



Economic Report

Financial Forecast & Snapshot



OFFICE OF THE CITY CONTROLLER

Alan Butkovitz

Snapshot Highlights

Tax revenues (City & PICA) for December totaled \$167.7 million, an almost four percent decrease from the same month last year. This included \$141.2 million into the General Fund and \$26.5 million as the PICA portion.

Wage/Earnings/NPT (City & PICA) collections for the month totaled \$116.6 million, a less than one percent decrease compared to the same month last year. Total collections for the current fiscal year are \$743.2 million, a 1.2% increase over last year.

Monthly sales tax collections totaled \$20.4 million, which is a 10 percent increase from the amount collected in December 2010. Total sales tax collections for the year are down 1.5% compared to the same period last year.

With city tax revenues recorded for the first half of the fiscal year, this month's economic report reviews collections for the first six months and compares the figures to the original revenue estimates that the City projected as part of the initial FY12 budget. It was found that tax revenues are \$31.6 million below the City's initial estimate for the first half of the fiscal year.

Wage/Earn/NPT collections mark the largest shortfall with \$10.3 million behind initial projections. Business Privilege Tax collections are \$7.7 million below initial estimates. Sales tax collections are the only revenues that are not below the initial FY12 projections.

Realizing the weak collections so far in FY12, which mainly occurred in the first quarter, the City has already reduced its original tax revenue estimates.



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MONTHLY FEATURE:

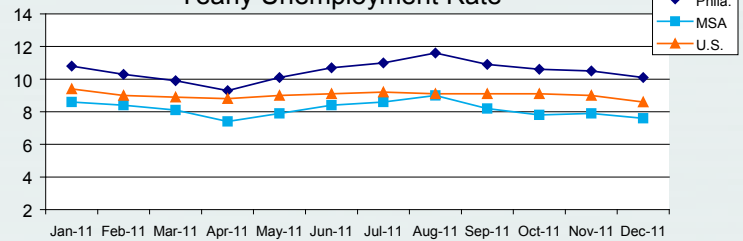
December 2011



City tax revenues \$30+ million below initial budget projections for the first six months of FY12.

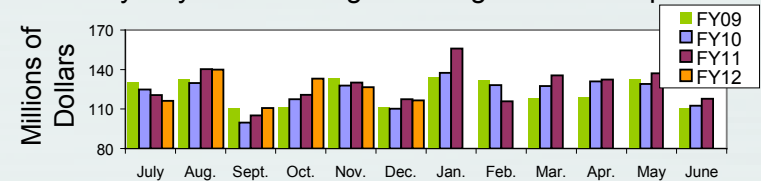
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Yearly Unemployment Rate



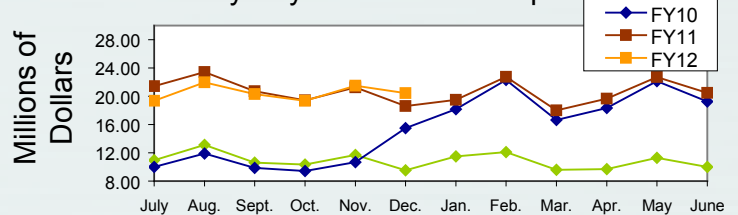
	Dec-11	Nov-11	Change	Dec-10
City -	10.1%	10.5%	-3.81%	10.7%
MSA -	7.6%	7.9%	-3.80%	8.1%
US -	8.5%	8.6%	-1.16%	9.4%

Monthly City & PICA Wage/Earnings/NPT Receipts



(in millions)	FY2012	FY2011	Change
Wage/NPT/Earnings - (City & PICA Yearly)	\$743.18	\$734.24	1.22%

Monthly City Sales Tax Receipts



(in millions)	FY2012	FY2011	Change
Sales (Yearly) -	\$122.92	\$124.83	-1.53%

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

Key Trends & Financials

City's unemployment rate: Four consecutive months of decline

Total yearly sales tax collections down 1.5% compared to last year

Tax Revenues \$31.6 million below original FY12 estimates

849 total monthly real estate sales - most sales since August 2011



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Forecast Highlights

December 2011

According to the latest Business Outlook Survey from the Philadelphia Federal Reserve, manufacturing firms' responses continue to indicate that labor market conditions are improving. The current employment index has now been positive for five consecutive months. Twenty-one percent of firms reported an increase in employment compared to 10 percent reporting a decrease.

The future general activity index increased from a reading of 40 last month to 49 this month, marking the highest reading in 10 months. Twenty-eight percent of firms are expecting to increase employment over the next six months compared to nine percent expecting to decrease it. The expectation of high sales growth over the next 12 months among many of the firms was the main decision maker for increasing their employment. The second most cited factor for increasing employment was that many firms believe their current staff is overworked. The most frequently cited factors among firms restraining hiring were the need to keep operating costs low and low expectations for sales growth.

1 The survey's results reflect data of the current month and/or the month that the Controller's economic report is released.

