Economic Report

Financial Forecast & Snapshot

Office of the City Controller ▪ *Alan Butkovitz*

August 2014

Snapshot Highlights

Tax revenues (City & PICA) for August totaled $183.9 million, an almost four percent increase over the same month last year. A breakdown of the total revenues included $156.6 million into the General Fund and $27.3 million as the PICA portion.

Wage/Earnings/NPT (City & PICA) collections for the month totaled $124.7 million, a seven percent increase over the same month last year. Yearly collections for this tax category have totaled almost $276 million.

Monthly sales tax collections in August totaled $22.2 million, an almost six percent decrease compared to last August. Yearly collections for this tax category have totaled almost $45 million.

Along with reviewing monthly revenue collections, the Controller's monthly economic report reviewed tobacco tax revenues since the tax was imposed in Fiscal Year 2011. Since its inception, tobacco tax revenues have totaled $2.3 million (Fiscal Year 2011 to present).

While there was a steady increase in the first three years of collections for the tobacco tax, there was an 11 percent decrease from Fiscal Year 2013 to 2014. In Fiscal Year 2013, the City collected $728,339 compared to $649,508 in Fiscal Year 2014, recording a decrease of $78,831.

Philadelphia's current tobacco tax excludes cigarettes and little cigars. However, beginning October 1, 2014, Philadelphia will have a cigarette tax that will impose a $2-per-pack tax on all cigarettes and little cigars sold in the City.

Monthly Feature:

11% decline in the City's Tobacco Tax collections from Fiscal Year 2013 to 2014

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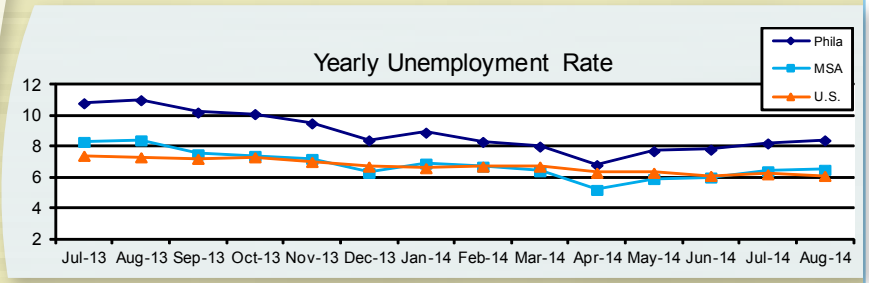
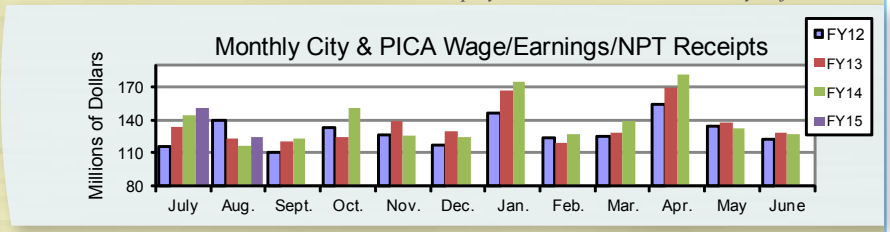
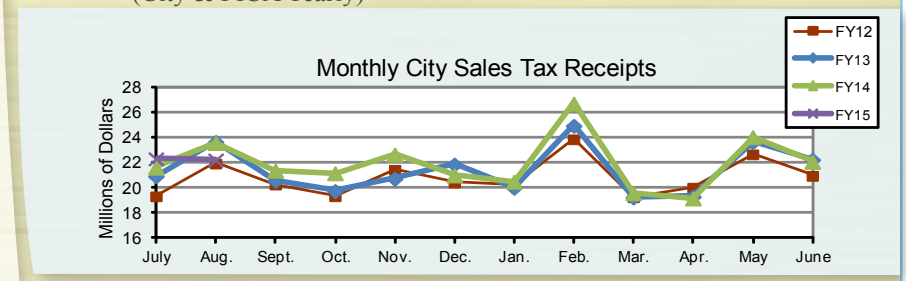


