

City of Seattle
Department of Finance
Economic Forecast

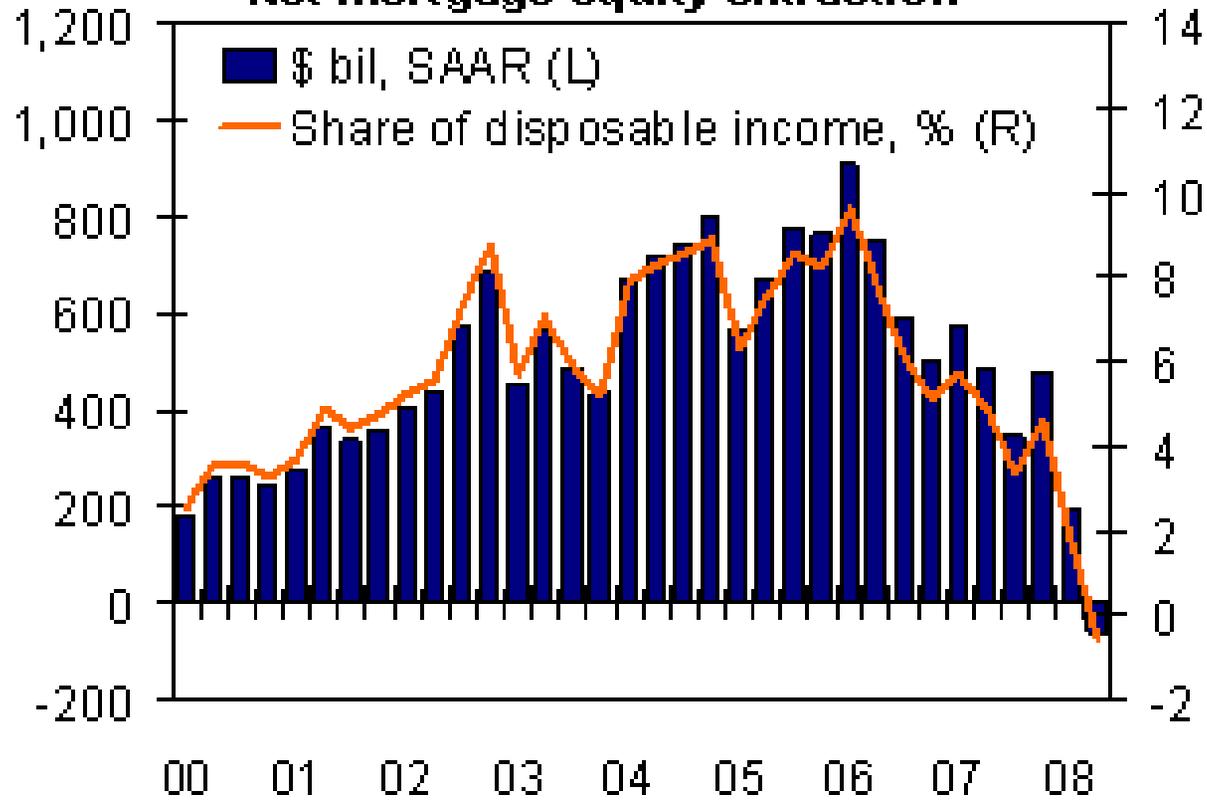
November 5, 2008

How the Economic Landscape has changed since August 2008

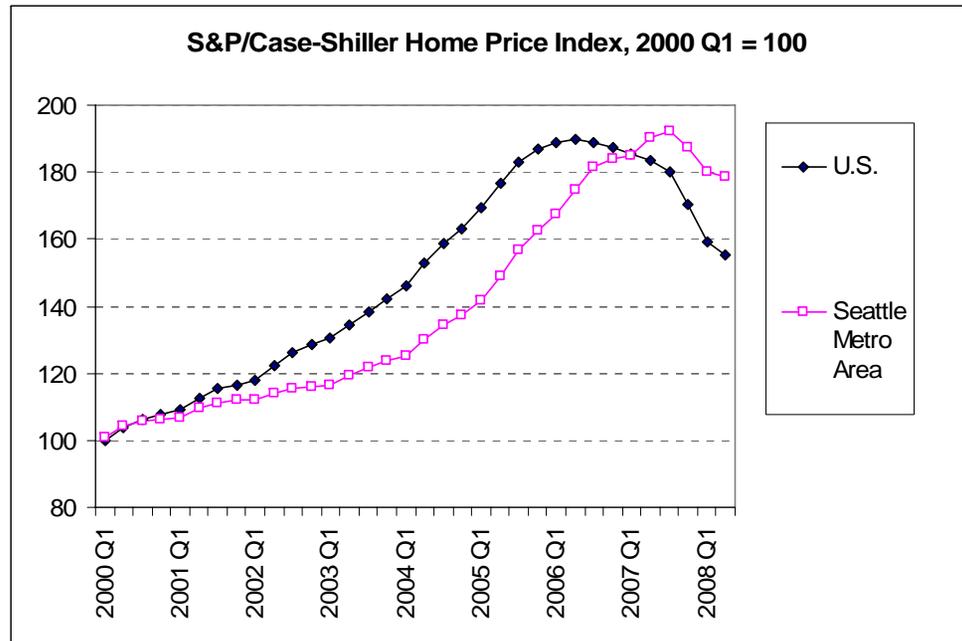
- Economic Conditions in August
 - US Economy was likely in recession, mainly due to housing downturn
 - Less construction activity
 - Existing homeowners have less “equity” to spend

The Housing ATM Is Closed

Net mortgage equity extraction



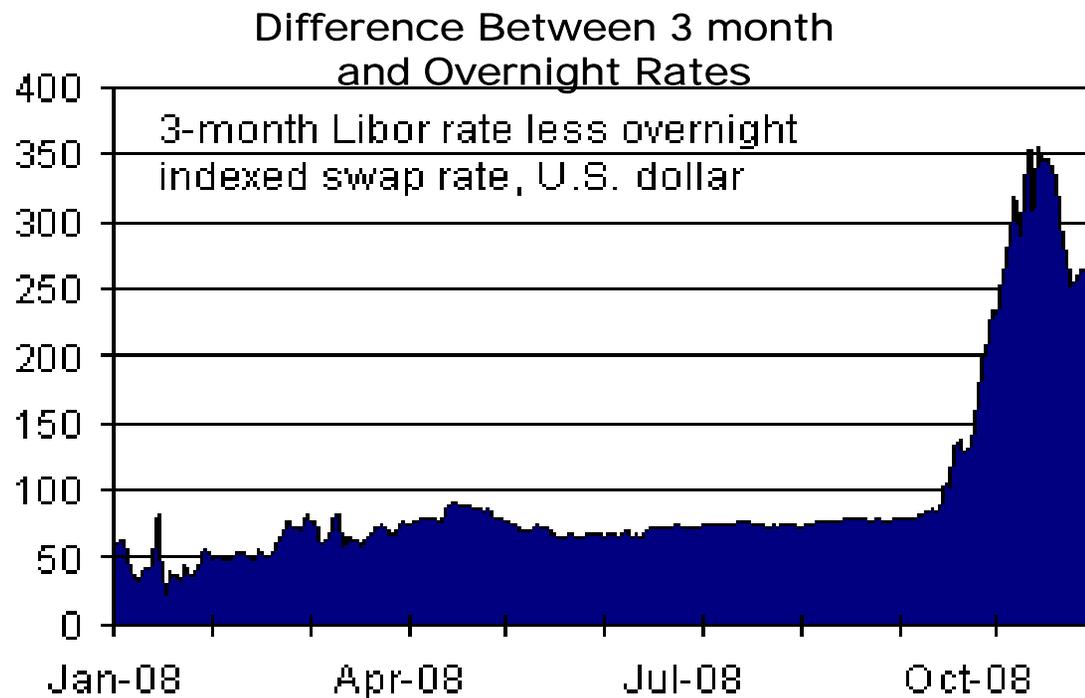
- Region was expected to barely avoid recession
 - Housing market healthier here than elsewhere



