



King County

FINAL REVENUE FORECASTS FOR THE 2011 KING COUNTY BUDGET

**Briefing to the King County
Forecast Council**

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Briefing outline

- ❑ Economic context
- ❑ Assessed valuation and new construction
- ❑ Sales tax revenues
- ❑ Inflation
- ❑ Other revenue forecasts



King County

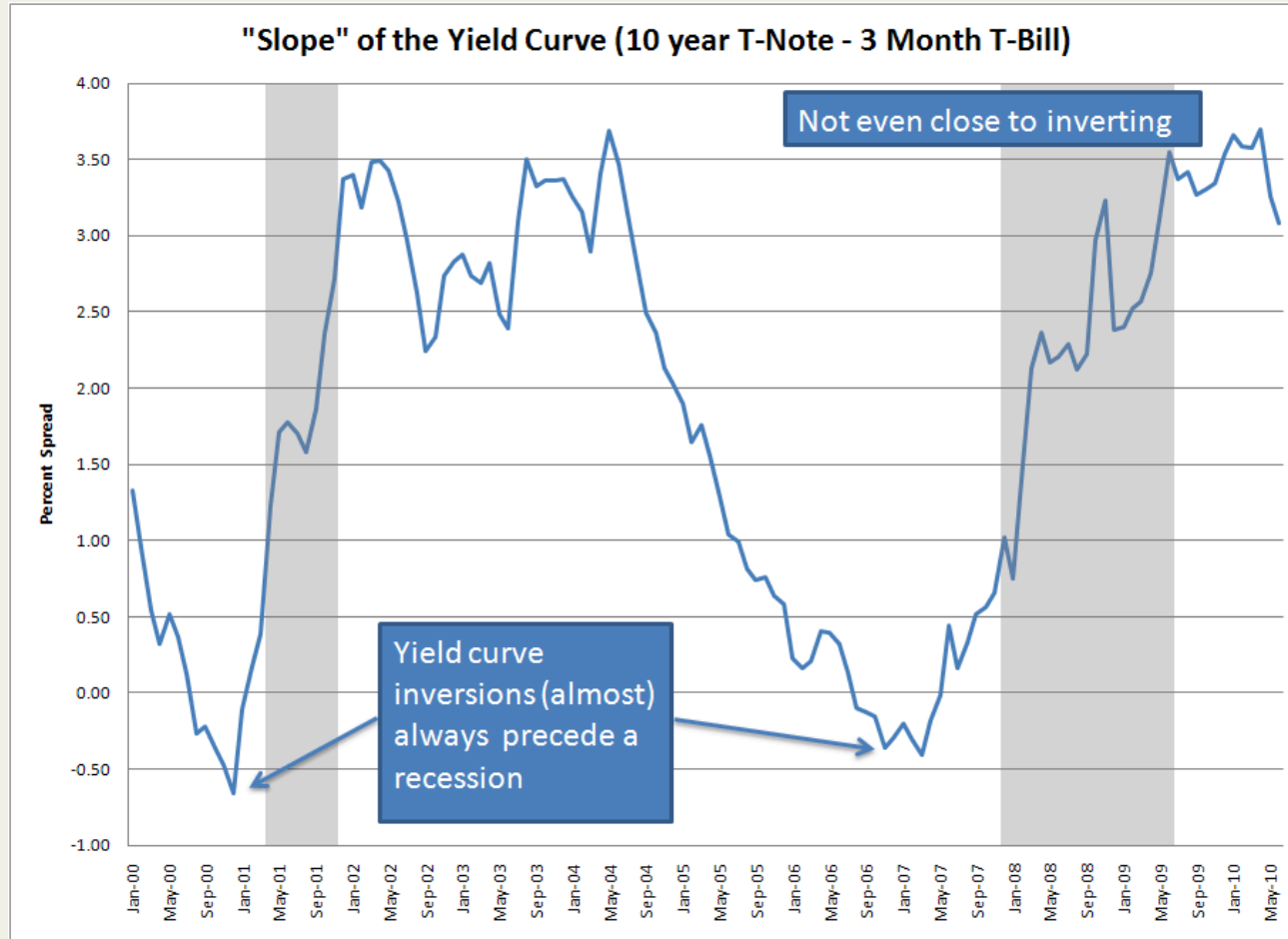
Economic context

What about these threats to the recovery

- ☐ **A double-dip recession?**
- ☐ **The Greek crisis?**
- ☐ **The growing Federal debt?**

