to the Seattle City Council Budget Committee - September 9, 2013
City Budget Office and the Department of Finance & Administrative Services

U.S. Economy



U.S. economy has slowed, but GDP picked up in 2nd quarter 2013

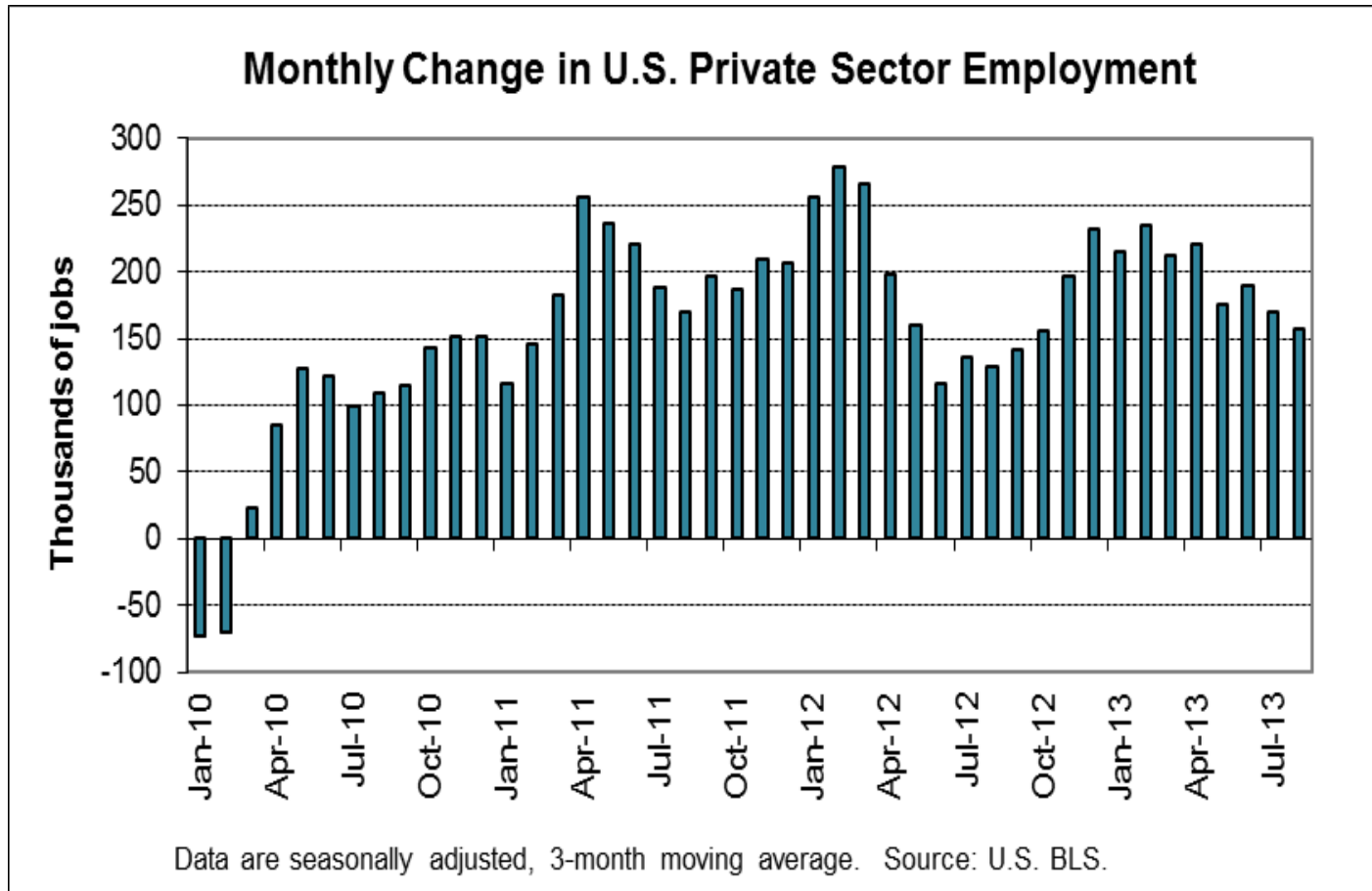
- Federal tax increases and spending cuts (the sequester) are expected to reduce GDP by 1%–1½% in 2013