- Boeing and Microsoft were doing well

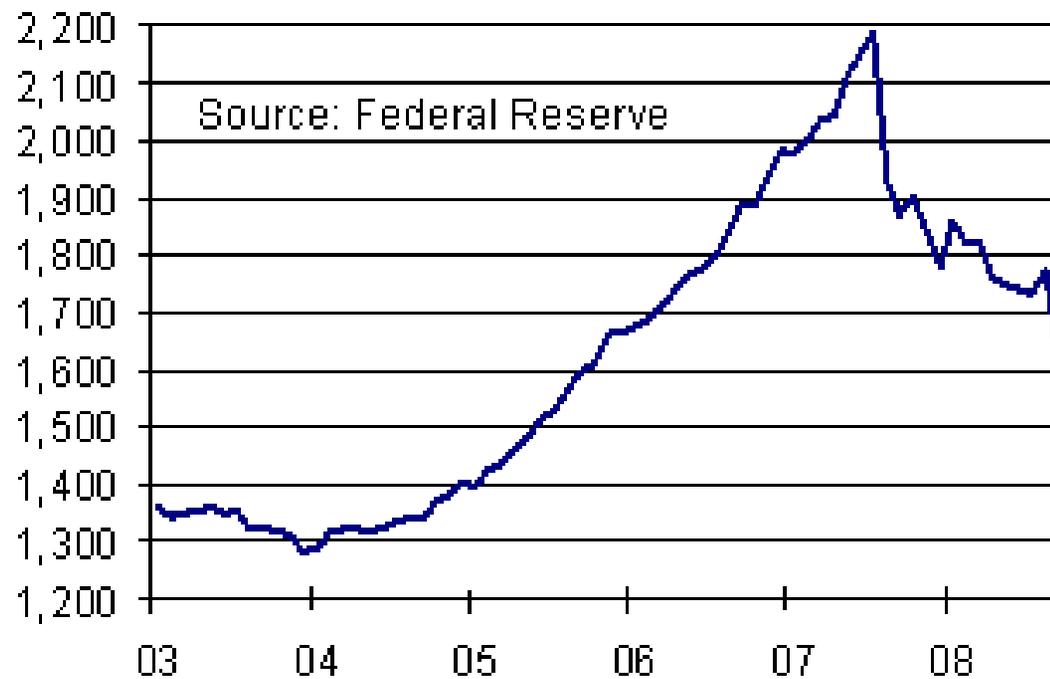
What has changed since August: *Nationally and Internationally*

- U.S. credit crunch became global financial crisis
 - Credit is scarce; cost of borrowing increases