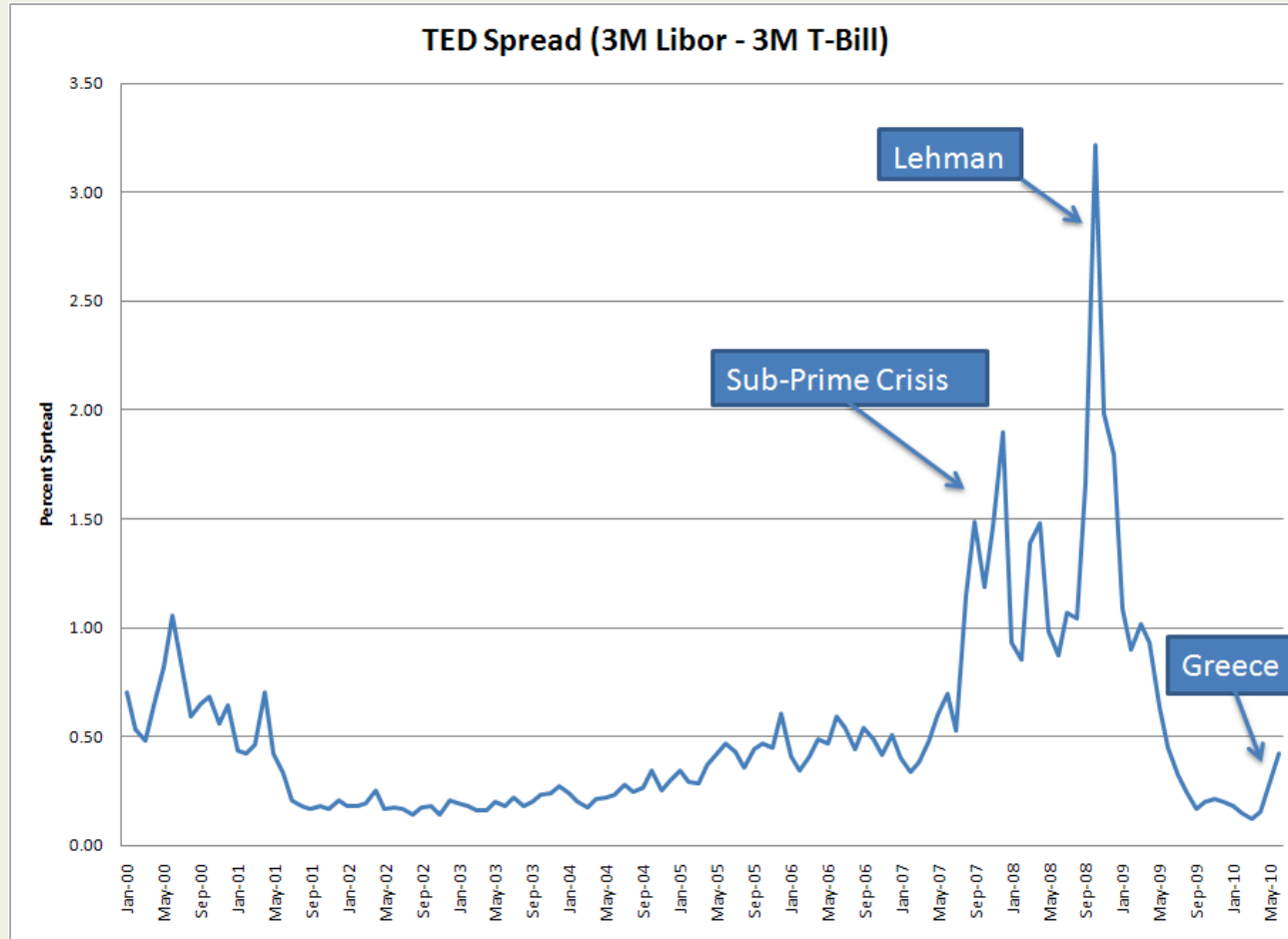
Double-dip recession? Yield curve says otherwise

