



# Economic Report

## Financial Forecast & Snapshot

OFFICE OF THE CITY CONTROLLER

Alan Butkovitz

### Snapshot Highlights

Tax revenues (City & PICA) for June totaled \$203 million, which is a three percent increase compared to last June. A breakdown of the total revenues included \$170 million into the General Fund and \$33 million as the PICA portion.

Wage/Earnings/NPT (City & PICA) collections for the month totaled \$137 million, a seven percent increase over the same month last year. Yearly collections for this tax category have totaled more than \$1.7 billion.

Monthly sales tax collections for June totaled \$12 million. Excluding the last five years when the City's General Fund received two percent of the sales tax instead of just the current one percent portion, the current month's collection is the highest amount that's been recorded for June since at least FY1996.

Yearly Sales Tax revenues into the City's General Fund totaled almost \$152 million, which is \$112 million less than last year as a result of the additional one percent of the tax now dedicated to the School District of Philadelphia. It was also about \$3 million below the City's FY2015 Budget Projection.

Lower revenue amounts in this tax category typically indicate weaker sales for the City. A further review of the Sales Tax collections determined that sales were outperforming budget estimates. Yearly Sales Tax revenues remitted by the Commonwealth of Pennsylvania actually totaled \$156.9 million.

However, the City incurred an unanticipated refund of \$4.2 million in May for a tax incentive project. This decreased the overall yearly revenues for the City and resulted in the City to fall short of what it projected would be in the General Fund at year's end.

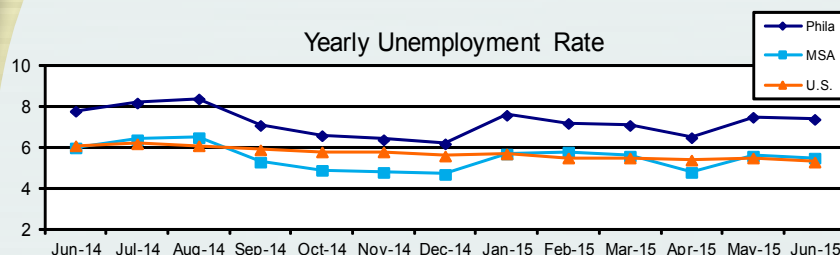
### MONTHLY FEATURE:



Yearly Sales Tax revenues fall short of budget projection by almost \$3 million

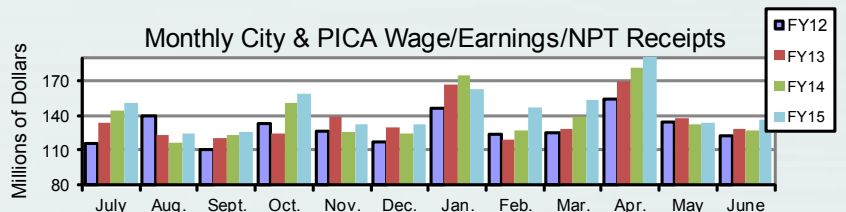
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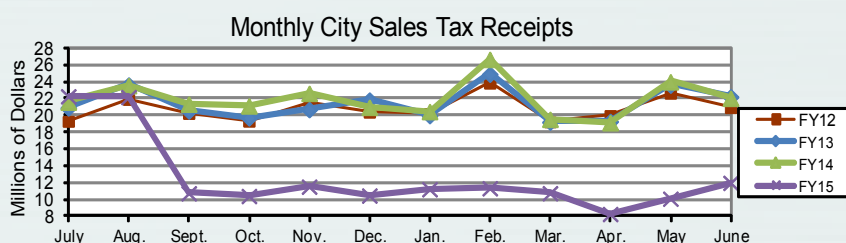


	June-15	May-15	Change	June-14
City -	7.4%	7.5%	-1.3%	8.4%
MSA -	5.5%	5.6%	-1.8%	6.0%
US -	5.3%	5.5%	-3.6%	6.1%

unemployment rates are non-seasonally adjusted



(in millions)	FY2015	FY2014	Change
Wage/NPT/Earnings - (City & PICA Yearly)	\$1,752.4	\$1,667.0	5.1%



