



# Economic Report

## Financial Forecast & Snapshot

OFFICE OF THE CITY CONTROLLER

Alan Butkovitz

December  
2010

### Snapshot Highlights

Tax revenues (City & PICA) for December totaled \$174 million, a slight increase from the previous month and \$6 million more than in December 2009. Year-to-date revenue collections totaled \$1.1 billion, a 10% increase from this time a year ago and the highest recorded revenue totals within the last five years.

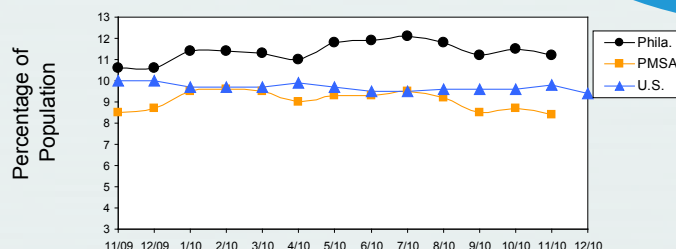
Wage/Earnings/NPT (City & PICA) collections for the month totaled \$143.4 million, a 30 percent increase from December of last year. This is the highest monthly collection total since January 2008.

Monthly sales tax collections were \$18.6 million, a 14% decrease in collections from the previous month and the lowest collection for the fiscal year. Year-to-date collections total almost \$125 million, which is a just more than half of what's needed to meet the City's sales tax budget projection.

December's real estate sales totaled 794, a 23% increase in sales from the previous month. Of the total sales, 122, or 15%, were due to foreclosure, which is about the monthly average sold in foreclosure throughout the year.

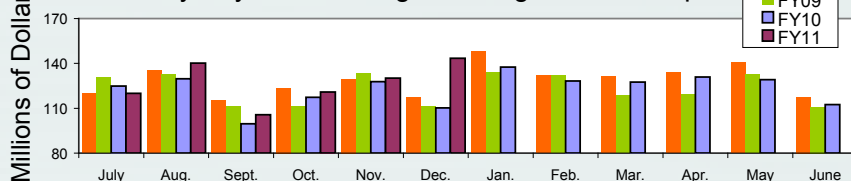
This month's report features an on-going look at the City's overtime (OT) expenses as it has reached the half-way point of the fiscal year. While overall OT is down by 5% compared to this time last year, the Fire Department's costs continue to increase - currently at \$10.5 million. The Mayor's "brownout" initiative was supposed to save an annual \$3.8 million in OT, but the Dept. is already \$1.6 million ahead of where it stood last year at this time in OT expenses.

Historical Unemployment Rate



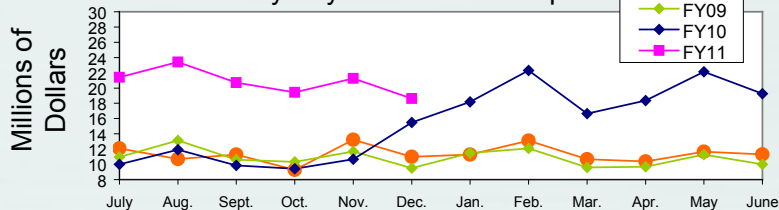
	<u>Nov-10</u>	<u>Oct-10</u>	<u>Change</u>	<u>Nov-09</u>
City -	11.2%	11.5%	-2.61%	10.7%
MSA -	8.4%	8.7%	-3.45%	8.2%
	<u>Dec-10</u>	<u>Nov-10</u>	<u>Change</u>	<u>Dec-09</u>
US -	9.4%	9.8%	-4.08%	10.0%

Monthly City & PICA Wage/Earnings/NPT Receipts



(in millions)	<u>FY2011</u>	<u>FY2010</u>	<u>Change</u>
Wage/NPT/Earnings - (City & PICA Yearly) -	\$760.91	\$709.60	7.23%

Monthly City Sales Tax Receipts



(in millions)	<u>FY2011</u>	<u>FY2010</u>	<u>Change</u>
Sales (Yearly) -	\$124.87	\$67.33	85.46%

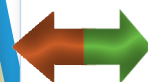
### Key Trends



Current revenue totals  
at highest recording in  
last five years



Wage/Earnings/  
NPT collections  
highest since  
January 2008



Drop in sales tax  
from last month, still  
on budget target



Overall OT  
costs down:  
Fire Dept. con-  
tinues increase



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### Forecast Highlights

December  
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According to the Philadelphia Federal Reserve's Business Outlook Survey, the new orders index increased by 13 points this month and it was in the fourth-consecutive monthly increase. This increase shows that the demand for manufactured goods continues to improve. The shipments index also improved by an increase of eight points.