Economic context



The Greek crisis? TED spread has hardly moved

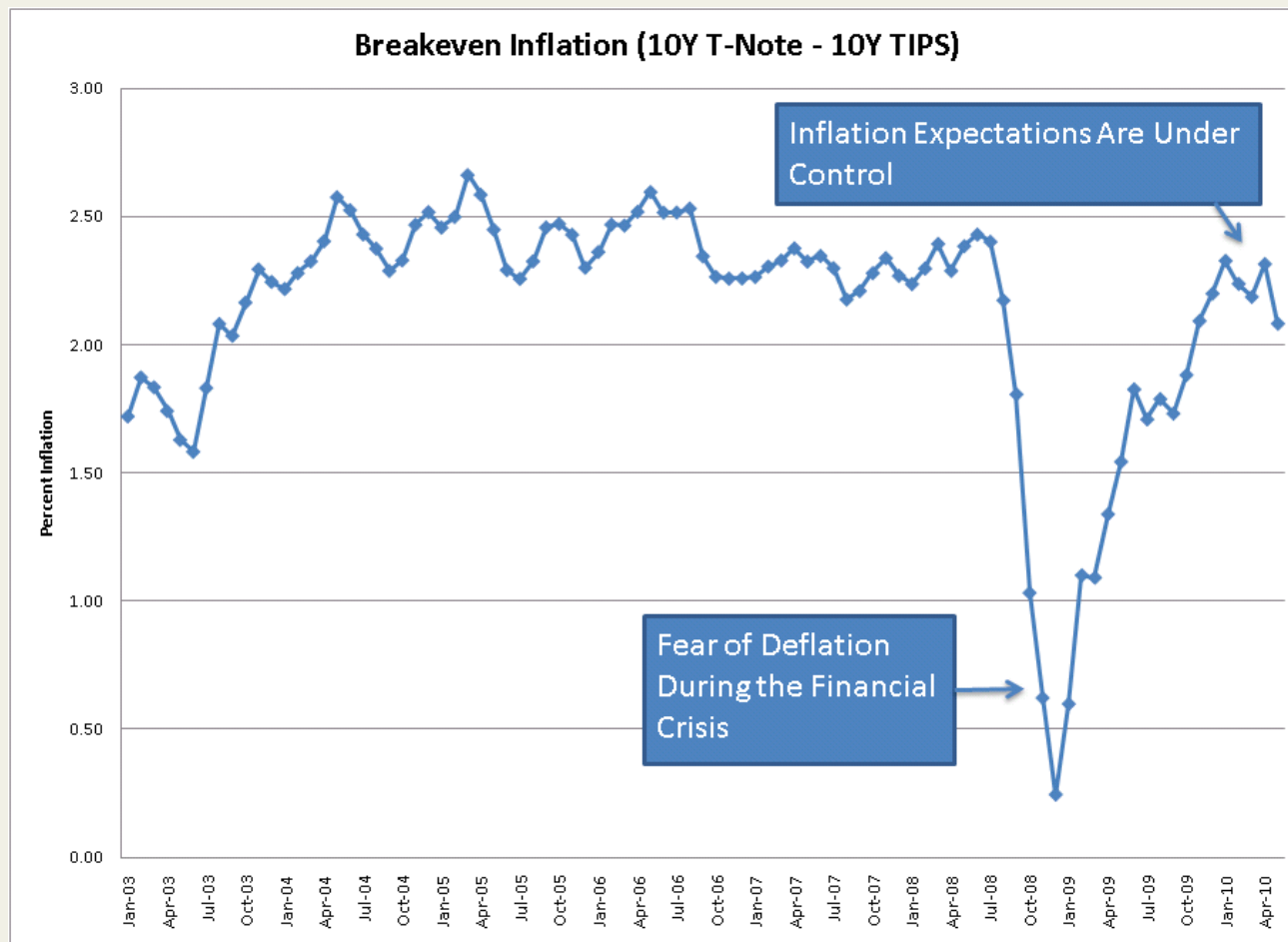
Economic context



The growing Federal debt?

