



Economic Report

Financial Forecast & Snapshot



OFFICE OF THE CITY CONTROLLER

Alan Butkovitz

Snapshot Highlights

Tax revenues (City & PICA) for May totaled \$245 million, which is a 17 percent decrease compared to last May. A breakdown of the total revenues included \$212 million into the General Fund and \$33 million as the PICA portion.

Wage/Earnings/NPT (City & PICA) collections for the month totaled \$134 million, a one percent increase over the same month last year. Yearly collections for this tax category have totaled more than \$1.6 billion.

Monthly sales tax collections for May totaled \$10.1 million, which is lower than monthly collections prior to the one percent increase (from seven-to-eight percent). The same monthly collection was last recorded in May 2009. Additionally, the FY2015 yearly collections have totaled almost \$140 million.

In addition to reviewing tax collections, the Controller's economic report reviewed the \$146 million in new tax revenues provided to the School District of Philadelphia during FY2015. This new tax revenue is a result of enacted legislation by the City and State in an effort to raise additional funds for the School District.

Yearly Cigarette Tax revenues have totaled \$45 million, averaging about \$5.6 million a month since the tax was implemented in October 2014. The redirected Sales Tax revenue to the School District recorded from September 2014 through May 2015 has totaled almost \$101 million.

Upon further review of the Cigarette Tax collections, it was determined that the Commonwealth has charged the School District so far this year a total of \$686,000 for administrative costs associated with personnel, travel and office space to support program operations.

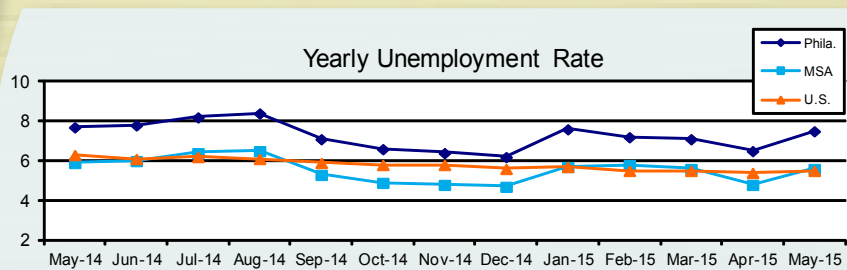
MONTHLY FEATURE:



\$146 million in new tax revenues for the School District of Philadelphia

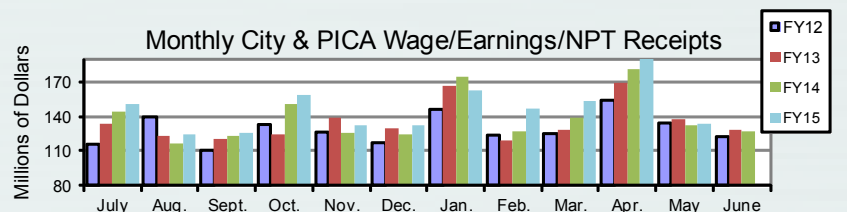
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May 2015

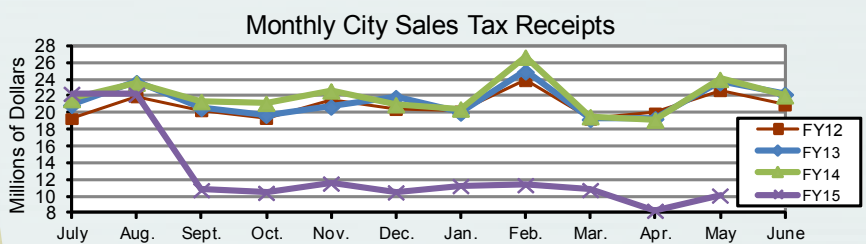


	May15	Apr-15	Change	May-14
City -	7.5%	6.5%	-8.5%	8.5%
MSA -	5.6%	4.8%	-14.3%	5.9%
US -	5.5%	5.4%	1.8%	6.3%

unemployment rates are non-seasonally adjusted



	FY2015	FY2014	Change
Wage/NPT/Earnings - (City & PICA Yearly)	\$1,615.4	\$1,539.4	4.9%



	FY2015	FY2014	Change
Sales (Yearly) -	\$139.9	\$241.6	-42.1%

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

Key Indicators



4.9% = increase in yearly Wage/NPT/Earnings revenues over FY14



-10.6% = monthly sales tax revenues in General Fund down compared to May 2009



10,500 = total city jobs over May 2014



7.7% = increase in monthly home sales compared to May 2014



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Current Employment Data & Forecasted Conditions

May 2015



Nonmanufacturing Business Outlook Survey

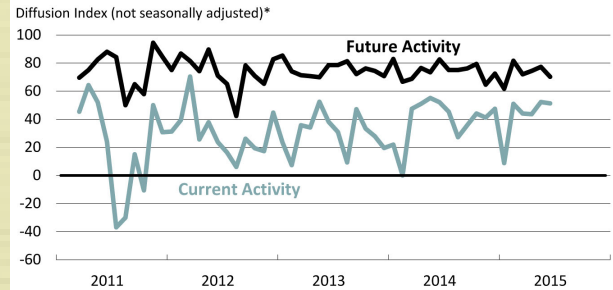
According to the Federal Reserve Bank of Philadelphia's latest Nonmanufacturing Business Outlook Survey, firms reported paying significantly more for goods over the last month as the Prices Paid Index increased by 24 points. It went from a reading of 11.4 in May to 35.1.

The higher index was a result of a spike in respondents reporting increases in prices paid, from 20 to 38 percent, and a drop in the number of respondents reporting decreases, from nine to three percent. In addition, the Prices Received Index dropped from 43.2 to 35.1. However, almost 60 percent of respondents reported no change.