U.S. Economy



Employment growth has been slowing in 2013





Economy's strengths

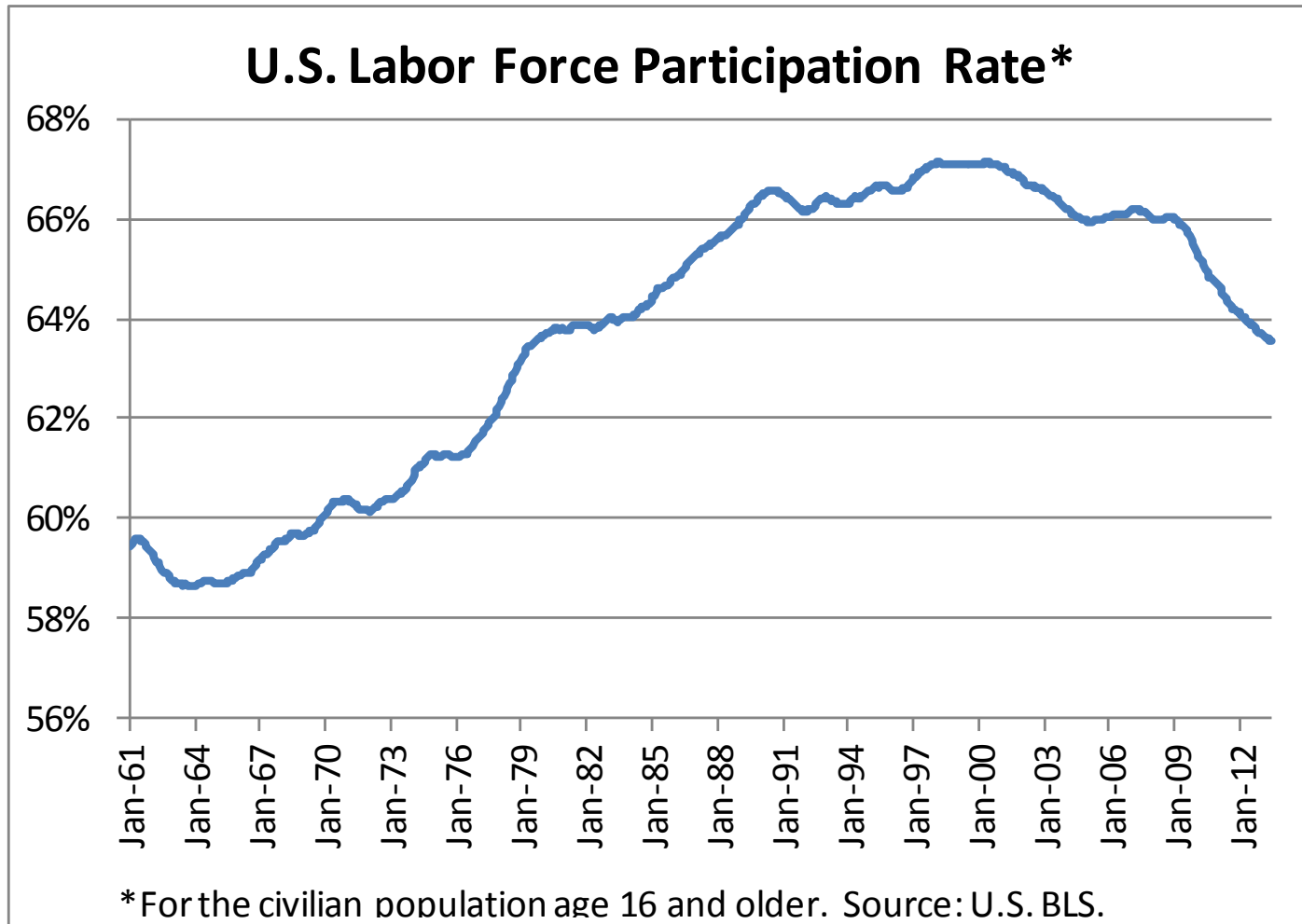
- Housing market is improving
- Wealth is rising with rising home prices, stock market
 - “Wealth effect”
- Household debt is falling
- Consumer sentiment is at highest level in 6 years
- Federal budget deficit is shrinking faster than expected



Economy's weaknesses

- Uncertainty over fiscal policy
- European debt crisis
- Emerging market slowdown
- Labor market weakness
 - Unemployment
 - Underemployment
 - Declining participation
 - Weak wage growth

U.S. Economy



U.S. Economy



National forecasts have changed little since April

- Economy performing largely as expected
- Expect pick-up in 2014 as fiscal drag is reduced, housing rebound strengthens





Forecast risks include:

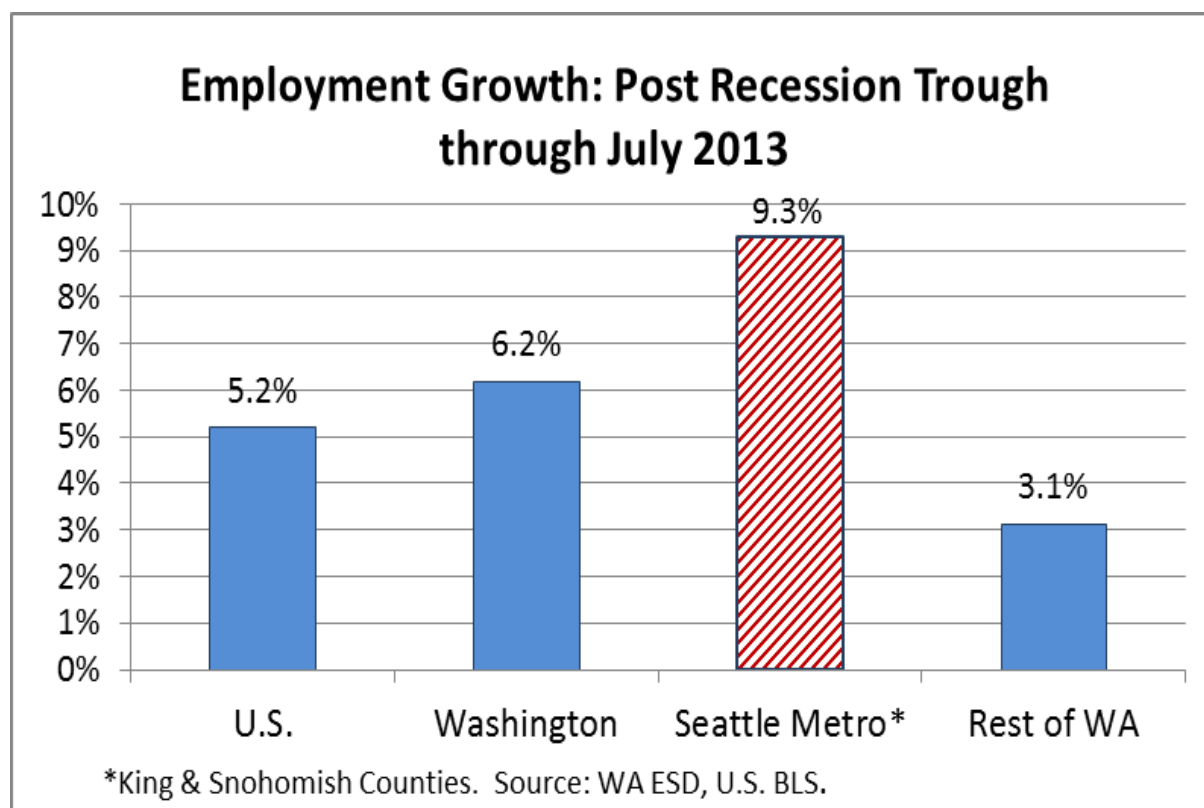
- Fiscal policy, uncertainty
 - More fiscal tightening?
 - Debt limit will be reached this fall
- Eurozone debt crisis
- Weaker global growth