The positive responses that firms have provided about future employment shows improvement in labor market conditions. The current employment index increased 13 points and it was the fifth consecutive month that the percentage of firms reporting an increase in employment (25 percent) is higher than the percentage reporting a decline (7 percent).

Firms reported that their expected growth of sales needs to be high as the most important factor influencing increasing employment. Firms also reported that their uncertainty about regulations and government policies was the second most important factor for restraining hiring.

Total Non-Farm Employment (in thousands)			Source: BLS	
	Dec-10 (P)	Nov-10	%Change	Dec-09
<b>City Total</b>	654.9	657.4	-0.4%	651.6
Manufacturing	25.2	25.3	-0.4%	25.3
Wholesale & Retail	62.9	62.6	0.5%	62.8
Services	620.1	622.1	-0.3%	617.1
Construction & Mining	9.6	10.0	-4.0%	9.2
<b>MSA Total</b>	2712.1	2713.2	0.0%	2710.6
Manufacturing	184.4	184.3	0.1%	188.9
Wholesale & Retail	422.2	417.9	1.0%	420.2
Services	2434.3	2433.6	0.0%	2425.6
Construction & Mining	93.4	95.3	-2.0%	96.1

#### RESOURCES

American Bankers Association - Forecast & Outlook	-outlook delivers a one-year forecast for mostly banking-related indicators as well as general economic measures
economy.com - Precis: Metro/US/ Northeast/Philadelphia	-includes five-year forecasts of eleven key indicators
FRB Philadelphia	-3rd District - eastern PA, southern NJ and state of Delaware
FRB Philadelphia - Livingston Survey	-summarizes the forecasts of economists from industry, government, banking and academia
FRB Philadelphia - Professional Forecasters	-quarterly survey of macroeconomic forecasts in the U.S.
FRB Philadelphia - Regional Employment Forecasts	-regional indicator predicting job growth and unemployment rate one year from now
FRB Philadelphia - Business Outlook Survey	-monthly survey of manufacturers in the Philadelphia area indicating the change in expected business activity six months from now
NABE Outlook	-presents the consensus of macroeconomic forecasts by 37 professional forecasters from NABE
Conference Board - U.S. Leading Indicator	-gauges the whereabouts of the U.S. economy in nine months

#### PHILADELPHIA DEMOGRAPHICS

Population	Other
1,547,297*	8.50%
Male	Hispanic
46.78%	10.46%
Female	Pov. Rate
53.21%	25.0%
White	Under 18
41.83%	25.58%
Af. Amer.	Over 65
44.33%	13.00%
Asian	Md. Hse Inc.
5.30%	\$33,229

(\*2009 U.S. Census figures)





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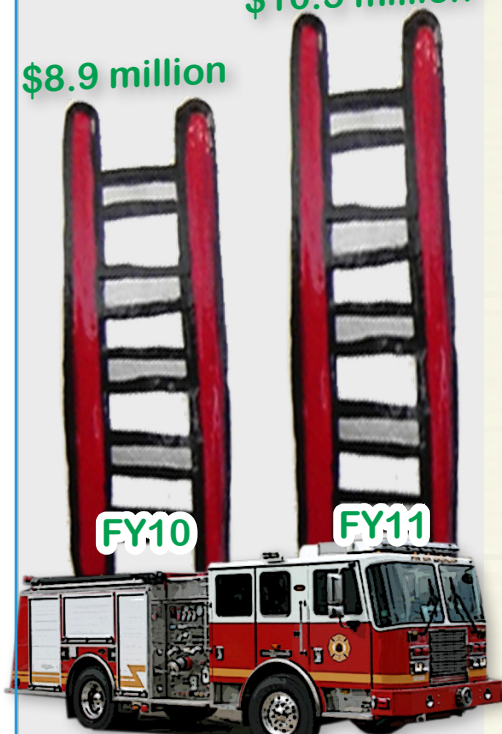
December  
2010

