



King County

OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS
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2020 Work Program

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 2020.

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 2020. 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 budget submittals 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 2020:

<u>Meeting</u>	<u>Day</u>	<u>Time</u>	<u>Location</u>
Formal Presentation	Tuesday, March 10	3:30 p.m.- 4:00 p.m.	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 2020:

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Revenue Forecasting

OEFA proposes to continue its efforts improving existing revenue forecasting and adding forecasts as appropriate. Proposed work for 2020 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 updates in 2016-2019 and will continue to deliver updates as required. OEFA proposes to continue to assist PSB in continued development of the revenue manual throughout 2020 as required/desired.

Economic Forecasting Model

OEFA typically uses several vendor provided forecasts as inputs to the revenue forecast models. These models include state and national input models and OEFA had historically relied on a local regional model that was widely used by local governments and other entities. However, the vendor of the local regional model discontinued publication in June, 2017. OEFA was able to acquire the model and support files and began producing its own forecast in the third quarter of 2017. At the same time, OEFA completed the development of its own model. Both of these models continue to be a critical input to OEFA's work and potentially other jurisdictions around the county and updating, refining and validating on a regular basis will continue to be an important element of our work in 2020. The models allow OEFA and others to better understand and forecast local economic variables. This will likely improve our forecasting, potentially yield efficiencies for other governments and improve OEFA's understanding of the local economy. For 2020 we will continue producing, monitoring and utilizing 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 2020 include:

- Continue 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.

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KC Organizational Support

OEFA has continued to support county analyses and operations in each year from inception through the present and we propose to continue to do that in 2020. 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
- Discount rate development
- Ad-hoc forecasting and modeling (e.g. fleets replacement)
- Rating agency and investment pool member presentations
- Credit committee participation
- Special analyses (e.g. economic impact/tax 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 some video.

For 2020, 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 continued development and upkeep of benchmark economic indicator 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 continue to work to make our graphics more user-friendly and update the formatting of the website.

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ESJ Commitments

The County continues to lead in efforts to achieve equity and 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 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 potentially supporting the IBT will include the benchmark development noted above with research into educational attainment, wages and poverty in King County, and other topics as resources allow.

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 \$2.7M in additional revenue (from 2010-2019) that would have been incorrectly sent to cities. Last year, OEFA performed one field audit and this year we propose to continue our analysis.

Intergovernmental and External Agency Support

OEFA continues to support other local governments and other entities on request. In 2014-2017, OEFA conducted roundtable discussions with representatives of suburban cities in the spring and accomplished others via email and attachments. In February, 2020 OEFA participated in the City of North Bend Government retreat providing information on the local economy and forecast. OEFA has also supported the analysis of forecast methods when asked. Attendees have generally indicated this is a valuable service and OEFA proposes to continue this work as desired in 2020.

Additionally, the Chief Economist has 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.