Firms provided positive indicators for employment conditions as the Full-Time Employment Index jumped from 13.6 to 24.3 over the last month. Part-time employment also increased by five points.

Furthermore, the index readings for wage and benefit costs declined from 43.2 to 35.1 during the same period. Almost 40 percent of respondents indicated an increase compared to three percent favoring a decrease. The remaining firms reported no change.

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



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

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

Total Non-Farm Employment (latest data available)

	May 2015	April 2015	% Chg.	May 2014
City Total	683,800	685,800	-0.3%	673,300
Construction	11,600	10,900	6.4%	11,000
Manufacturing	21,100	21,300	-0.9%	21,500
Trade, Trans. & Utilities	90,700	90,900	-0.2%	90,800
Information	11,500	11,400	0.9%	11,300
Financial Activities	41,800	41,500	0.7%	41,500
Prof. & Business Svcs.	87,100	87,800	-0.8%	87,500
Educ. & Health Svcs.	213,900	217,200	-1.5%	211,900
Leisure & Hospitality	74,200	71,900	3.2%	68,100
Other Services	29,600	29,500	0.3%	27,300
Government	102,300	103,400	-1.1%	102,400

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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MILLIONS FROM NEW TAX REVENUES FOR SCHOOL DISTRICT

May 2015

Examining revenue collections from the Cigarette Tax and Sales Tax

In September 2014, the City obtained legislative approval from the Commonwealth of Pennsylvania to implement a \$2-a-pack cigarette tax in an effort to provide additional funding to the School District of Philadelphia. The legislation was in addition to the extension of the two percent sales tax, which grants the School District the first \$120 million of the one percent of the total share.

The Cigarette Tax was estimated to raise \$49 million in its first year and up to \$80 million annually in the following years, according to the School District's Action Plan 3.0 and fiscal note attached to the approved state legislation. The sales tax extension guaranteed the School District

\$120 million, with any remaining amount going to the City's pension fund. These two taxes together are supposed to generate \$170 million in Fiscal Year 2015 and close to \$200 million in the following years.

Cigarette Tax Revenue FY15	
Month	School District \$
October	\$8.1M
November	\$6.5M
December	\$4.6M
January	\$5.2M
February	\$4.8M
March	\$5.7M
April	\$4.5M
May	\$5.6M
Total	\$45M

Yearly Cigarette Tax revenues have totaled \$45 million. With monthly revenues averaging \$5.6 million and one month remaining in the fiscal year, this tax category is on pace to meet its first-year projection. However, under the current monthly average it is estimated that the School District will receive at most \$67 million, which is \$13 million less than originally anticipated.

Upon further review of the Cigarette Tax collections, it was determined that the Commonwealth has charged the School District so far this year a total

of \$686,000 for administrative costs associated with personnel, travel and office space to support program operations. This is an average of \$86,000 a month that the School District does not receive.

The redirected Sales Tax revenue to the School District recorded from September 2014 through May 2015 has totaled \$101 million. The School District anticipated receiving \$120 million this year to budget projections. With revenues still to be recorded for the fiscal year, it is uncertain if the projected amount will be realized.

In addition, while monthly collections to the City and School District are equal payments, the revenues recorded in the City's General Fund are \$5 million less for the year due to refunds made to the Philadelphia Industrial Development Corporation.

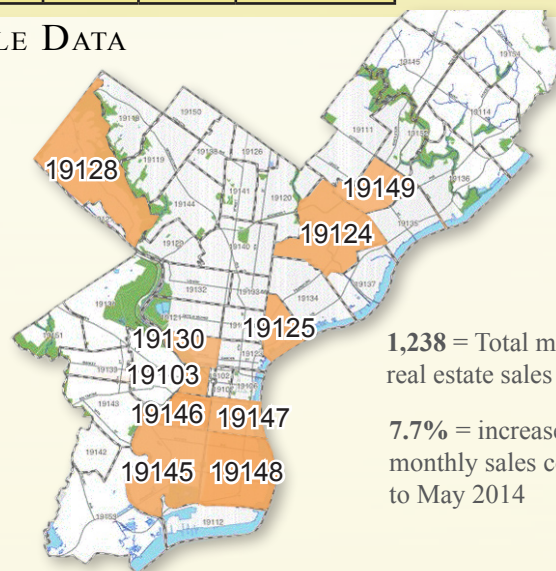
Yearly Sales Tax Revenues (July - May) City vs. School District - amounts in millions												
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	Sept.-May Total
City	\$22.3	\$22.2	\$10.8	\$10.47	\$11.6	\$10.5	\$11.3	\$11.4	\$10.8	\$8.32	\$10.1	\$95.29
SD*	-	-	\$11.2	\$10.50	\$11.7	\$10.5	\$11.3	\$11.4	\$10.8	\$8.97	\$14.30	\$100.67
Diff. \$	-	-	\$0.4	\$0.03	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.65	\$4.2	\$5.38

*PA Treasurer started remitting School District's portion of Sales Tax Revenue in September. Amounts recorded in the City's General Fund are less due to PIDC refunds.

MONTHLY HOME SALE DATA

May 2015 - Top 10 Sales by Zipcode

ZIP Code	Sales	% of Sales from Bank Owned	% of Sales from Short Sales
19146	111	2.70%	0.00%
19148	80	1.30%	0.00%
19147	76	0.00%	0.00%
19125	64	0.00%	0.00%
19128	55	3.60%	3.60%
19145	46	2.20%	4.30%
19130	45	2.20%	0.00%
19149	42	9.50%	4.80%
19103	41	0.00%	0.00%
19124	38	10.50%	2.60%



1,238 = Total monthly real estate sales

7.7% = increase in monthly sales compared to May 2014

Based on information from TREND for May 2015.