↑ **\$1.6 million**

Increase in Fire OT  
compared to last year

**\$10.5 million**

**\$8.9 million**



FY2011 - First Half

## OVERTIME COST\$

With the first half of the fiscal year recorded in the City's financial books, overall overtime (OT) costs are almost five percent less than last year at this time. Although, the trend of increasing costs within the Fire Department could thwart progress to sustain lower OT costs and put a dent in the City's budget at the end of the fiscal year.

The Department's OT costs have increased by \$1.6 million compared to this same time last year. As a means to reduce Fire Department OT costs and save \$3.8 million in FY11's budget, Mayor Michael Nutter implemented a "brownout" measure to temporarily close certain fire stations on a rotating schedule.

At the fiscal half-way point last year, the Department's OT costs

were at \$8.9 million, compared to the current period's costs of \$10.5 million, which excludes the multi-million dollar settlement paid in August for previous paramedic OT payments. Every month in FY11 has produced greater OT costs than the same month in the previous fiscal year. August and December of the current fiscal year marked the highest months for OT, \$2.1 million and \$2 million, respectively.

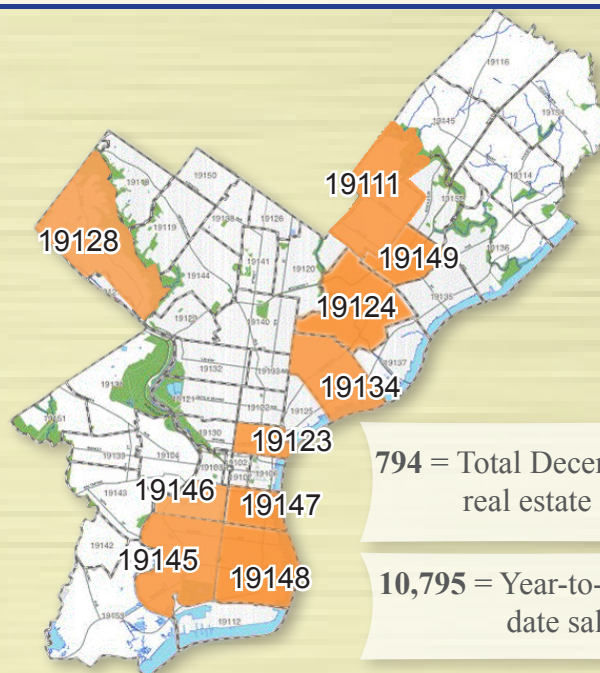
Other City Departments with significant increases and decreases in OT costs compared to the previous's half-way mark include:

INCREASE			DECREASE		
Dept.	Diff.	% chg.	Dept.	-Diff.	-% chg.
Courts	\$27,057	443%	OSH	-\$119,043	-48%
Library	\$167,668	93%	Propty.	-\$123,387	-38%
DHS	\$881,865	28%	Sheriff	-\$531,085	-32%
Fleet	\$242,413	24%	Streets	-\$1.2 mil.	-28%
Recrtn.	\$207,255	20%	Police	-\$4.5 mil.	-18%

## City Real Estate Sales

### DECEMBER 2010 - Top 10 Sales by Zipcode

ZIP Code	Sales	Bank Owned	% of Bank Owned
19146	50	4	8.0%
19111	41	5	12.2%
19134	37	7	18.9%
19123	36	1	2.8%
19124	36	5	13.9%
19147	36	1	2.8%
19148	34	6	17.6%
19145	33	7	21.2%
19149	32	3	9.4%
19128	29	2	6.9%



794 = Total December  
real estate sales

10,795 = Year-to-  
date sales

Based on information from TREND for December 2010.