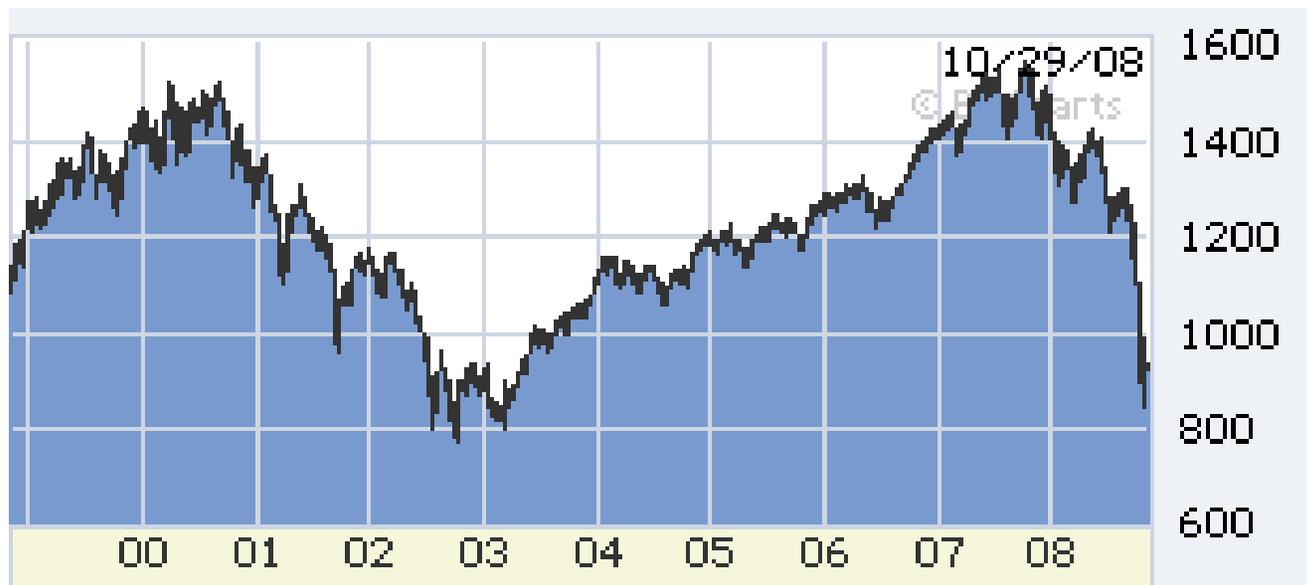
- Amount of lending suddenly declines

The Commercial Paper Market Is Evaporating
Commercial paper outstanding, \$ bil



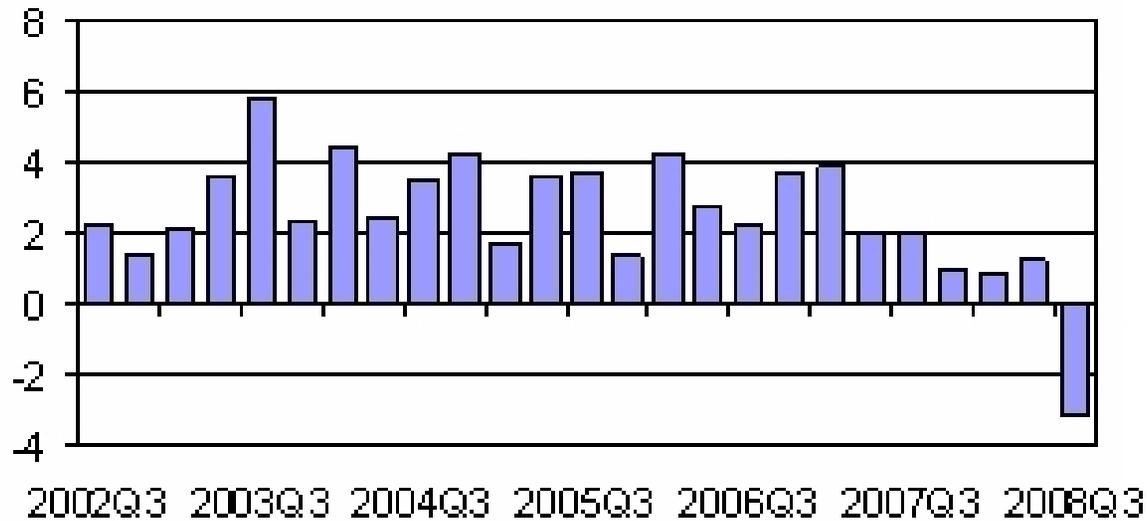
- Recession has spread globally
- Stock markets worldwide have collapsed
 - \$1,000 invested in an S&P 500 index fund 10 years ago is worth \$1,030 today in current dollars and \$749 after adjusting for inflation (a 25% decline).

S&P 500 stock index: past 10 years

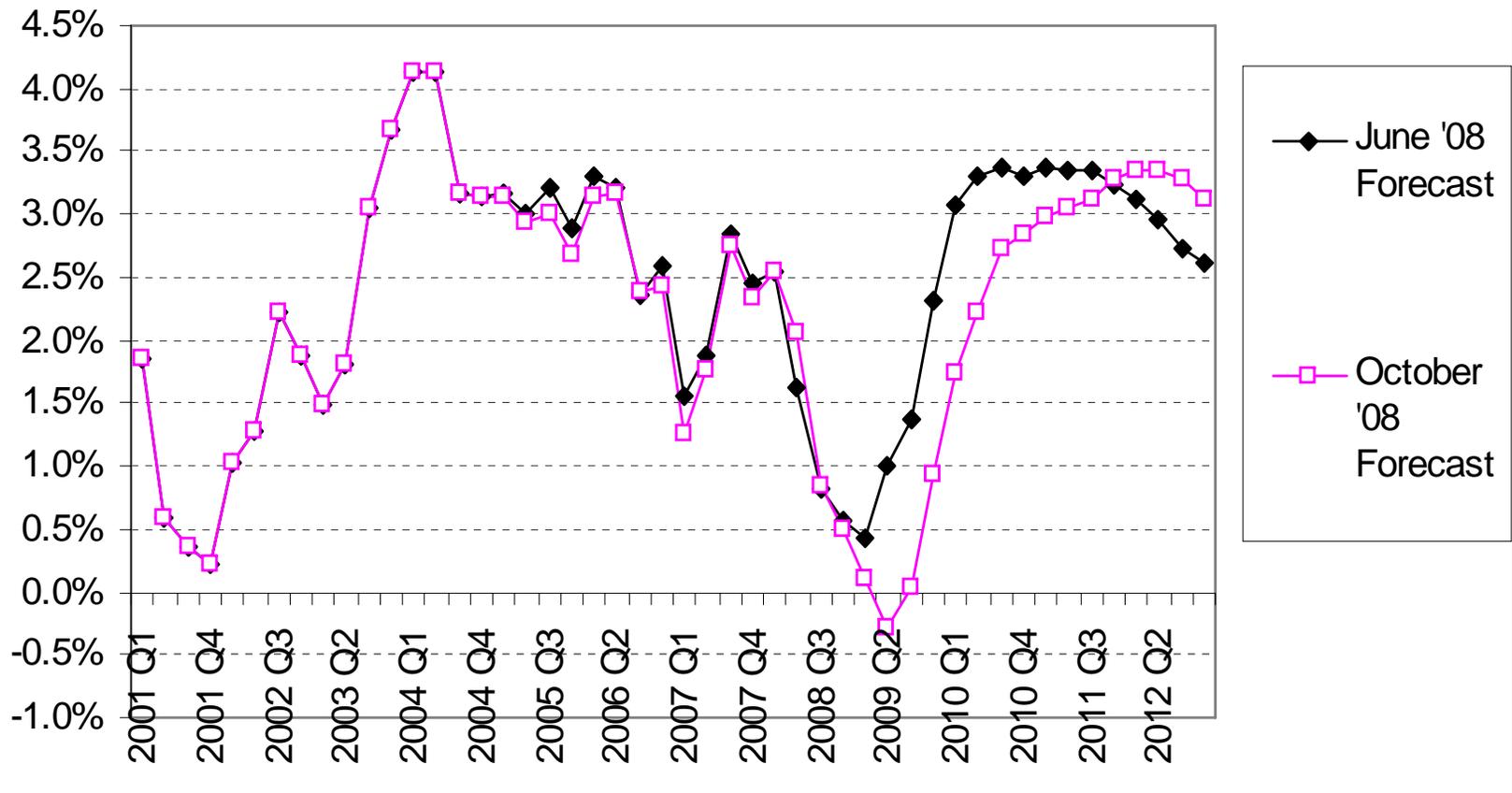


- Recession has worsened and economic forecasts have been revised downward

Real Consumer Spending Growth
(Annualized percent change)