	Aug-14	July-14	Change	Aug-13
City -	8.4%	8.3%	1.2%	10.6%
MSA -	6.5%	6.4%	1.6%	8.1%
US -	6.1%	6.2%	-1.6%	7.3%

unemployment rates are non-seasonally adjusted



(in millions)	FY2015	FY2014	Change
Wage/NPT/Earnings - (City & PICA Yearly)	$275.52	$260.82	5.6%



(in millions)	FY2015	FY2014	Change
Sales (Yearly) -	$44.59	$45.23	-1.41%

According to PICA, collections for a single month can be a misleading indicator due to monthly variability in collections

Key Indicators

- 5.6% = increase in yearly Wage/NPT/ Earnings revenues over FY14
- -1.4% = decrease in yearly sales tax revenues over FY14
- 2.4% = increase in monthly home sales over last August
- -11% = decrease in yearly tobacco tax revenues from FY13-14

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Current Jobs Data & Forecasted Conditions

Business Outlook Survey

According to the Federal Reserve's latest Business Outlook Survey, labor market conditions for both current and future indicators were positive for the most recent reporting month.

The current employment index increased 12 points over last month with the percentage of firms reporting increases in employment, 26 percent, exceeded the percentage reporting decreases, five percent. However, the average employee workweek index fell from 13.3 to a reading of 4.4.

For employment expectations over the next six months, 44 percent are expecting an increase in job growth. The future employment index increased from 24.7 to 39.6, marking the highest reading in 31 years. Additional positive indicators included increases in overall activity, new orders and shipments.

Total Non-Farm Employment (latest data available)

	August 2014	July 2014	% Chg.	August 2013
City Total	653,900	659,800	-0.9%	653,800
Construction	11,000	11,000	0.0%	10,900
Manufacturing	21,500	21,500	0.0%	21,800
Trade, Trans. & Utilities	91,100	91,400	-0.3%	89,500
Information	11,300	11,300	0.0%	11,600
Financial Activities	41,900	41,900	0.0%	41,600
Prof. & Business Srvs.	86,900	88,300	-1.6%	86,200
Educ. & Health Srvs.	201,600	203,600	-1.0%	199,900
Leisure & Hospitality	64,600	65,000	-0.6%	66,000
Other Services	27,900	28,000	-0.4%	27,500
Government	96,100	97,800	-1.7%	98,800
MSA (PA) Total	1,896,500	1,909,400	-0.7%	1,886,300
Construction	75,000	76,000	-1.3%	69,000
Manufacturing	125,300	126,300	-0.8%	126,900
Trade, Trans. & Utilities	337,400	338,100	-0.2%	333,100
Information	35,800	35,900	-0.3%	36,800
Financial Activities	134,400	134,600	-0.1%	133,800
Prof. & Business Srvs.	310,700	314,300	-1.1%	311,800
Educ. & Health Srvs.	424,200	426,900	-0.6%	414,700
Leisure & Hospitality	178,300	180,200	-1.1%	175,500
Other Services	84,000	84,400	-0.5%	85,500
Government	191,400	192,700	-0.7%	199,200

City of Philadelphia Demographics

Population	Male	Female	White	Afric. Amer.	Asian	Other	Hispanic
1,526,006	47.20%	52.80%	41.04%	43.40%	6.32%	9.73%	12.30%

Pov. Rate	Under 18	Over 65	Md. Hse Inc.
25.6%	39.3%	17.3%	$36,957

Demographic data was compiled from the 2010 Census and the 2012 American Community Survey

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Tobacco Tax Revenues: A review of Collections since Inception

The City of Philadelphia in June 2010 adopted legislation that imposed a tax on tobacco and tobacco-related products such as cigars, smokeless tobacco, pipe tobacco, rolling papers and other loose tobacco. As indicated in the City Controller's March 2013 Economic Report, the tobacco tax generated $1.6 million during Fiscal Years 2011 through March 2013.

Since that time, the tax revenues have continued to roll in as total collections since its inception have now amounted to $2.3 million (Fiscal Year 2011 through August of Fiscal Year 2015).