Markets appear unconcerned

Economic context



These risks are overblown

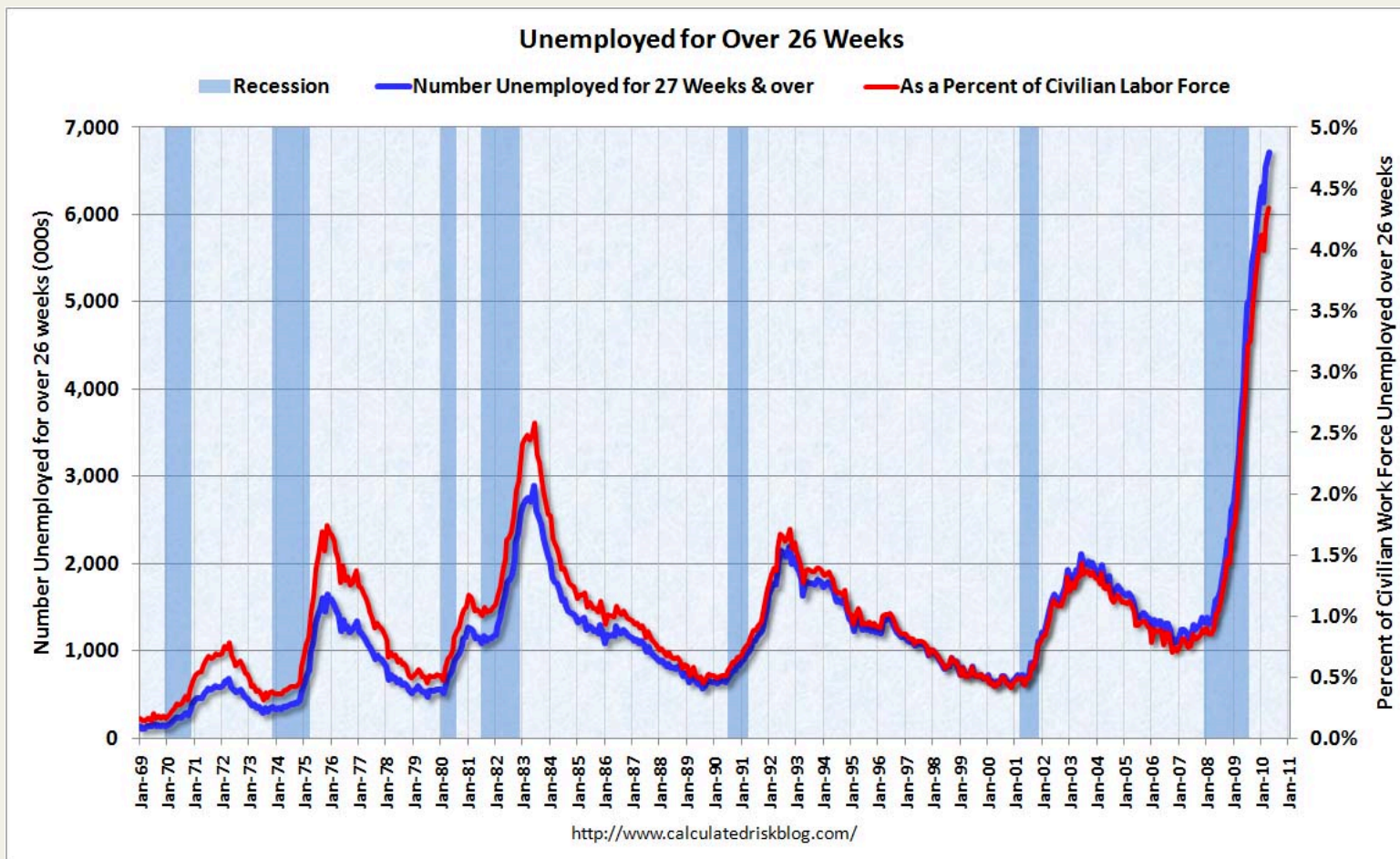
No double-dip recession