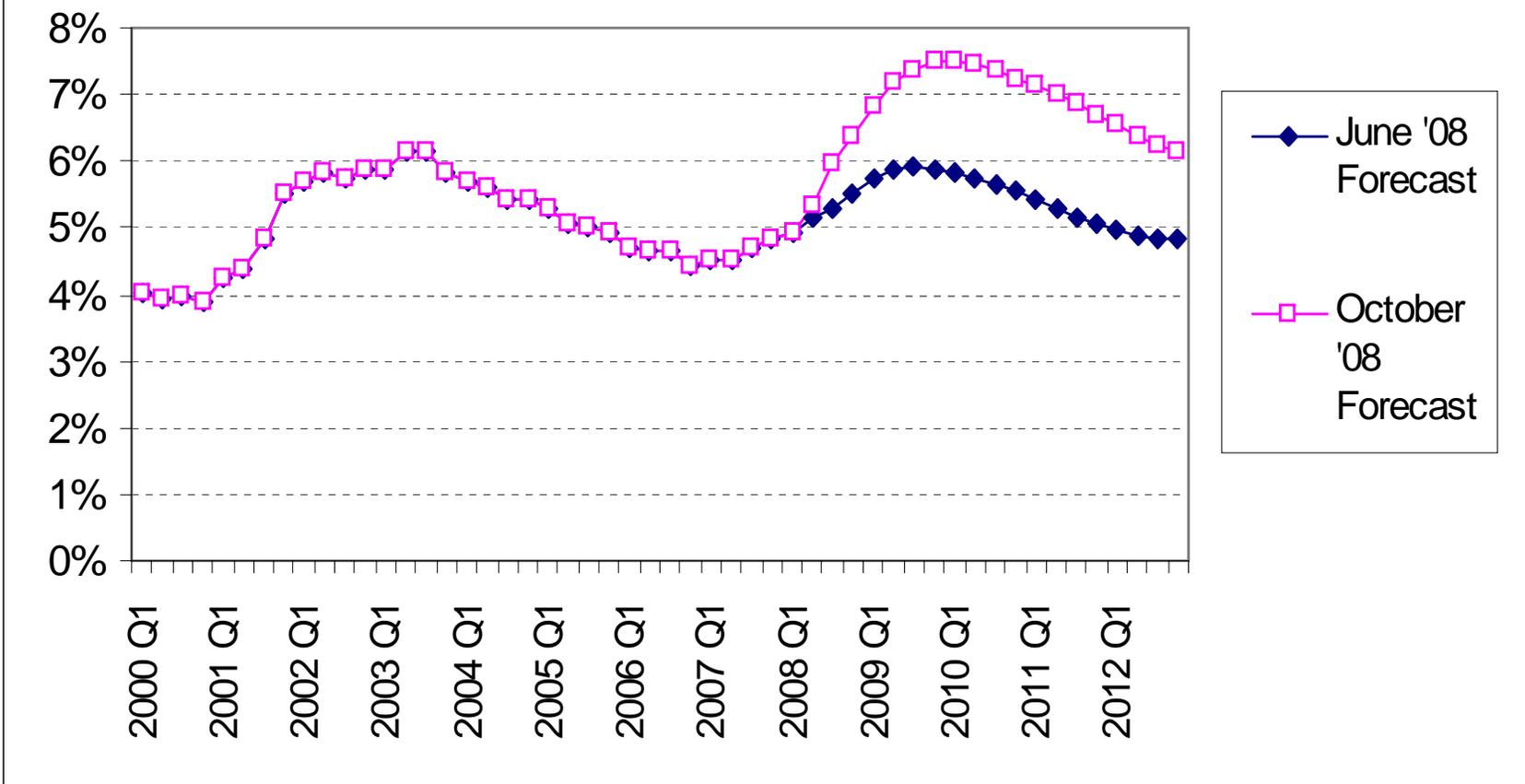


U.S. GDP: Year-Over-Year Growth

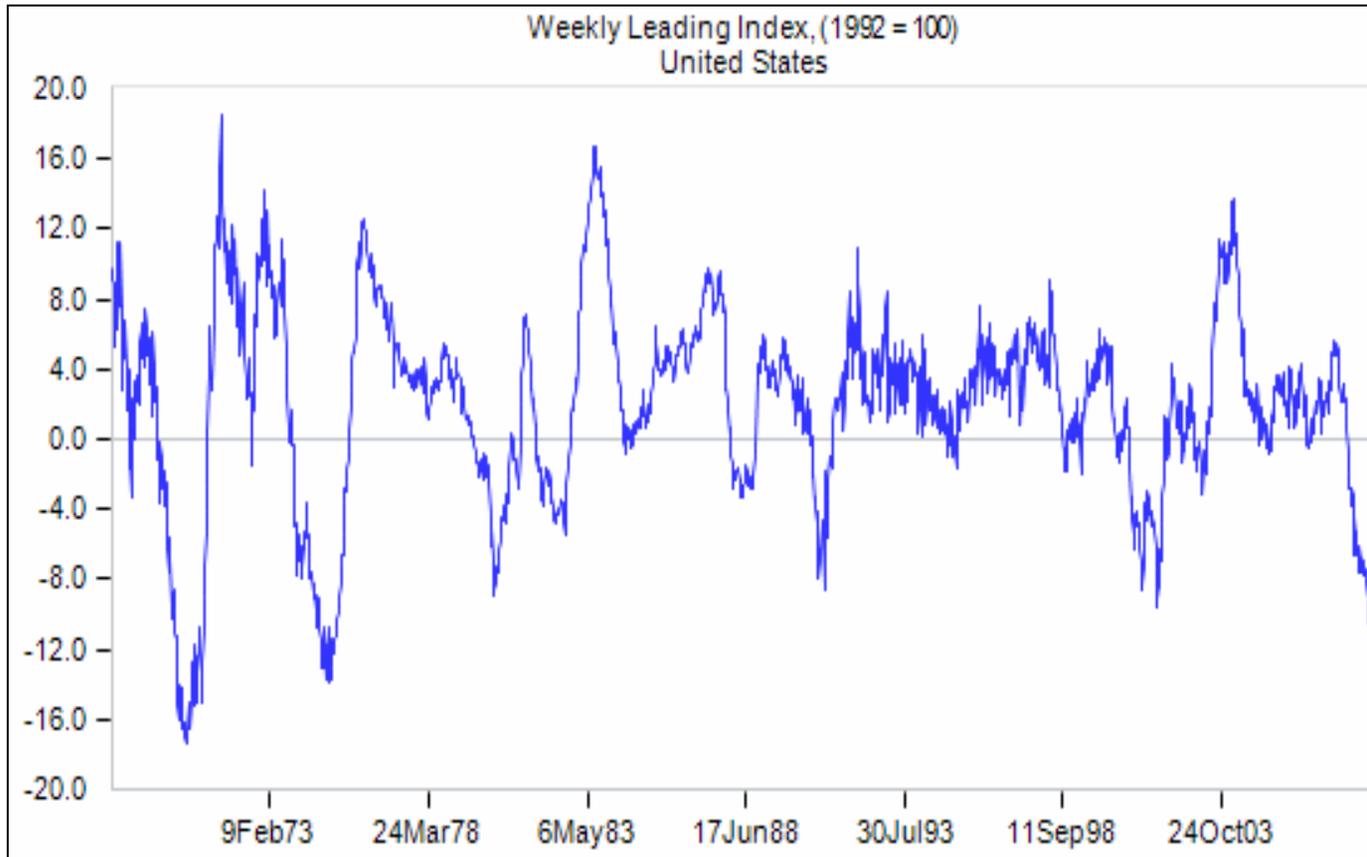


Source: Global Insight

U.S. Unemployment Rate



Source: Global Insight



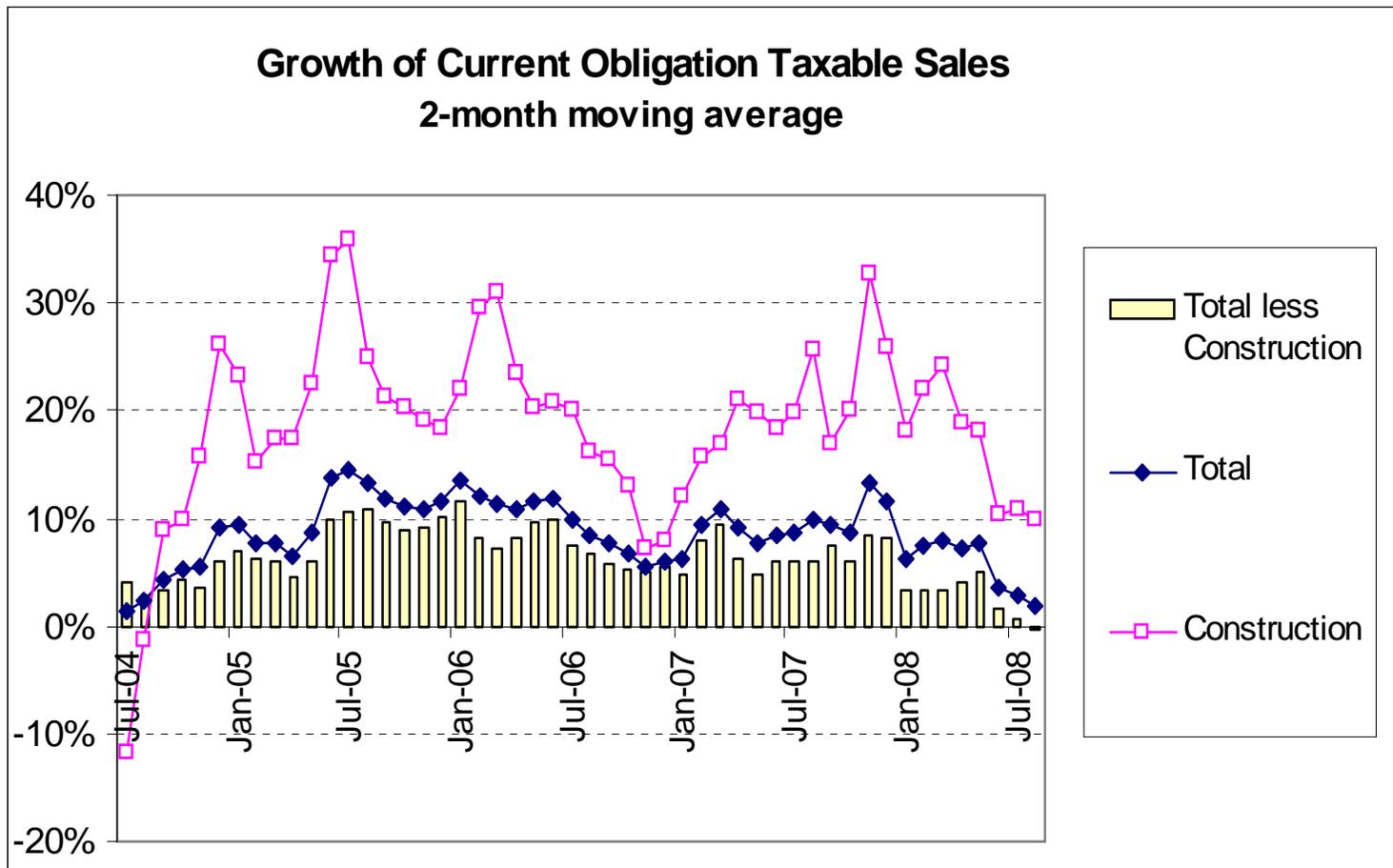
Source: Economic Cycle Research Institute