However, while there was a steady increase in the first three years of collections for the tobacco tax, there was an 11 percent decrease from Fiscal Year 2013 to 2014. For Fiscal Year 2013, the City collected $728,339 compared to $649,508 in Fiscal Year 2014, recording a decrease of $78,831.

All tobacco retailers are subject to specific licensing and permitting. The tax is paid and filed annually by January 31 of each year for the prior year's sales. With the tax being filed at the beginning of each year, January and February are the two months where the bulk of the tax collections are recorded.

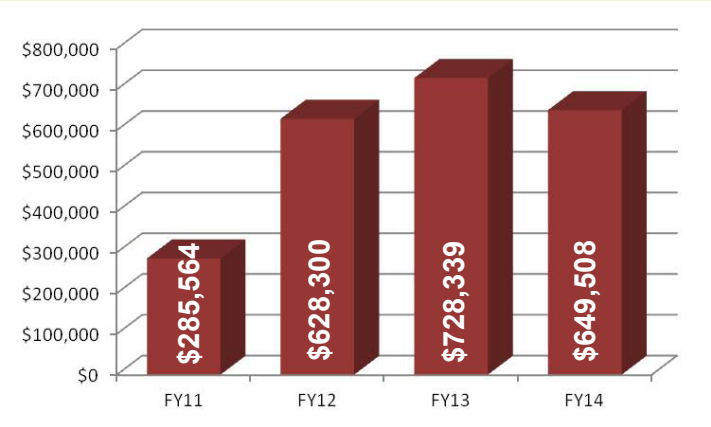
The current rate for the taxable tobacco objects includes the following:

- $0.036 for individually rolled items, like cigars
- $0.36 per pack of rolling papers
- $0.36 per ounce of all other tobacco and tobacco-related items

In addition, tax returns are not sent out for this tax as the retailer has the responsibility of filing the return online and on time, according to the Department of Revenue.

Philadelphia's current tobacco tax excludes cigarettes and little cigars. But, beginning October 1, 2014, Philadelphia will have a cigarette tax that will impose a $2-per-pack tax on all cigarettes and little cigars sold in the City.

Tobacco Tax Revenue Fiscal Year 2011 - 2014



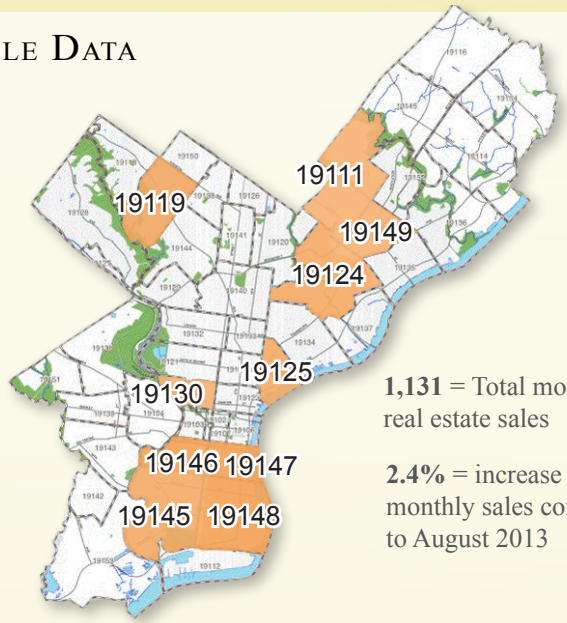
Tax revenues were compiled from the City's primary Financial Accounting System

Monthly Home Sale Data

August 2014 - Top 10 Sales by Zipcode

ZIP Code	Sales	% of Sales from Bank Owned	% of Sales from Short Sales
19146	79	3.80%	1.30%
19147	66	4.50%	0.00%
19148	51	3.90%	2.00%
19111	50	2.00%	2.00%
19125	49	4.10%	2.00%
19130	49	6.10%	0.00%
19124	44	25.00%	0.00%
19149	43	11.60%	0.00%
19145	40	15.00%	2.50%
19119	38	5.30%	2.60%

Based on information from TREND for August 2014



1,131 = Total monthly real estate sales

2.4% = increase in monthly sales compared to August 2013