



KING COUNTY
Signature Report

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

March 11, 2016

KCFC Resolution

Proposed No. KCFC2016-02.1

Sponsors

1 A RESOLUTION approving the 2016 work plan for the
2 office of economic and financial analysis.

3 WHEREAS, in 2008 the citizens of King County amended the county's charter to
4 create the office of economic and financial analysis, and

5 WHEREAS, the charter amendment also created the King County forecast
6 council, and

7 WHEREAS, Charter section 425.20 provides that the forecast council "shall
8 approve an annual work program for the office of economic and financial analysis", and

9 WHEREAS, the county's chief economist has prepared the office's 2016 work
10 program;

11 NOW, THEREFORE, BE IT RESOLVED BY THE KING COUNTY
12 FORECAST COUNCIL:

13 The forecast council hereby approves the 2016 work program for the office of
14

15 economic and financial analysis, Attachment A to this resolution.

16

KCFC Resolution was introduced on and passed by the King County Forecast Council on 3/10/2016, by the following vote:

Yes: 3 - Ms. Lambert, Mr. Dively and Mr. Upthegrove

No: 0

Excused: 1 - Mr. Constantine

KING COUNTY FORECAST COUNCIL
KING COUNTY, WASHINGTON



Dow Constantine, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments: A. 2016 Work Program for the Office of Economic and Financial Analysis

RECEIVED
2016 MAR 31 PM 3:53
CLERK
KING COUNTY COUNCIL



King County

OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

500 Fourth Avenue, MS ADM-FA-0540 □ Seattle, Washington □ 206.477.3410

2016 Work Plan

The primary mission of the Office of Economic and Financial Analysis (OEFA) is to produce official economic and revenue forecasts for King County that are independent, transparent, and employ the best practices of professional forecasting. Additionally, the Forecast Council may assign additional economic and financial studies to OEFA. This document outlines the proposed work plan and timelines of OEFA work and work products for 2016.

Revenue Forecasts

OEFA will continue to produce official economic and revenue forecasts for King County including forecasts of assessed value, new construction, sales taxes, REET, investment pool return, inflation and others. OEFA is required to prepare and present a minimum of two forecasts per year. However, it has been past practice to present a third revised final forecast in August/September in addition to the preliminary and final forecasts required by the King County charter. OEFA proposes to continue this practice in 2016. The purpose of this third forecast is to update information presented in the final forecast with the most current data available just prior to transmittal of the budget submittal to Council. Prior to each of the formal meetings of the Forecast Council, OEFA staff will provide briefings to review a draft of the forecast, discuss preliminary forecast findings and respond to requests for additional information in advance of formal approval. The following is the proposed schedule for Forecast Council working sessions and formal meetings in 2016:

<u>Meeting</u>	<u>Day</u>	<u>Time</u>	<u>Location</u>
Formal Presentation	Thursday, March 10	12:00-1:00	Council Chambers
Formal Presentation	July-TBD	TBD	Council Chambers
Work Session	August-TBD	TBD	TBD

The forecast documents will generally be consistent with past years. OEFA will continue forecasting to ten-year forecast horizons when appropriate to help facilitate the County's financial planning efforts.

Additional Projects

Listed below are additional OEFA projects that either are ongoing or are proposed to be initiated in 2016:

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Revenue Forecasting

OEFA proposes to continue its efforts improving existing revenue forecasting and adding forecasts as appropriate. Proposed work for 2016 includes:

1. Maintaining and documenting models and continuing to improve, refine and analyze the accuracy of existing forecast models.
2. Expanding the forecasts as appropriate and as resources allow.
3. Making OEFA staff available to assist other King County agencies with revenue forecasting and forecasting related questions.

Revenue Documentation

A best practice identified by the National Association of State and Local Budget Officials (NASLB) recommends that local governments create Revenue Manuals outlining significant revenues, sources, factors and history. OEFA completed a first ever version in 2015 and will deliver an updated version in spring of 2016 (and each year going forward). OEFA proposes to continue to assist PSB in continued development of the revenue manual throughout 2016 as required/desired.

Economic Forecasting Model

OEFA uses several vendor provided forecasts as inputs to the revenue forecast models. These models include state and national input models together with a local regional model that is widely used by local governments and other entities. OEFA proposes to continue development and use of a similar model of the King County economy. The model allows OEFA to better understand and forecast local economic variables. This will likely improve our forecasting, reduce the risk associated with the possibility that the existing vendor model becomes unavailable, potentially yield efficiencies for other governments and improve OEFA's understanding of the local economy. For 2016 we will be producing, monitoring and evaluating the model results.