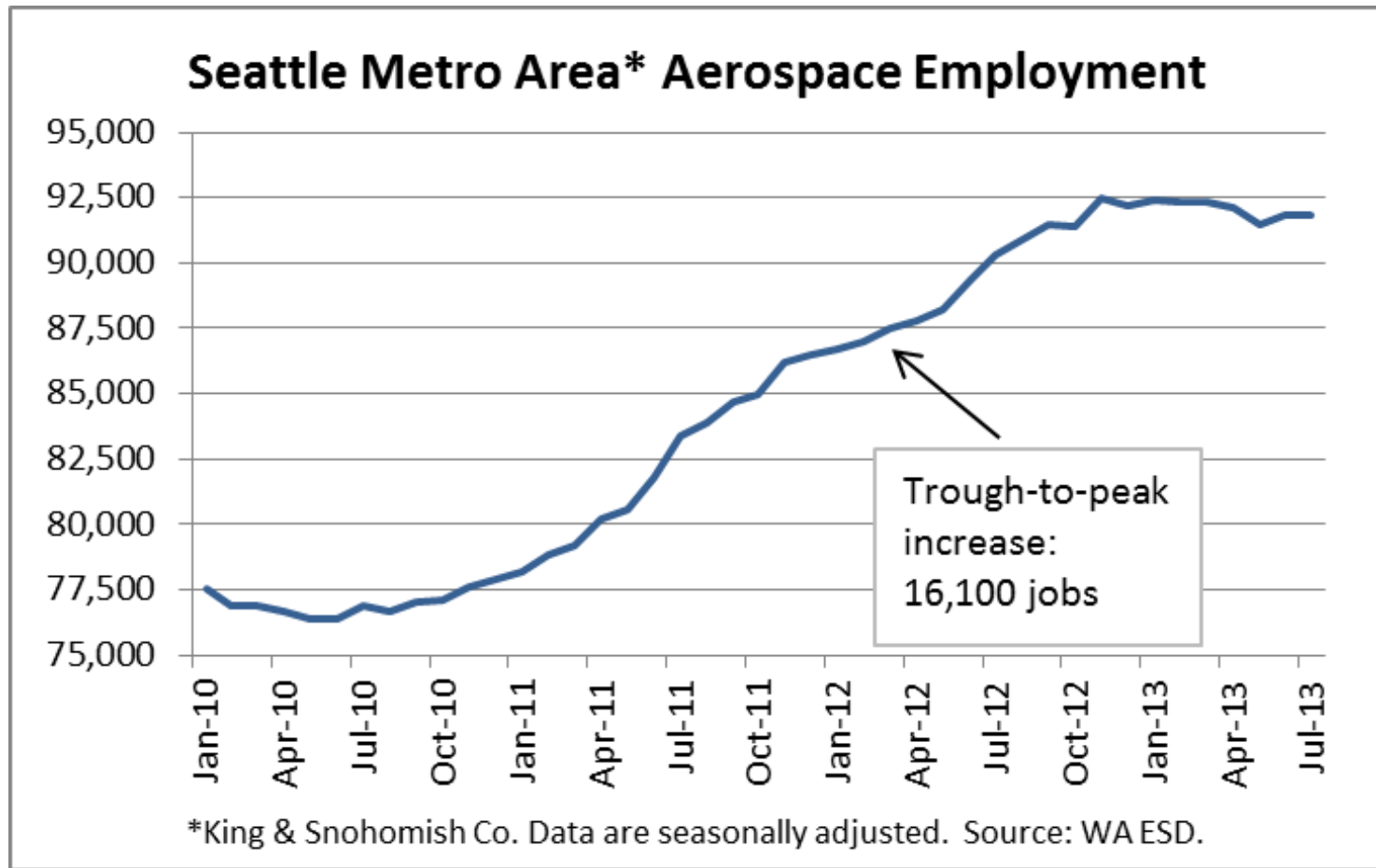
Puget Sound Region Economy

Region is outperforming U.S., rest of WA

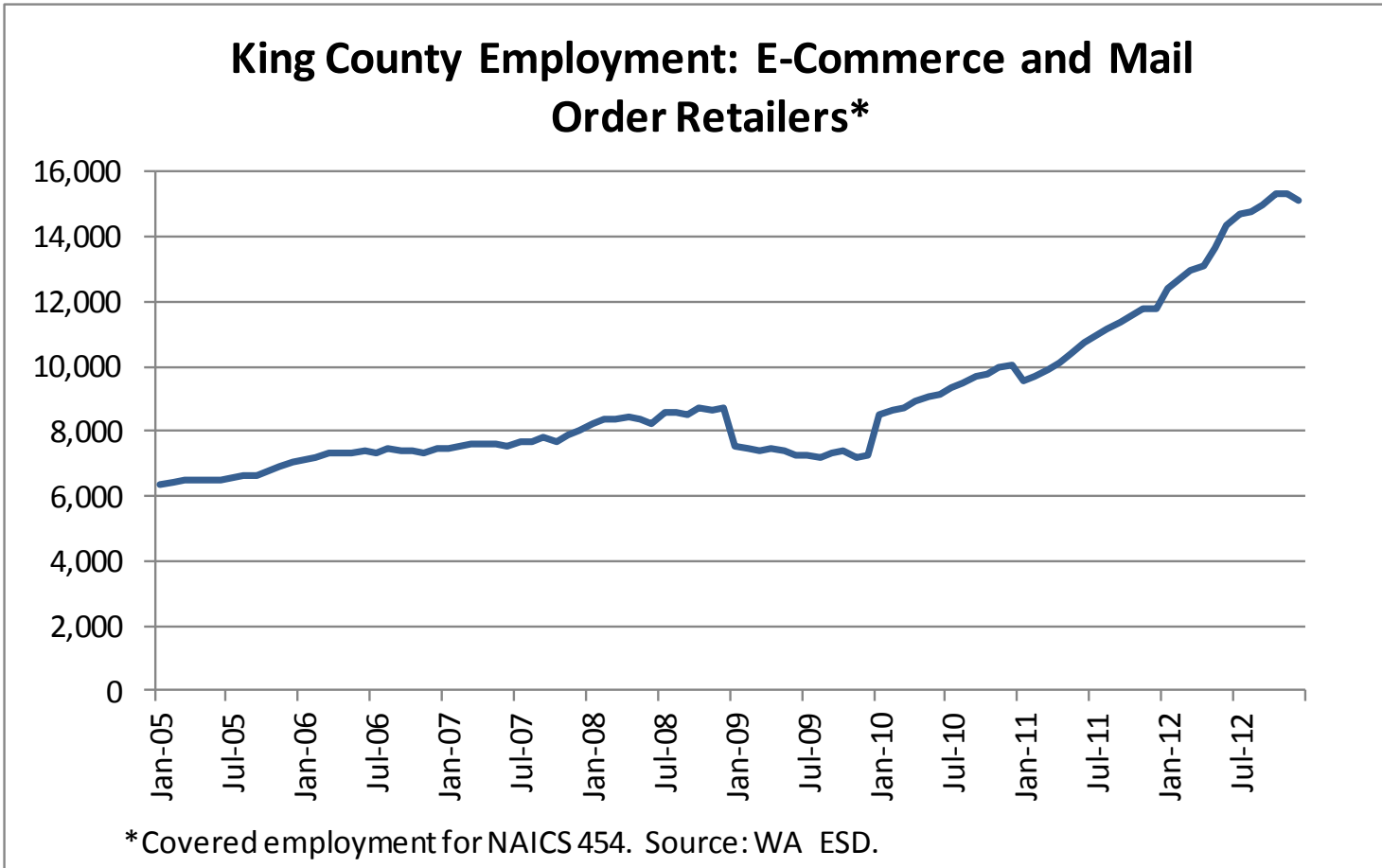
- Boeing has been key



Puget Sound Region Economy



Puget Sound Region Economy



Puget Sound Region Economy



Puget Sound Region Forecast