What has changed since August: *Puget Sound Region*

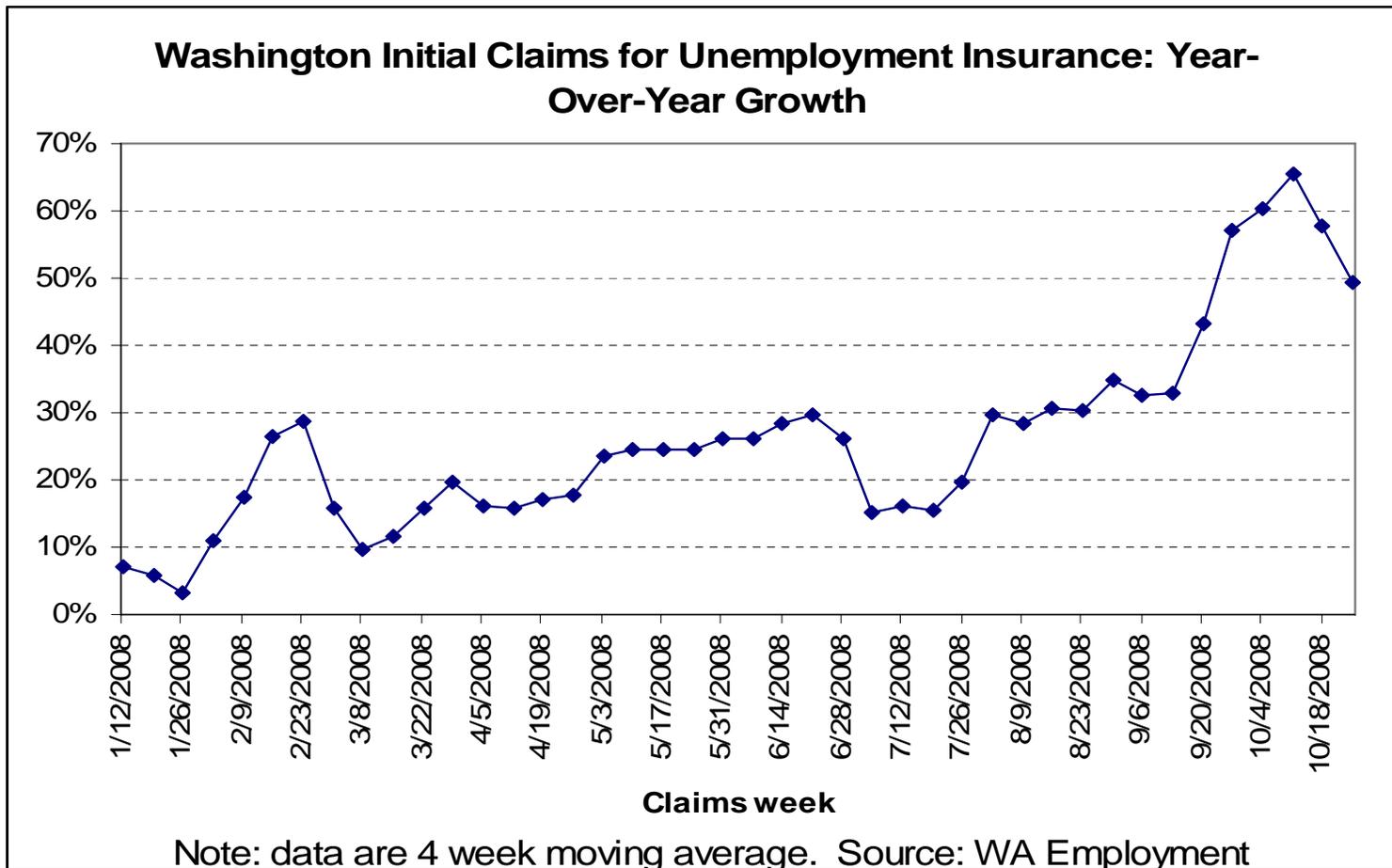
- National changes reduce:
 - demand for products from local businesses
 - income & wealth of local households
- WaMu – biggest bank failure in US history
- Boeing strike and more uncertainty about Boeing's future