(in millions)	FY2015	FY2014	Change
Sales (Yearly) -	\$151.9	\$263.7	-42.4%

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

### Key Indicators



5.1% = increase in yearly Wage/NPT/Earnings revenues over FY14



10,600 = increase in total city employment over last year



29% = increase in monthly homes sales over June 2014



-48 points = decline over last month for nonmanufacturing activity



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### Current Employment Data & Forecasted Conditions

#### Nanmanufacturing Business Outlook Survey

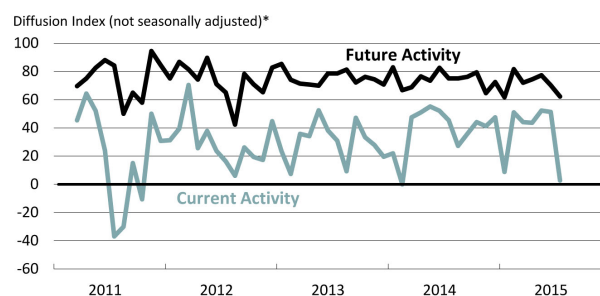
According to the Federal Reserve Bank of Philadelphia's latest Nonmanufacturing Business Outlook Survey, there was a sharp decline in several nonmanufacturing indexes that respondents indicated was partially a result of seasonal factors. There is typically a decrease in activity during the summer months of July and August.

The Diffusion Index for Current Activity at the firm level declined from 51.4 last month to 2.7 in July. Almost 40 percent of the firms surveyed reported a decrease in general business activity compared to only eight percent last month.

The New Orders Index also dropped significantly from 27 to -5.4. This index hasn't been negative since 2013. In addition, the Sales/Revenue Index fell 54 points to a reading of -21.6 over the last month.

In addition, firms continued to report lower spending for equipment and software for the third consecutive month. The index fell from 18.9 to 5.4 over the last month.

Chart 1. Current and Future General Activity Indexes for Firms (March 2011 to July 2015)



\* Percentage of respondents indicating an increase minus percentage indicating a decrease

Chart from the July 2015 Federal Reserve Bank of Philadelphia's Nonmanufacturing Business Outlook Survey

#### Total Non-Farm Employment (latest data available)

	June 2015	May 2015	% Chg.	June 2014
<b>City Total</b>	677,700	683,400	-0.8%	667,100
Construction	11,300	11,400	-0.9%	11,200
Manufacturing	21,000	21,000	0.0%	21,600
Trade, Trans. & Utilities	91,900	91,100	0.9%	90,900
Information	11,400	11,400	0.0%	11,500
Financial Activities	42,200	41,800	1.0%	41,900
Prof. & Business Svcs.	87,300	87,100	0.2%	87,500
Educ. & Health Svcs.	207,300	213,200	-2.8%	205,700
Leisure & Hospitality	72,900	74,500	-2.1%	66,900
Other Services	30,300	29,600	2.4%	27,700
Government	102,100	102,300	-0.2%	102,200

#### City of Philadelphia Demographics

Population	Male	Female	White	Afric. Amer.	Asian	Other	Hispanic
1,553,165	47.30%	52.70%	45.5%	44.2%	6.9%	3.3%	13.3%
Pov. Rate	Under 18	Over 65	Md. Hse Inc.	Demographic data was compiled from the 2013 U.S. Census Bureau and 2012 American Community Survey			
25.6%	39.3%	17.3%	\$36,957				





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## YEARLY SALES TAX REVENUES FALL SHORT

*Unanticipated refund for tax incentive program costs City \$4 million in FY2015*

All businesses in Philadelphia with taxable items subject to the Sales Tax must file the entire eight percent with the Pennsylvania Department of Revenue. After the Commonwealth keeps its six percent share, the Pennsylvania Treasury sends two checks monthly to Philadelphia to cover its portion: one percent of the tax revenues are remitted to the City of Philadelphia and the other one percent is remitted to the School District of Philadelphia.