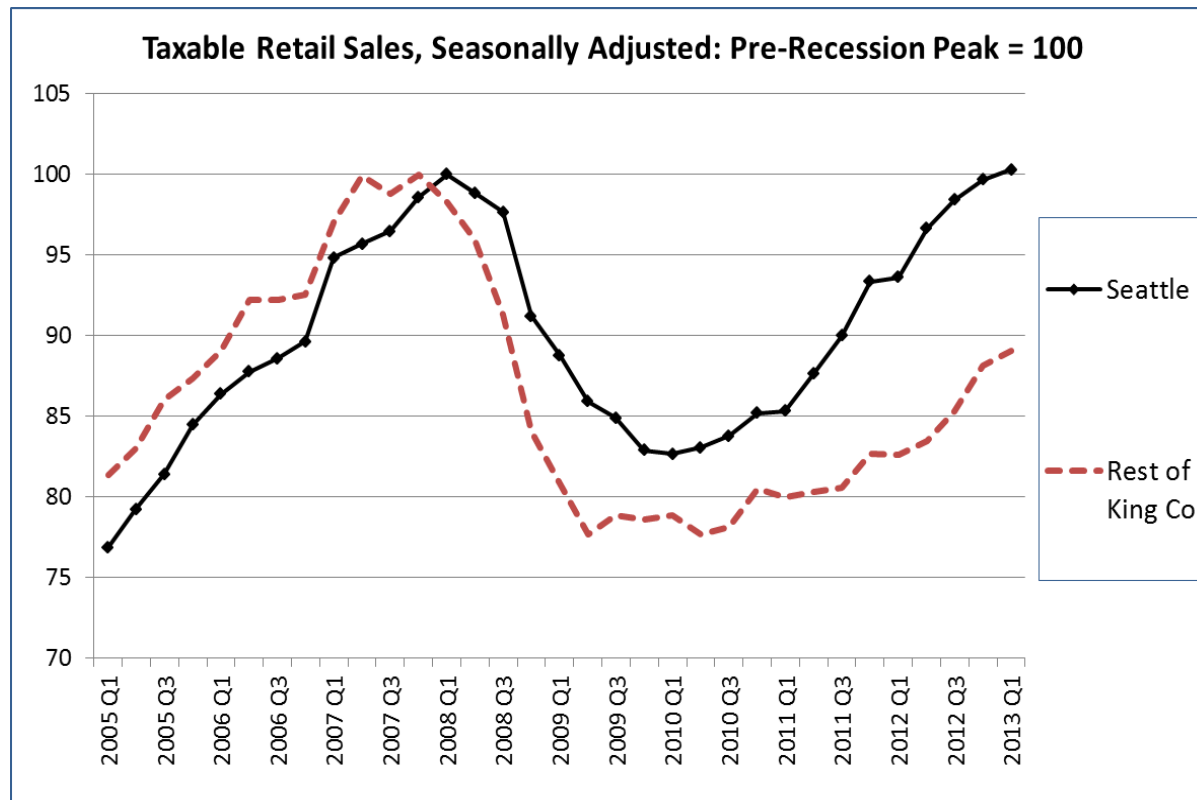
- Employment growth to peak in 2013, then slow
 - Aerospace employment has peaked, gradual decline over next several years is expected
- Amazon likely to provide a boost going forward
- Sources of forecast risk include
 - U.S. forecast
 - Aerospace
 - Amazon