No new credit crisis from Greece

No market panic over the debt

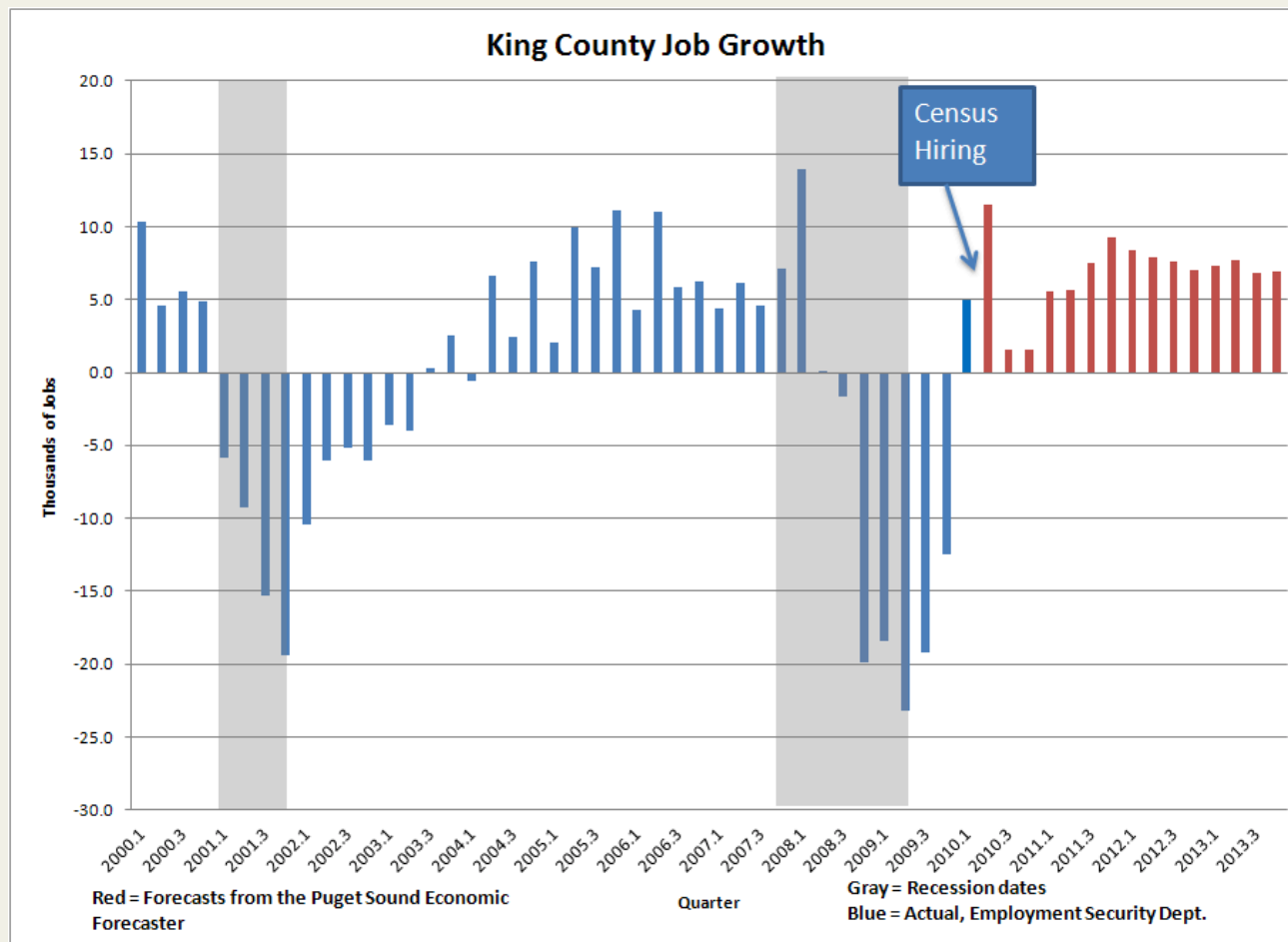
How this recession is different – long term unemployment