- Microsoft is *“re-evaluating its current hiring plans and will make adjustments as appropriate”*
 - Seattle Times (10-4-08)
- Construction has slowed. Many large downtown projects have been put on hold
 - Seattle Times (10/27/08): *“At least 4,000 condo units and 3 million sq ft of office space in downtown Seattle and downtown Bellevue has been delayed or worse.”*
- Oil prices have fallen by half

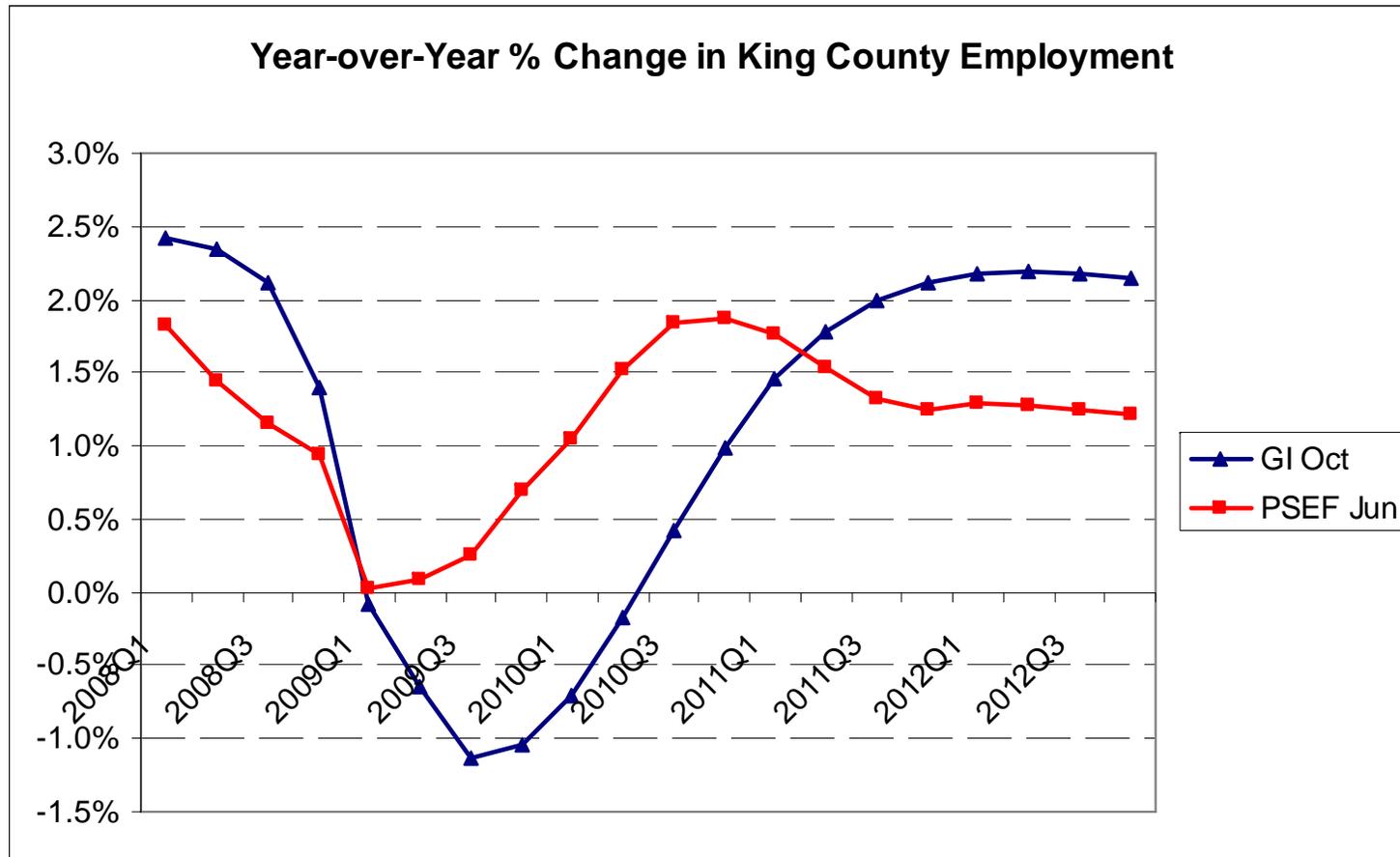
- Sales tax revenue growth has slowed more quickly than anticipated