Puget Sound Region Economy

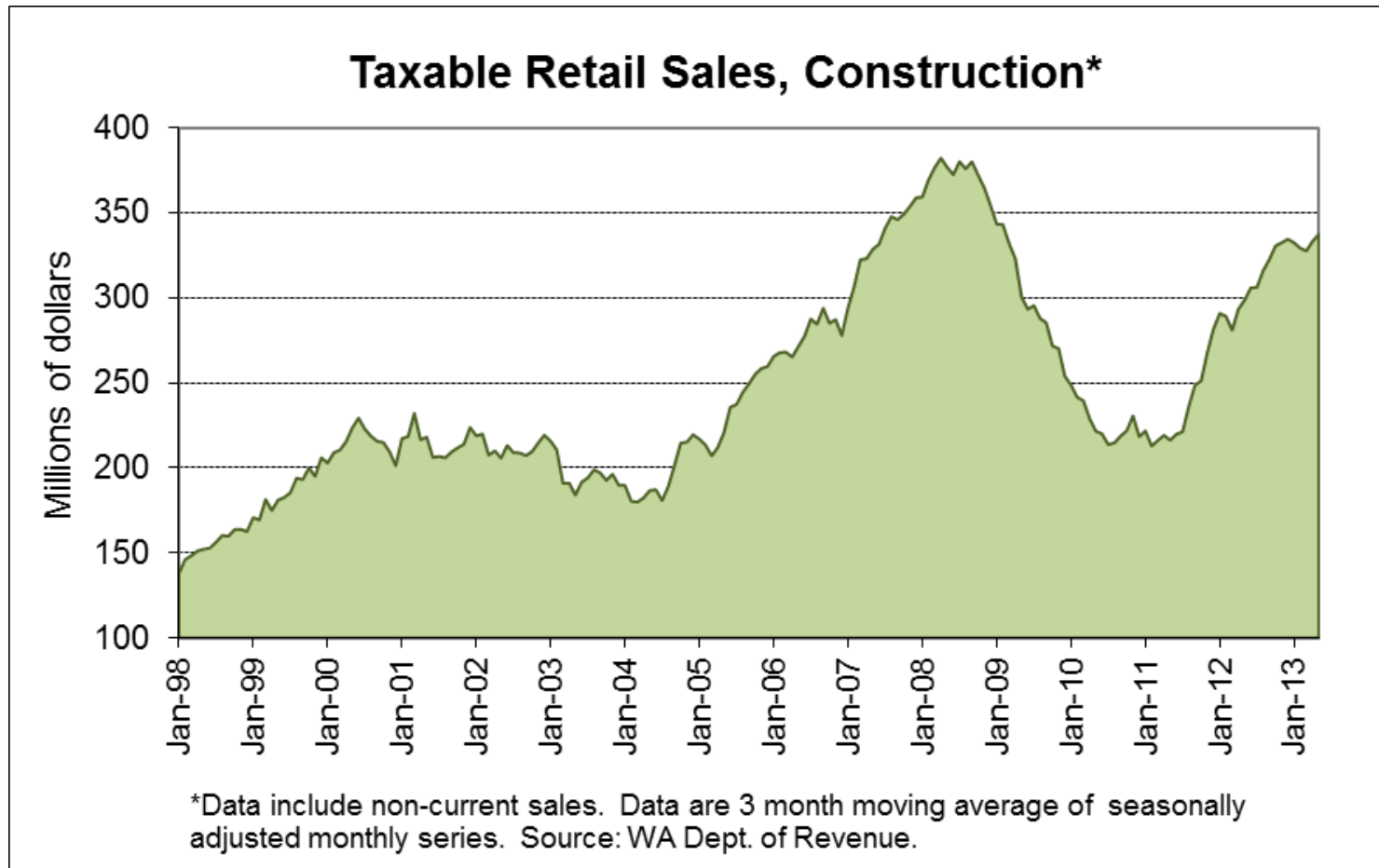


Seattle bounced back from recession sooner than rest of region

- Construction, professional, scientific & professional services, Amazon



Retail Sales Tax



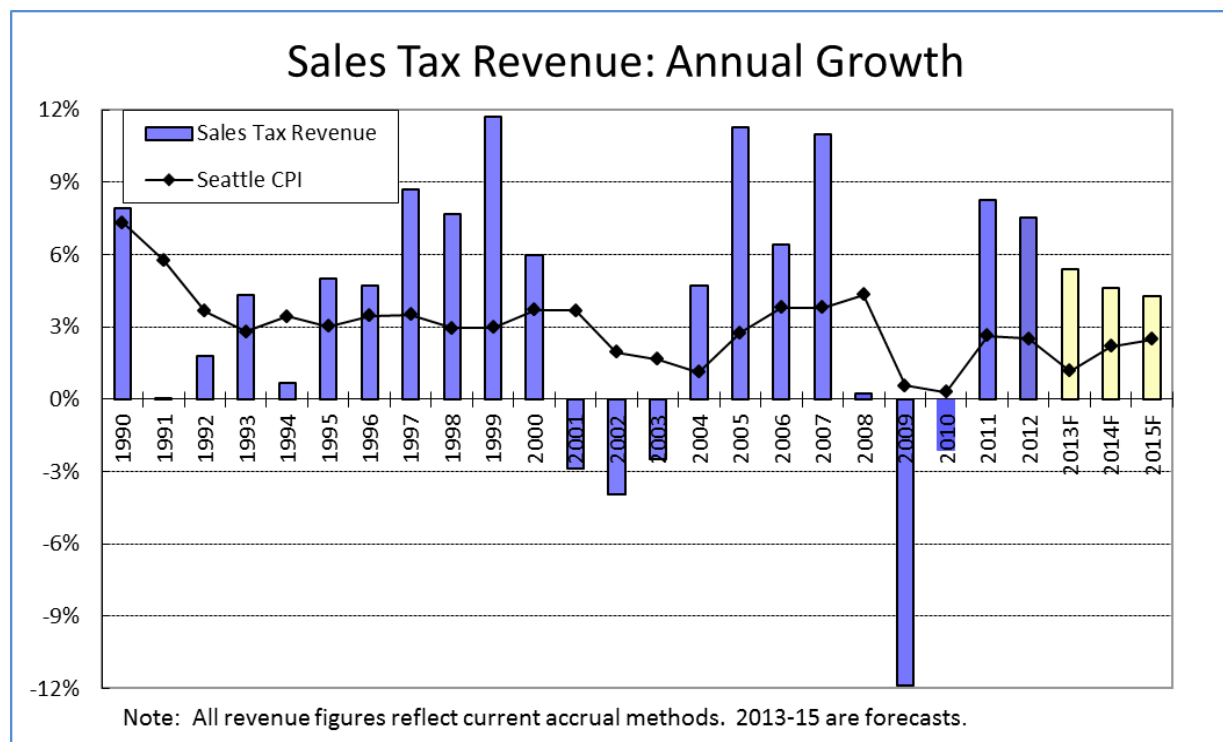


Retail Sales Tax

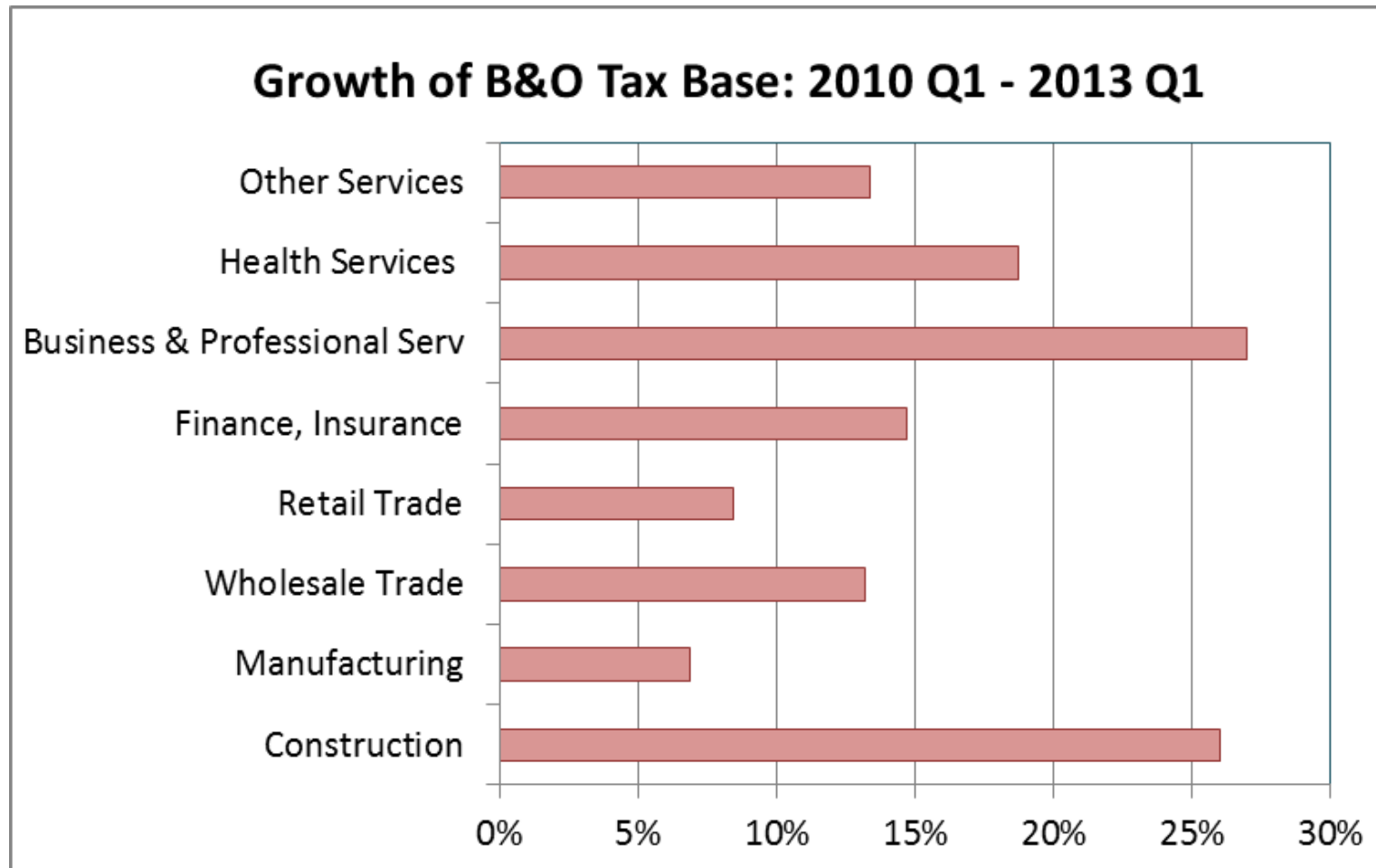
Sales tax revenue is tracking April forecast

- Revenue is \$454,000 (0.6%) over forecast

Forecast has been revised upward by a modest amount