Economic Data Development

OEFA uses economic data in its forecast models and will continue to maintain/expand this data in support of the forecast model outlined above and to better understand the local economy. Significant items of work for 2016 include:

- Update the agreement with the State Employment Security Department that allows OEFA to acquire employment data on King County organizations.
- Continue to develop and disseminate the KC index of leading indicators.

KC Organizational Support

OEFA has continued to support county analyses and operations in each year from 2012 to 2015 and we propose to continue to do that in 2016. This includes items associated with revenue tracking, ad-hoc forecasting and others as required. Examples include:

- Monthly and year-end revenue memo
- Assistance developing property tax legislation
- Legislative review assistance
- Ad-hoc forecasting and modeling
- Rating agency and investment pool member presentations
- Credit committee participation
- Special analyses (e.g. economic impact analysis)
- Others as required/desired

This work is important to county operations and is an appropriate use of OEFA resources.

SharePoint Site

OEFA proposes to continue to provide and maintain current data, forecasts and analyses on our SharePoint site. OEFA tracks and maintains data for use in its forecasts and analysis of the local economy. County employees also perform analyses using similar data in the course of their work. Having this data readily available countywide in one location should reduce redundancy, and improve accuracy and consistency over time. OEFA proposes to continue to update the existing data and analysis as required and will expand the work as resources allow.

Website

The OEFA homepage displays the most recently adopted forecasts and other information that visitors to the site can access. The forecasts are available in both PDF and Excel formats and the site also includes the Forecast Council Presentation and video.

For 2016, we are continuing development of two projects to enhance our understanding of the King County economy that are disseminated via the website. The first is the development of benchmark economic briefs for aspects of the King County economy and highlighting equity and social justice considerations. This includes such items as educational attainment, wage growth and employment. This information about the structure of our economy should be useful for anyone interested in the King County economy.

We will also continue the production of "EconPulse", OEFA's quarterly report on the status of the local economy. The report tracks such indicators as employment, retail sales, classified advertising and includes additional in-depth analysis of a particular feature of the local economy. EconPulse was initiated in the third quarter of 2014.

We will also be working to make our graphics be more user-friendly and updating the formatting of the website.

ESJ Commitments

Ordinance 16948 established definitions and directed implementation steps to achieve the "Fair and Just" principle. OEFA has supported the efforts of the ESJ Inter-branch team (IBT) via presentations and data support in past years. This year OEFA's commitments include continuing to incorporate ESJ principles in the forecasting work and continuing our

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research efforts on the King County economy and employment. Forecast presentations will include information on indicators across different margins (e.g. spatially across the county, across housing values, etc.). Work related to the IBT will include the benchmark development noted above with research into educational attainment, wages and poverty in King County, and analysis of family wage jobs in King County given recent trends.

Miscoded Parcels Project

OEFA has been working for several years to identify and reclaim back tax revenues that have been incorrectly coded to cities. This has typically involved field work to analyze areas of concern, verification of tax coding with data provided by the state Department of Revenue and submittal of data to support our contention that the county is due funds when firms are identified. This work has yielded an estimated \$1.3M in additional revenue (from 2010-2015) that would have been incorrectly sent to cities. Last year, OEFA performed two field audits (spring and fall) that resulted in approximately \$120,000 in additional revenues for the county in 2015. This year we propose to continue our twice annual analyses (once in spring and again in fall).

Intergovernmental and External Agency Support

OEFA has been in contact with several other local governments to determine the degree to which we might improve sharing of information and support other work. In 2014-2015, OEFA conducted a roundtable discussion with representatives of suburban cities in the spring and accomplished another via email and attachments. Attendees indicated this was valuable and OEFA proposes to continue this work in 2016.

Additionally, the Chief Economist provided economic presentations/panel participation to The Institute for Supply Management (ISM), the Puget Sound Finance Officers Association, King County Investment Pool Members, and others. We will continue to provide this service as desired and as resources allow.

Regional Economic Forum

In the past, OEFA initiated a forum to bring together individuals in the Puget Sound that are involved in economic analyses and forecasting. The purpose is to share information, enable cross-fertilization, and promote efficiencies. Past sessions have included presentations on Energy rate and forecasting, the City of Seattle minimum wage law, forecasting sales tax revenues, hedging diesel fuel price risks and government discount rates. OEFA intends to continue these events in 2016.