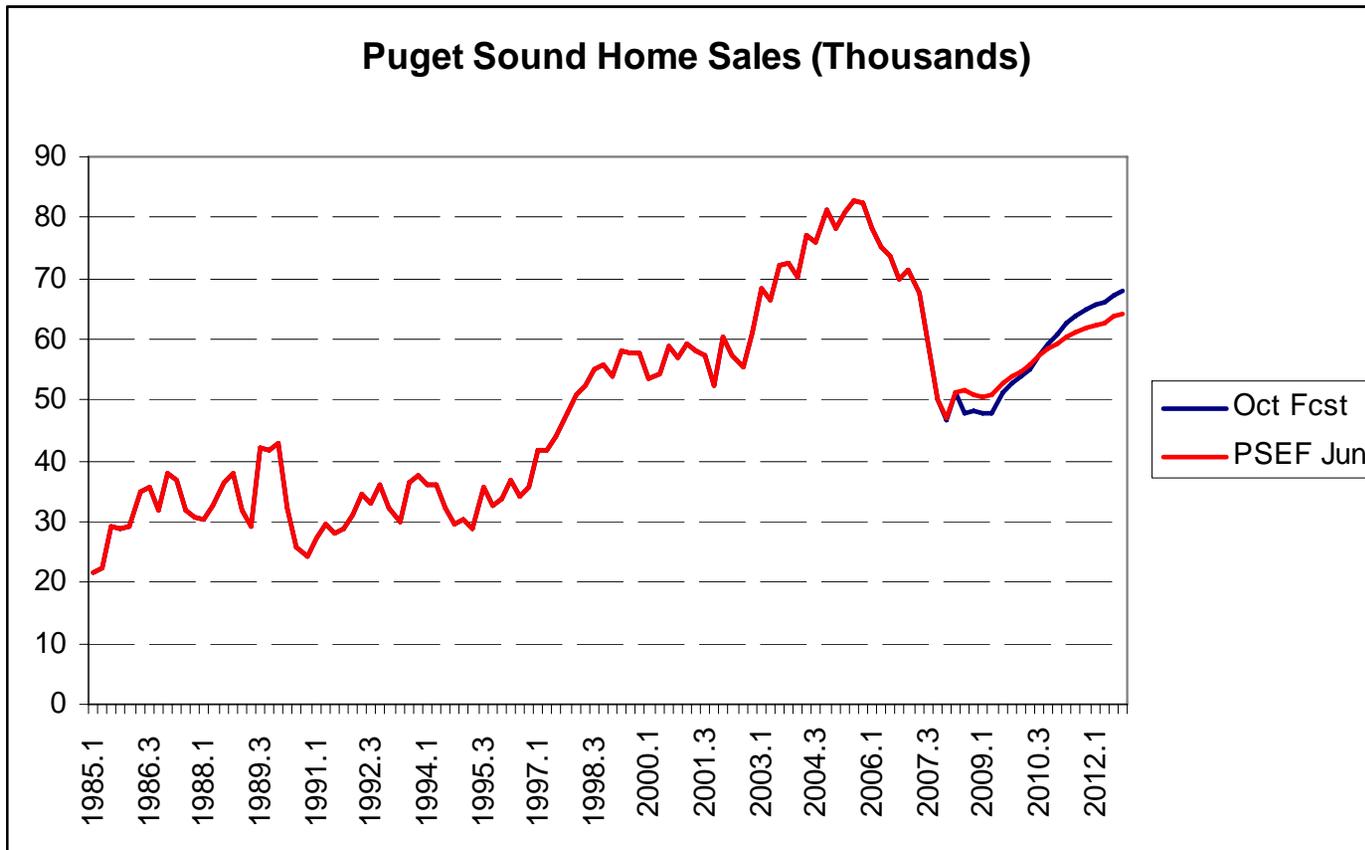
- Jobless Claims jumped sharply



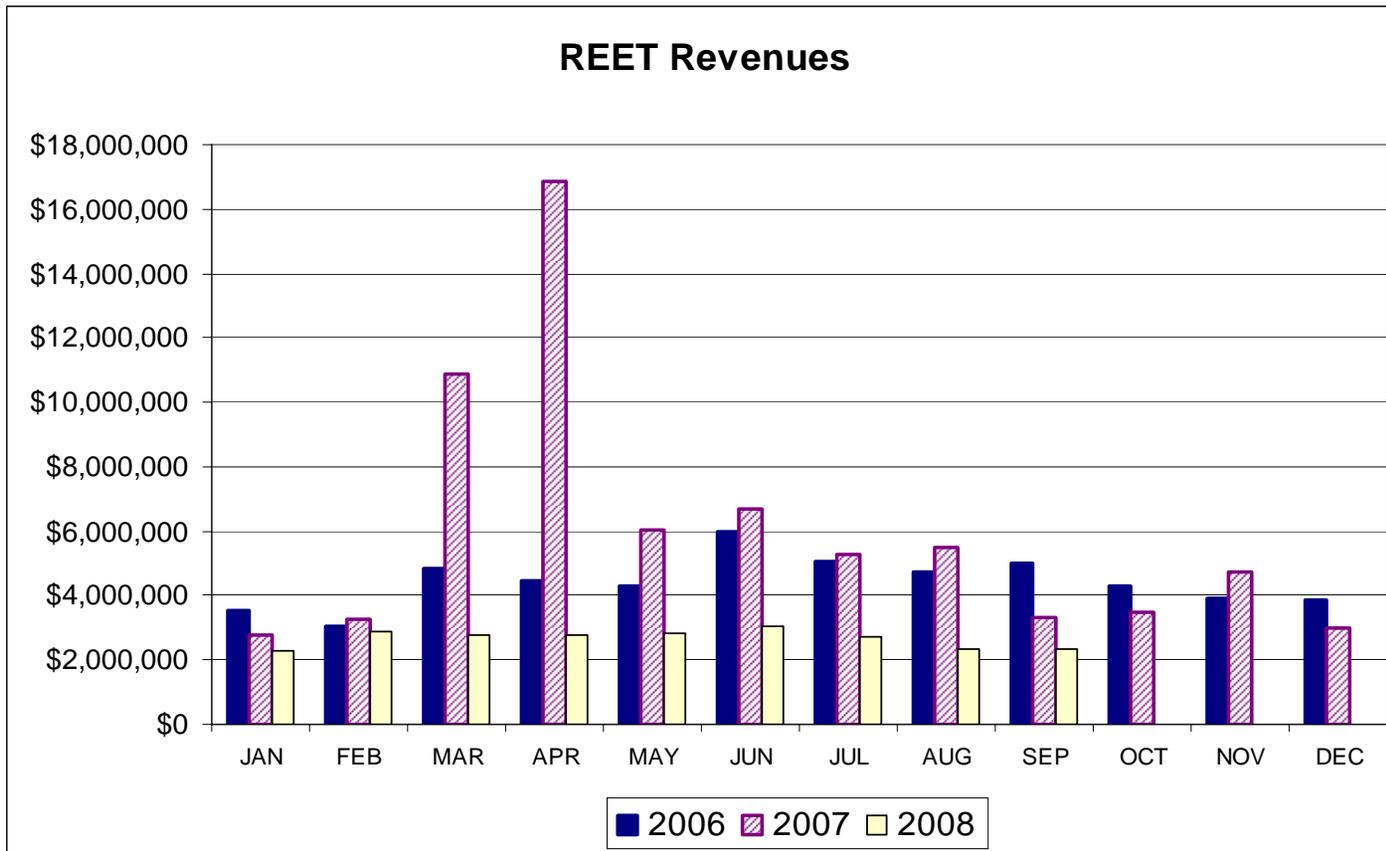
- Regional economic forecasts have weakened