B&O Tax





B&O Tax

B&O revenue has fallen short of April forecast

- Through June revenue was \$2.04 million below forecast
- Shortfall is in audit revenue, refunds, penalties & interest

B&O forecast has been lowered

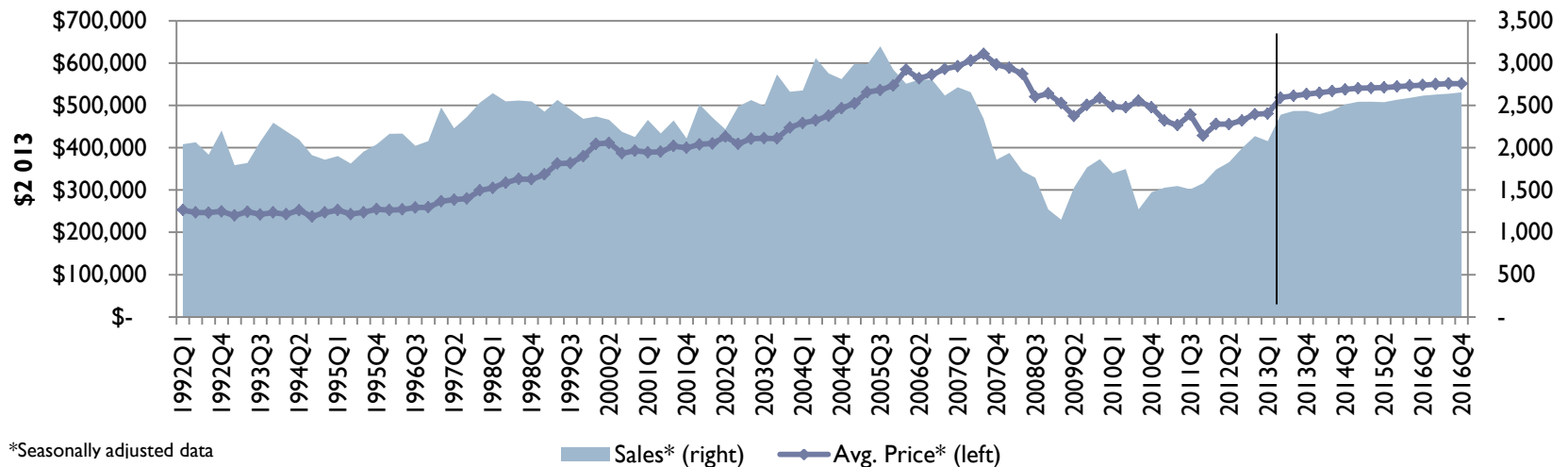
- Most of adjustment is in non-current revenue

Retail Sales and B&O Forecast Change		
2013	-1.1 mil.	-0.3%
2014	0.9 mil.	0.2%
2015	1.2 mil.	0.3%
2016	2.1 mil.	0.5%