Total Non-Farm Employment (in thousands)			Source: BLS	
	Dec-11(P)	Nov-11	% Change	Dec-10
City Total	661.1	664.0	-0.4%	665.9
Manufacturing	23.4	23.6	-0.8%	24.8
Wholesale & Retail	63.9	63.2	1.1%	64.5
Services	628.1	630.4	-0.4%	631.3
Construction & Mining	9.6	10.0	-4.0%	9.8
MSA Total	2724.3	2727.4	-0.1%	2730.6
Manufacturing	183.0	182.4	0.3%	186.4
Wholesale & Retail	425.6	421.3	1.0%	423.8
Services	2447.2	2447.5	0.0%	2443.5
Construction & Mining	94.1	97.5	-3.5%	100.7

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

DEMOGRAPHICS

PHILADELPHIA	Population	Other
	1,526,006	9.73%
	Male	Hispanic
	46.80%*	12.30%
	Female	Pov. Rate
	53.21%*	26.7%*
	White	Under 18
	41.04%	36.4%*
	Af. Amer.	Over 65
	43.37%	16.9%*
	Asian	Md. Hse Inc.
	6.32%	\$33,229

Data above is from the 2010 Census, unless noted *based on 2010 American Community Survey



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December 2011

CITY TAX REVENUES: ESTIMATE VS ACTUAL \$30+ Million Below Initial FY12 Budget Projections

A major component of the annual budget process is to formulate estimated revenues that the City expects to generate for the upcoming fiscal year. This includes tax revenues, non-tax revenues and revenues from other governments.

This month's economic report reviewed the initial estimates for general fund tax revenues that the City projected it would receive as part of its FY12 budget and compared it to the actual tax revenues it collected so far this year.

With the first half of the fiscal year's tax collections recorded in the books, the City has generated almost \$878 million from July 1, through December 31. The City's initial estimate for total general fund tax revenues for the first six months was almost \$910 million.

This means that the City is almost \$32 million behind its original tax revenue projections. This is due to almost every tax type generating less than expected

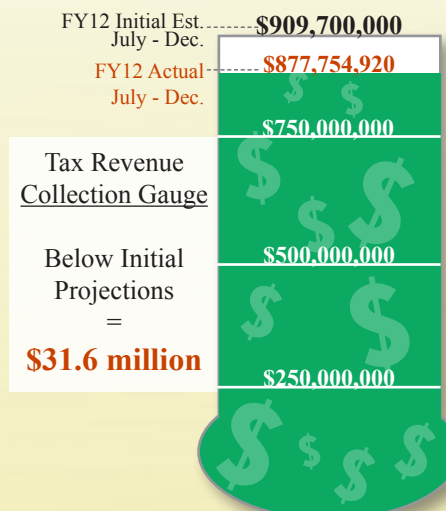
revenues. Wage, Earnings and Net Profits tax revenues are \$10 million below initial projections, Business Privilege taxes are down almost \$8 million and real estate taxes are \$7 million behind.

The actual sales tax collection of \$122.9 million is the only tax revenue that has exceeded its initial projection of \$121.3 million, a gain of \$1.6 million.

Realizing the weak tax collections that mainly occurred in the first quarter (July-September), the City already reduced FY12 tax collection projections in its First Quarter City Managers Report for Wage and Earnings, Sales and Amusement taxes. This adjustment totaled \$31.7 million and the estimates could change depending on the trends for the remainder of the year.

FY12 Estimates vs. Actual Collections July - December (amounts in millions)

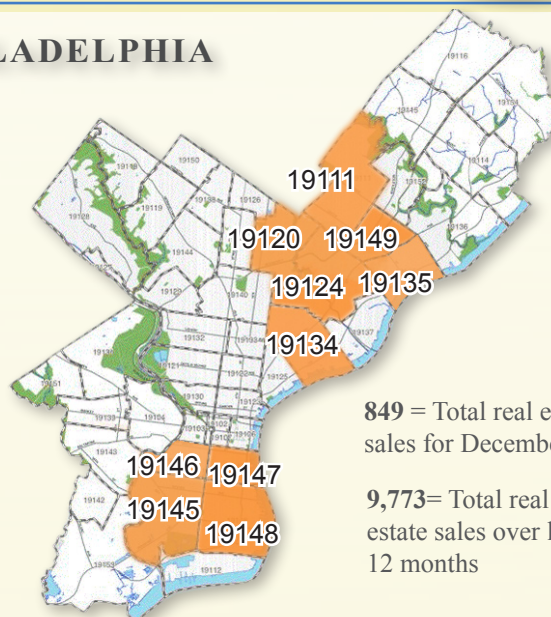
Tax Type	FY12 Original Estimate	FY12 Actual Collection	+/- Difference
Real Estate	\$53.1	\$46.1	-\$7.0
Wage/Earn/NPT	\$586.1	\$575.8	-\$10.3
Realty Transfer	\$66.4	\$61.5	-\$4.9
Sales	\$121.3	\$122.9	+\$1.6
Bus. Priv.	\$33.3	\$25.6	-\$7.7
Other Taxes	\$49.5	\$46.1	-\$3.3



HOME SALES IN PHILADELPHIA

December 2011 - Top 10 Sales by Zipcode

ZIP Code	Sales	Bank Owned	% of Bank Owned
19146	48	3	6.30%
19148	47	2	4.30%
19134	42	14	33.30%
19147	42	1	2.40%
19120	38	5	13.20%
19145	36	5	13.90%
19111	34	7	20.60%
19124	32	13	40.60%
19149	31	7	22.60%
19135	30	7	23.30%



849 = Total real estate sales for December

9,773 = Total real estate sales over last 12 months

Based on information from TREND from December 2011.