Economic context



After the Census: slow but positive job growth

Economic context





Real estate: have prices bottomed out? Probably not

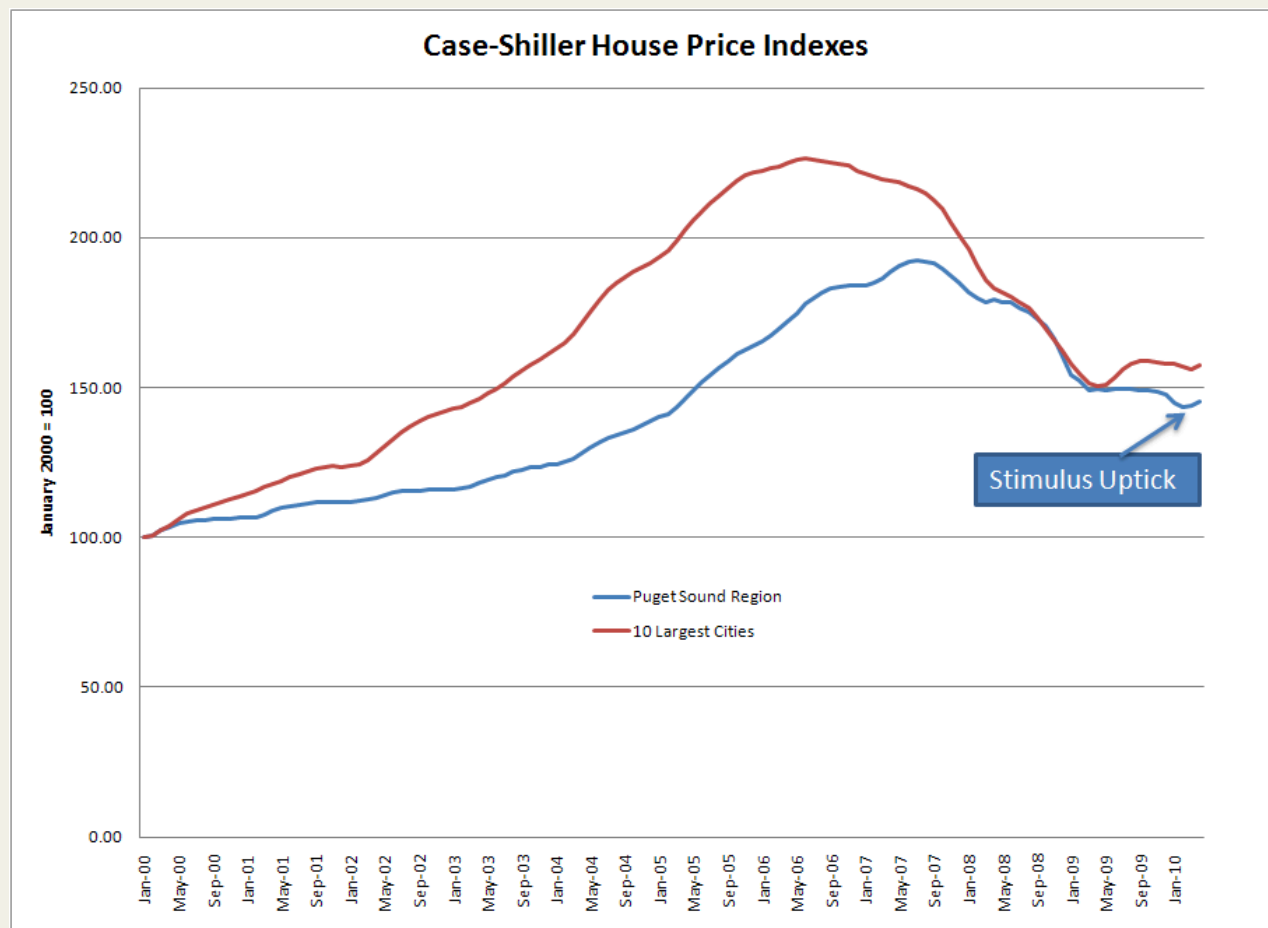
Economic context

Incentive
programs
ending

Large
inventory

More
foreclosures
coming

High office
vacancy rate



Recovery at half speed

Economic context

- **The good news:**
 - **National picture – the scariest headlines are overblown**
 - **King County has turned the corner on job growth**
- **The not so good news:**
 - **Job growth will be slow**
 - **Long-term unemployment is at historic high**
 - **Real estate and construction will struggle for 2-4 more years**

Final Revenue Forecasts for 2011

Assumptions

- Forecast Council requires a 65% confidence level – a 65% chance that actual revenues will exceed the forecasted
- All proposed annexations are assumed to occur as now scheduled through 2015
- Current tax rates are held fixed

Forecasts constructed under these assumptions are very conservative



Assessed valuation

- ❑ Assessments will be down again this year, but not as much as last year
- ❑ Commercial properties will fare worse than residential
- ❑ Annexations will reduce unincorporated revenues further

A snap back is expected in 2013-14



Valuations for all of King County will recover to pre-recession levels in 2014-15