Real Estate Excise Tax



Seattle Single-family Market

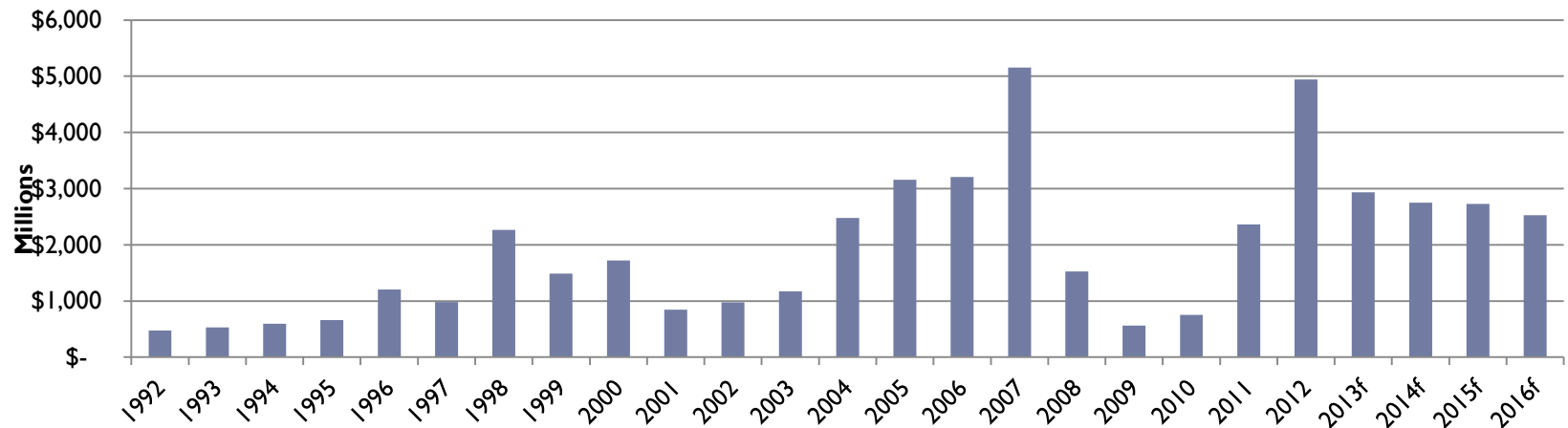


- Single-family home sales and average prices are at levels not seen since 2007
- Sales are expected to grow at a steady pace
- Further interest rate rises may dampen demand
- Supply is still considered to be tight

Real Estate Excise Tax

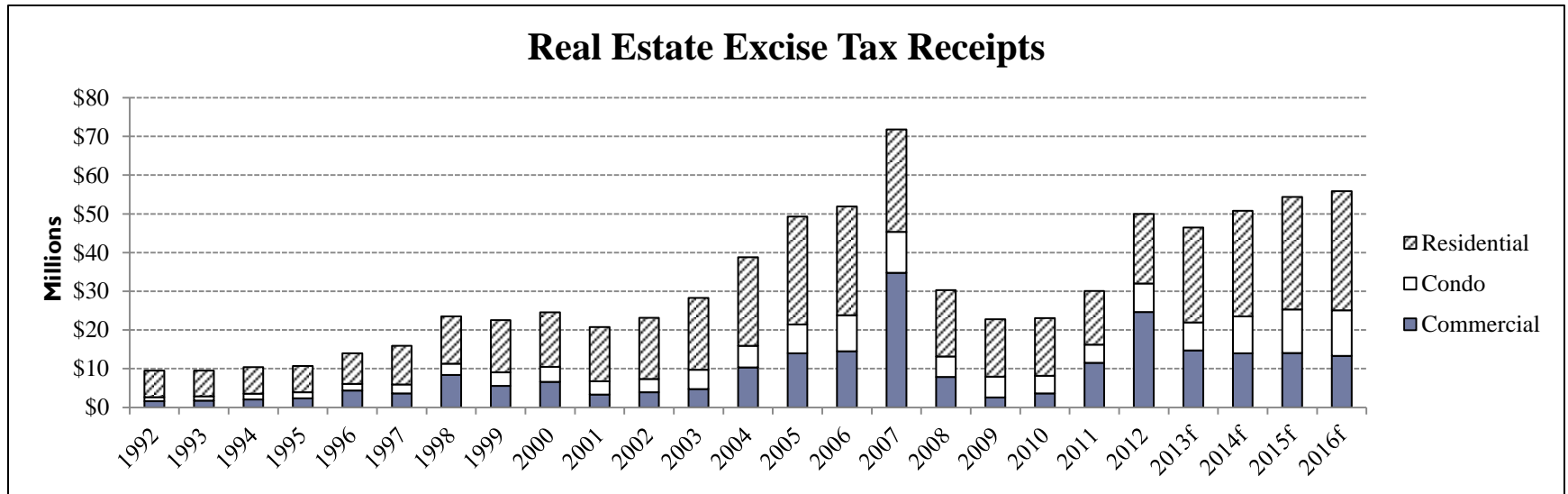


Seattle Commercial Sales



- Commercial transactions are still strong
- 30% increase from April forecast
- Office space demand remains healthy

Real Estate Excise Tax



- Total REET forecast for the 2013-2014 biennium increased by 20.4%, \$16.5 million
- Upside risks include increased commercial activity
- Downside risks include significant rate increases and a downward shift in housing demand