With Sales Tax revenues being divided evenly between the City and School District for all but two months in FY2015, it was anticipated that the City's portion would be reduced by almost half compared to the last four years. To account for the loss in revenues to the City's General Fund, the Mayor's Budget Office projected \$154.6 million for FY2015.

However, yearly Sales Tax revenues for FY2015 totaled \$151.9 million, which was almost \$3 million, or two percent, less than what the City had projected

in its Five Year FY2015-2019 Budget Plan.

Upon further review, it was discovered that total Sales Tax revenues remitted by the State actually totaled \$156.9 million, which was above what the City had initially projected. Although, the portion that remained in the City's General Fund was only \$151.9 million.

The lower recorded amount was a result of an unanticipated \$4 million refund the City made to the Philadelphia Industrial Development Corporation (PIDC). It was determined that the refund made in May 2015 to PIDC in relation to the Park West Tax Increment Financing (TIF) Project reduced the amount recorded in the General Fund, from \$14.3 million to \$10.1 million.

Refunds to PIDC in prior years have

### FY2015 City Sales Tax - Remitted vs. Refunded

FY2015	Sales Remitted by State	City's Portion After Refund	\$ Diff.
July	\$22,342,454	\$22,342,454	\$0
August	\$22,286,976	\$22,245,801	-\$41,175
September	\$10,869,336	\$10,791,624	-\$77,712
October	\$10,539,134	\$10,474,434	-\$64,700
November	\$11,594,560	\$11,594,560	\$0
December	\$10,516,213	\$10,516,213	\$0
January	\$11,270,952	\$11,270,952	\$0
February	\$11,391,058	\$11,391,058	\$0
March	\$10,793,880	\$10,793,880	\$0
April	\$8,974,531	\$8,318,128	-\$656,403
May	<b>\$14,301,571</b>	<b>\$10,148,282</b>	<b>-\$4,153,289</b>
June	\$12,037,630	\$12,037,630	\$0
Total	\$156,918,294	\$151,925,016	-\$4,993,278

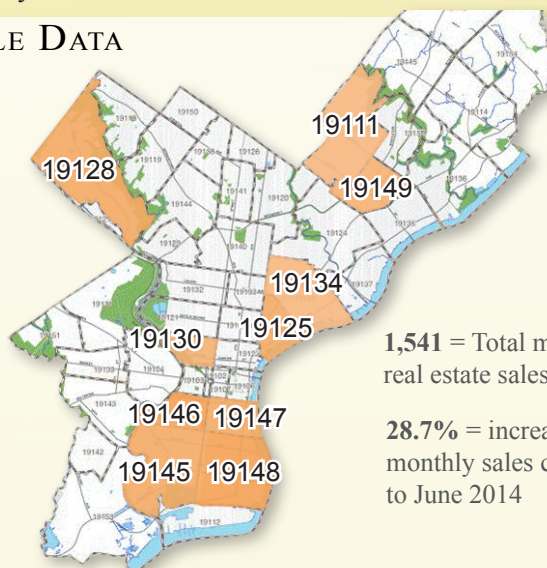
been between \$700,000 to \$800,000 annually and were expected as part of the TIF agreements. Research into the May 2015 payment indicates the City did not anticipate the significant revenue loss to the General Fund from the one month refund.

## MONTHLY HOME SALE DATA

### June 2015 - Top 10 Sales by Zipcode

ZIP Code	Sales	% of Sales from Bank Owned	% of Sales from Short Sales
19146	139	1.40%	0.00%
19147	83	0.00%	1.20%
19148	74	5.40%	0.00%
19125	72	1.40%	0.00%
19128	65	4.60%	0.00%
19130	62	1.60%	0.00%
19111	55	9.10%	1.80%
19149	53	5.70%	3.80%
19145	49	8.20%	0.00%
19134	46	2.20%	4.30%

Based on information from TREND for June 2015



1,541 = Total monthly real estate sales

28.7% = increase in monthly sales compared to June 2014