



King County

Office of Economic and Financial Analysis

King Street Center, MS ADM-0540
500 Fourth Avenue, Room 540
Seattle, WA 98104

August 16, 2016

The Honorable Dow Constantine
Chair, King County Forecast Council
Room 800
CHINOOK BUILDING

Dear Chair Constantine:

Please find attached the proposed King County Economic and Revenue Forecast for August 2016. We have updated the July 2016 forecast based on the most currently available information and submit this updated forecast for the consideration of the Forecast Council.

In general, the revisions in this forecast continue to indicate strong revenues for King County. The most recent national economic forecasts call for continued GDP growth the remainder of 2016 and in 2017-2018. U.S. employment continues to expand, inflation is modest and the Federal Reserve is likely to continue raising interest rates in support of their mandate of full employment and price stability depending on future economic indicators. County economic conditions continue to be favorable and County revenues reflect the strong local economy.

In general, changes in this forecast are small compared with the July forecast. Countywide assessed value was revised down slightly to reflect actuals so far processed by the Assessor, but unincorporated values were revised up by a small amount as preliminary data indicates slightly stronger growth. Countywide and unincorporated new construction forecasts were both revised down to better reflect actual values processed so far and forecast additions to come. While they were significant reductions (averaging 4% to 7% depending on the year), they have much smaller revenue impacts with the average levy reduced about 0.1%-0.2% per year. In general, changes to the property tax levies overall are very small compared with the July forecast.

As was noted last year, all property tax levies for the County are incremented using the lesser of the 1% limit factor or the change in the implicit price deflator (IPD). In cases where the change in the IPD is less than 1%, the jurisdiction must complete a substantial need ordinance in order to use a 1% increase in levy amounts. The Washington Department of Revenue calculates the official value but from 2015:2Q to 2016:2Q the value is up 0.9%. Therefore, the County should be prepared to execute a substantial need ordinance to obtain the 1% increase if the IPD change turns out to be lower than 1%. All property tax forecasts in this update not subject to an alternative limit factor are based on the 1% limit factor.


The 2016 taxable sales forecast has increased slightly from July reflecting the continued strength that King County has experienced and that is forecast to continue. May 2016 taxable sales were up over 11.7% year over year driven by very strong construction sales and this

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continues the strong growth in 2016. The forecasts for investment pool returns and inflation and REET have changed by only small amounts.

We appreciate the opportunity to submit this updated forecast to the Forecast Council and look forward to further discussion at our working session on Monday August 22, 2016. Please contact me with any questions or concerns (477-3410).

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dave Reich', is written over the word 'Sincerely,'.

Dave Reich
Chief Economist, Office of Economic and Financial Analysis

Enclosures

cc: King County Forecast Council Members
ATTN: Pat Hamacher, Senior Principal Legislative Analyst
Wendy Soohoo, Principal Legislative Analyst
Anne Noris, Clerk of the Council
Jonathan Swift, PSB, Deputy Director