	All of King County		Unincorporated King County	
Actual	Billions	YoY % Δ	Billions	YoY % Δ
2008	\$341.00	14.14%	\$50.37	11.57%
2009	\$386.89	13.46%	\$52.54	4.30%
2010	\$341.97	-11.61%	\$43.74	-16.74%
Forecasted				
2011	\$320.62	-6.24%	\$38.55	-11.88%
2012	\$323.76	0.98%	\$34.58	-10.28%
2013	\$341.46	5.47%	\$31.72	-8.28%
2014	\$377.35	10.51%	\$36.28	14.37%
2015	\$408.37	8.22%	\$39.96	10.15%
2016	\$434.10	6.30%	\$36.09	-9.68%



New construction to remain depressed, with an upturn in 2013-14

	All of King County	
Actual	Billions	YoY % Δ
2008	\$6.66	11.98%
2009	\$8.00	20.14%
2010	\$5.21	-34.98%
Forecasted		
2011	\$3.64	-30.10%
2012	\$2.68	-26.43%
2013	\$2.79	4.34%
2014	\$3.66	31.15%
2015	\$4.52	23.38%
2016	\$4.93	9.04%



Sales tax base will regain pre-recession levels in 2013-14

	All of King County	
Actual	Billions	YoY % Δ
2007	\$49.27	8.52%
2008	\$47.44	-3.71%
2009	\$40.78	-14.03%
Forecasted		
2010	\$39.26	-3.74%
2011	\$42.87	9.19%
2012	\$45.44	6.00%
2013	\$48.51	6.76%
2014	\$51.24	5.62%
2015	\$54.16	5.70%



Overall sales tax revenues will regain pre-recession levels in 2013

All Sales Tax Revenues to King County		
Actual	Millions	YoY % Δ
2007	\$548.18	
2008	\$569.15	3.82%
2009	\$505.91	-11.11%
Forecasted		
2010	\$486.48	-3.84%
2011	\$529.02	8.75%
2012	\$557.46	5.38%
2013	\$593.66	6.49%
2014	\$626.63	5.55%
2015	\$659.41	5.23%



The General Fund & Children & Family Services will not regain pre-recession levels until 2015

	Transit Sales Tax Revenue		General Fund and Children & Family Services	
Actual	Millions	YoY % Δ	Millions	YoY % Δ
2007	\$442.0	20.36%	\$91.9	10.10%
2008	\$432.9	-2.06%	\$87.7	-4.61%
2009	\$376.9	-12.94%	\$76.1	-13.15%
Forecasted				
2010	\$363.1	-3.66%	\$72.8	-4.41%
2011	\$396.5	9.19%	\$78.1	7.30%
2012	\$420.3	6.00%	\$80.1	2.61%
2013	\$449.0	6.76%	\$84.7	5.75%
2014	\$473.9	5.62%	\$89.5	5.62%
2015	\$500.9	5.70%	\$92.2	3.06%



Low inflation – a bright spot

	CPI-W Sep-to-Sep	CPI-U 12-mo Avg.	CPI-Seattle 12-mo Avg.
Actual			
2007	2.77%	2.87%	3.84%
2008	5.42%	3.82%	4.32%
2009	-1.68%	-0.32%	0.57%
Forecasted			
2010	1.48%	1.80%	1.41%
2011	1.36%	1.70%	1.78%
2012	2.23%	2.40%	2.53%
2013	2.35%	2.50%	2.74%



King County

Additional revenue forecasts

	2011	2012	2013	Reduced by Annexations
Investment Pool Return	1.08%	1.54%	2.18%	
Real Estate Excise Tax	\$3.8M (-12.8%)	\$3.2M (-16.6%)	\$3.2M (1.8%)	√
Hotel/Motel	\$17.4M (1.2%)	\$17.8M (2.5%)	\$18.8M (5.6%)	
Rental Cars	\$2.7M (4.5%)	\$2.7M (2.2%)	\$2.8M (4.6%)	



King County

Conclusions

- Economic recovery will be steady but slow
- Annexations will reduce revenues from:
 - Unincorporated property tax
 - Sales tax for the General Fund, Children & Family Services and Criminal Justice
 - Real Estate Excise Tax
- King County revenues will be back to pre-recession levels in 3-4 years

Questions?