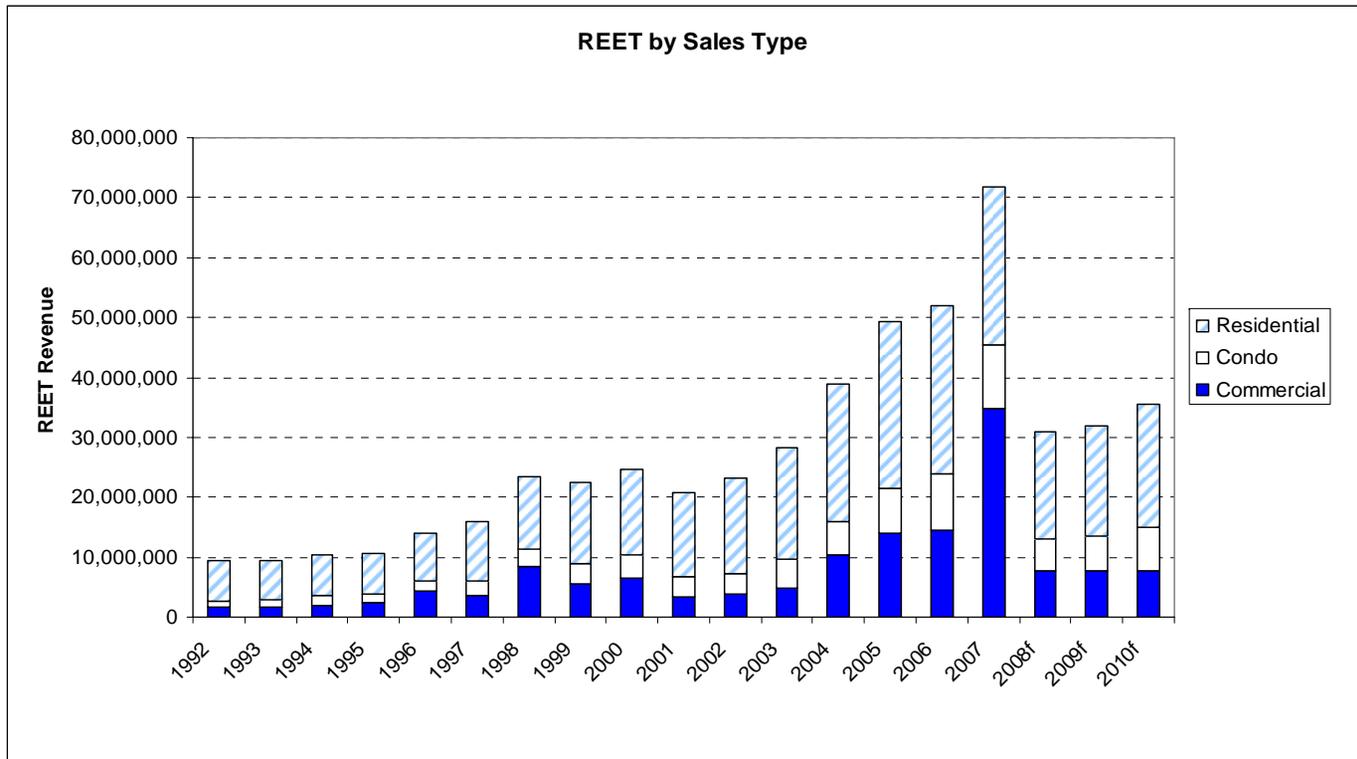


- Home sales continue to fall



- REET Revenues continue to deteriorate





- The 2008 forecast is reduced 6.3% from August to \$30.9 million.
- The 2009-2010 forecasts are lowered 12.1% and 17.1%, respectively, to \$31.8 million and \$35.6 million.

Budget Name	2007		2008		2009			2010		
	Revenues	Aug	Nov	Nov-Aug	Aug	Nov	Nov-Aug	Aug	Nov	Nov-Aug
Property Tax	196,918,138	202,878,000	202,878,000	-	207,311,000	209,212,000	1,901,000	212,607,000	213,752,000	1,145,000
Property Tax-Medic One Levy	21,644,388	35,868,000	35,868,000	-	36,764,000	37,006,000	242,000	37,684,000	37,579,000	(105,000)
Retail Sales Tax	154,694,577	160,372,659	158,700,133	(1,672,526)	159,610,066	156,106,292	(3,503,774)	161,142,294	156,626,293	(4,516,001)
Use Tax - Brokered Natural Gas	2,742,443	2,983,000	2,983,000	-	3,033,000	3,033,000	-	2,946,000	2,946,000	-
Retail Sales Tax - Criminal Justice	14,409,381	14,625,521	14,222,059	(403,462)	14,700,990	13,989,609	(711,381)	14,973,544	14,036,210	(937,334)
Business & Occupation Tax (90%)	161,559,750	164,195,850	163,665,750	(530,100)	167,694,018	163,978,244	(3,715,774)	174,561,834	169,009,240	(5,552,594)
Admission Tax	7,684,673	7,005,000	7,005,000	-	6,026,000	6,026,000	-	6,133,000	6,133,000	-
Utilities Business Tax - Natural Gas (90%)	12,149,096	12,480,000	12,480,000	-	13,065,000	13,065,000	-	12,985,000	12,985,000	-
Utilities Business Tax - Solid Waste (90%)	852,728	900,000	900,000	-	900,000	900,000	-	900,000	900,000	-
Utilities Business Tax - Cable Television (90%)	12,041,301	12,834,000	12,834,000	-	13,314,000	13,314,000	-	13,704,000	13,704,000	-
Utilities Business Tax - Telephone (90%)	28,924,014	29,665,000	29,665,000	-	29,214,000	29,214,000	-	29,116,000	29,116,000	-
Utilities Business Tax - Steam (90%)	1,334,816	1,462,000	1,462,000	-	1,488,000	1,488,000	-	1,471,000	1,471,000	-
Leasehold Excise Tax	4,427,768	5,150,000	5,150,000	-	5,150,000	5,150,000	-	5,150,000	5,150,000	-
Gambling Tax	7,743	5,000	5,000	-	5,000	5,000	-	5,000	5,000	-
Gambling Tax - Punchboards & Pulltabs	655,267	550,000	550,000	-	500,000	500,000	-	500,000	500,000	-
Pleasure Boat Tax	182,812	175,000	166,383	(8,617)	175,000	175,000	-	175,000	175,000	-
Liquor Excise Tax	2,684,932	2,825,000	2,825,000	-	2,860,000	2,860,000	-	2,885,000	2,885,000	-
Liquor Board Profits	4,233,347	4,050,000	4,050,000	-	4,100,000	4,100,000	-	4,135,000	4,135,000	-
Court Fines & Forfeitures (90%)	18,643,392	20,163,000	20,627,000	464,000	23,996,000	22,352,000	(1,644,000)	23,252,000	23,253,000	1,000
Interest on Investments	9,673,870	5,914,000	7,663,000	1,749,000	4,884,000	5,639,000	755,000	6,400,000	6,756,000	356,000
Parking Meters	17,491,276	19,200,000	19,200,000	-	22,746,000	22,746,000	-	25,621,000	25,821,000	200,000
Utilities Business Tax - City Light (90%)	31,844,928	32,000,000	31,850,000	(150,000)	31,430,000	30,882,000	(548,000)	31,938,000	31,219,000	(719,000)
Utilities Business Tax - City Water (90%)	16,705,571	17,355,000	16,605,000	(750,000)	20,501,000	20,463,200	(37,800)	21,819,000	21,715,500	(103,500)
Utilities Business Tax - Drainage/Waste Water (90%)	21,319,058	23,139,000	23,450,000	311,000	26,217,000	26,139,600	(77,400)	28,112,000	27,908,600	(203,400)
Utilities Business Tax - City SWU (90%)	8,281,600	8,875,000	8,875,000	-	10,808,000	10,781,000	(27,000)	12,270,000	12,192,600	(77,400)
Total	751,106,870	784,670,030	783,679,325	(990,705)	806,492,074	799,124,945	(7,367,129)	830,485,672	819,973,443	(10,512,229)
All Else	83,674,542	69,139,977	69,139,977	-	71,590,988	71,395,588	(195,400)	72,895,256	72,844,256	(51,000)
Grand Total	834,781,411	853,810,007	852,819,302	(990,705)	878,083,062	870,520,533	(7,562,529)	903,380,928	892,817,699	(10,563,229)
Real Estate Excise Tax	71,832,285	32,980,534	30,889,914	(2,090,620)	36,208,859	31,814,326	(4,394,532)	42,903,010	35,565,629	(7,337,381)
Employee Hours Tax	1,822,850	4,781,252	4,781,252	-	5,261,136	5,261,136	-	5,647,751	5,647,751	-
Commercial Parking Tax	4,684,344	12,844,000	12,844,000	-	17,874,000	17,874,000	-	21,347,000	21,347,000	-