General Subfund Revenues



GSF - Item	2012			2013			2014			
	Actuals	April	August	Aug-Apr	April	August	Aug-Apr	April	August	Aug-Apr
Property Taxes	259,954,134	251,365,000	251,365,000	-	261,698,000	265,561,000	3,863,000			
Sales Taxes	168,495,821	176,747,140	177,785,395	1,038,255	184,055,424	186,093,836	2,038,412			
B&O and Ad-Taxes	188,889,703	196,474,880	194,153,046	(2,321,834)	207,371,261	206,103,706	(1,267,555)			
Public Utility Taxes	115,129,048	123,508,171	123,059,276	(448,895)	129,681,017	129,498,888	(182,129)			
Private Utility Taxes	58,930,493	58,578,269	58,500,955	(77,314)	61,511,787	61,107,589	(404,198)			
Other Notable GSF Revenues	72,191,766	78,454,725	80,959,875	2,505,150	76,111,561	76,366,457	254,896			
Subtotal	863,590,964	885,128,185	885,823,547	695,363	920,429,050	924,731,476	4,302,426			
Grants	24,255,692	686,125	487,000	(199,125)	699,557	478,000	(221,557)			
Other General Subfund Revenues	66,857,954	64,882,944	66,152,052	1,269,108	69,317,748	72,199,984	2,882,236			
Subtotal	954,704,611	950,697,254	952,462,599	1,765,346	990,446,355	997,409,460	6,963,105			
Other Funds - Fund Balance Transfers	9,602,626	2,456,533	2,623,556	167,023	712,021	2,099,767	1,387,746			
GSF - Grand Total	964,307,237	953,153,787	955,086,155	1,932,369	991,158,376	999,509,227	8,350,851			
Real Estate Excise Tax	49,940,112	36,637,222	46,499,069	9,861,847	44,158,386	50,794,250	6,635,864			
Commercial Parking Tax	31,187,021	31,944,866	31,944,866	-	33,238,633	32,807,377	(431,256)			
School Zone Camera Fund	-	-	-	-	-	8,620,000	8,620,000			

GSF - Subtotal Growth Rates (yr/yr)

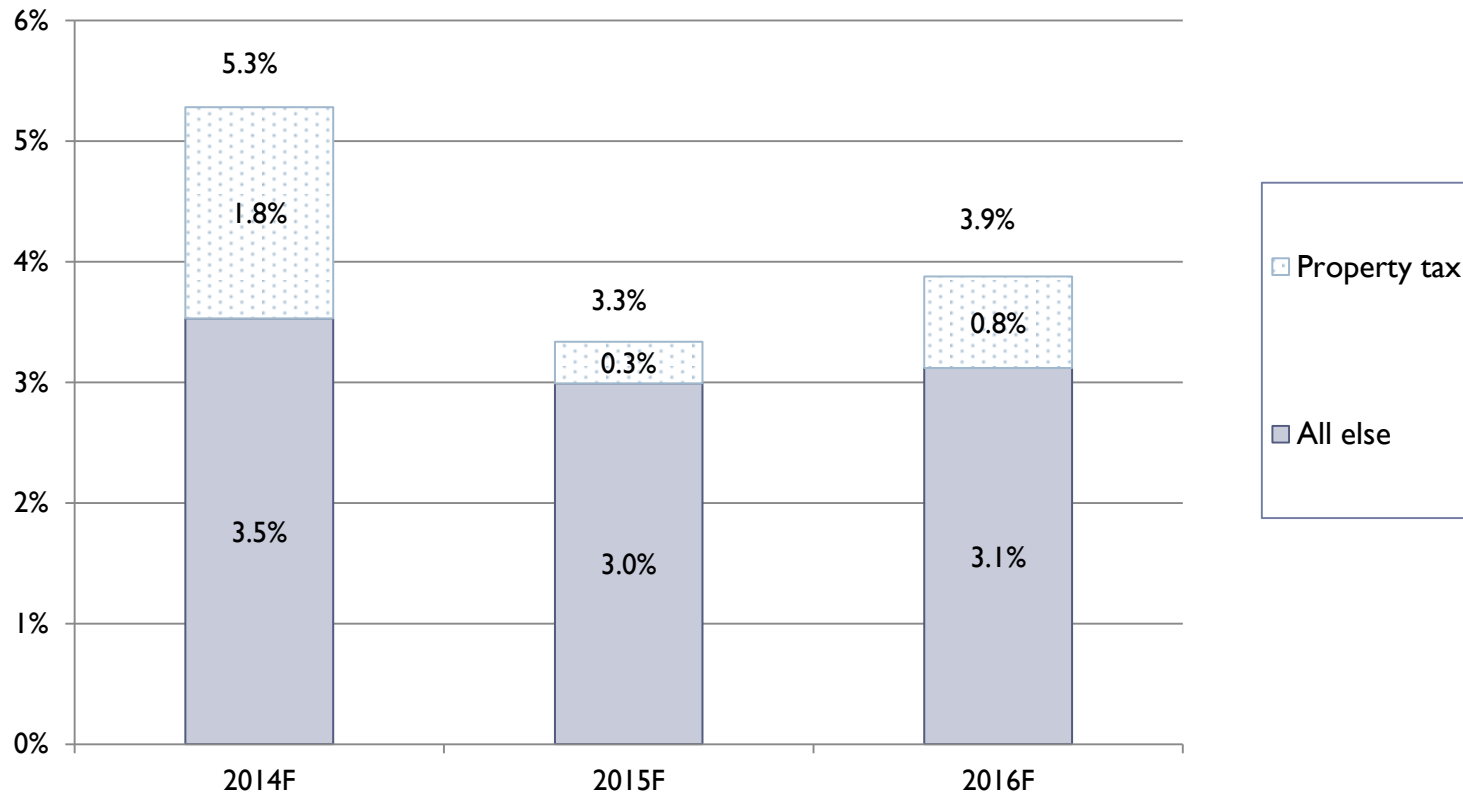
2.6%

4.4%

General Fund Tax Revenue Growth Trends



Contributions to Tax Revenue Growth



Impact of the August Revenue Forecast on 2014 Budget



- General Fund was essentially in balance based on the April Forecast

General Fund Changes Since November 2012

in \$1,000s

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Beginning Balance		9,238	8,643
Additional 2013 Rainy Day Fund Contribution*		(4,619)	
Revenues		6,362	3,918
Expenditures		(2,338)	(13,142)
April Ending Balance	9,238	8,643	(581)

* Contribution required by City as a result of better-than-expected 2012 ending balance.

This amount is in addition to the amount the City will contribute annually based on total tax revenues.

Impact of the August Revenue Forecast on 2014 Budget



- The new General Fund revenues in the August forecast add \$10.3 million to the balance sheet
 - Modest increase, representing about 1% of the total General Fund
- Like last year, REET a bright spot
- On September 23, the Mayor will release full details on how he invests these new resources and balances the 2014 Proposed Budget