

---

## CITY COUNCIL REPORT

---

TO: Ed Zuercher  
City Manager

FROM: Mario Paniagua  
Budget and Research Director

SUBJECT: KEY PHOENIX ECONOMIC INDICATORS REPORT

---

---

This report describes and transmits the April 2015 report on Key Phoenix Economic Indicators to the City Council. The information was presented to the Finance, Efficiency, Economy and Sustainability (FEES) Subcommittee at its May 20, 2015 meeting. The report will be updated monthly and will be provided in a prominent location on the City's Budget Webpage at [phoenix.gov/budget](http://phoenix.gov/budget).

### THE ISSUE

As part of efforts to continuously improve budget forecasting and reporting, the Budget and Research Department recently began compiling 19 key Phoenix economic indicators into a monthly report. The data is collected with assistance from the Aviation, Planning and Development, Public Works, and Water Services Departments. The indicators are attached to this report for review by the FEES Subcommittee.

### OTHER INFORMATION

The attached April 2015 report on 19 Key Phoenix Economic Indicators provides insightful data that, when reviewed collectively, can reveal a helpful overall picture of recent economic activity trends specifically within Phoenix. Although outside sources of economic data are also available, most of that information covers the entire Greater Phoenix region or the State of Arizona. However with the exception of two statewide measures, the indicators in the attached report relate to data specifically within City of Phoenix boundaries, which may differ from the region or state. The 19 Phoenix data measures include:

1. **Sky International Harbor Airport Passengers:** This measure indicates regional tourism and business activity.
2. **Phoenix Water Service Accounts:** This measure may indicate changes in Phoenix population and commercial and residential property development.
3. **New Phoenix Single Family Home Construction Permits Issued:** This measure may indicate Phoenix population growth and shifts in housing preferences or demographics, as well as spill over benefits to other economic sectors such as construction, retail, manufacturing, and utilities.

4. **New Phoenix Multifamily Units Permitted:** Like single family permits, this measure may indicate Phoenix population growth and shifts in housing preferences or demographics, as well as spill over benefits to other economic sectors such as construction, retail, manufacturing, and utilities.
5. **Total Value of Permitted Phoenix Activity:** Along with other factors, this measure may provide an indication of Phoenix property market values and development, as well as overall strength for commercial and residential markets.
6. **Phoenix Solid Waste Total Tonnage Collected:** This measure may indicate changes in Phoenix population, development, economic activity or environmental factors.
7. **Phoenix Solid Waste Recycling Tonnage Collected:** Although significantly affected by shifts in consumer behavior, this measure may also indicate changes in Phoenix population, development, economic activity or environmental factors.
8. **City of Phoenix Overall Sales Tax:** This measure indicates overall economic activity related to all categories of taxable sales within Phoenix.
9. **City of Phoenix Retail Sales Tax:** This measure indicates economic activity related to taxable retail sales and consumer spending levels within Phoenix.
10. **City of Phoenix Hotel/Motel Sales Tax:** This measure indicates economic activity related to tourism within Phoenix.
11. **City of Phoenix Restaurants/Bars Sales Tax:** This measure indicates economic strength, population changes, and tourism activity within Phoenix.
12. **City of Phoenix Contracting Sales Tax:** This measure indicates economic activity related to taxable commercial and residential construction in Phoenix. However, the effectiveness of this measure as an economic indicator may be lessened due to the state's recent Transaction Privilege Tax reform measures relating to contracting.
13. **State Overall Sales Tax:** This measure indicates economic activity related to all categories of taxable sales within the state of Arizona.
14. **State Vehicle License Tax:** This measure indicates vehicle sales activity within the state of Arizona.
15. **Phoenix Assessed Property Valuation:** This measure is based on the Primary Net Assessed Valuation, which provides the basis for City of Phoenix property tax revenue.
16. **Phoenix Full Cash Property Value:** This measure indicates the market value of residential and commercial property within Phoenix and is an important economic indicator relating to the overall commercial and residential property markets.

17. **Phoenix Median Household Income:** This measure provides the mid-level household income within Phoenix, an important indicator of job and wage activity levels.
18. **Phoenix Unemployment Rate:** This measure shows the percentage of the active labor force currently unemployed within Phoenix, an important indicator of overall economic health.
19. **Phoenix Labor Force Participation:** Another measure of employment levels, this measure shows the percentage of the population aged 16 and older currently in the Phoenix labor force, which can help account for “discouraged workers” not captured in the unemployment rate.

Indicators 17, 18, and 19 come from the U.S. Census Bureau and are updated once per year each October. The graph for each measure provides the year-to-date total, as well as year-to-date growth rates compared to the prior year and three-year average.

At the May 20, 2015 Finance, Efficiency, Economy and Sustainability (FEES) Subcommittee meeting, members requested that the report also include information comparing the data to prior peak years, in addition to the prior year and the 3-prior year averages already provided. Staff is working with the various departments to collect the data and, once compiled, will include the information in future reports.

#### RECOMMENDATION

This report is provided for information only.

Attachment: April Report 2015 Key Phoenix Economic Indicators



City of Phoenix

# Phoenix Economic Indicators Report

April 2015

## Executive Summary

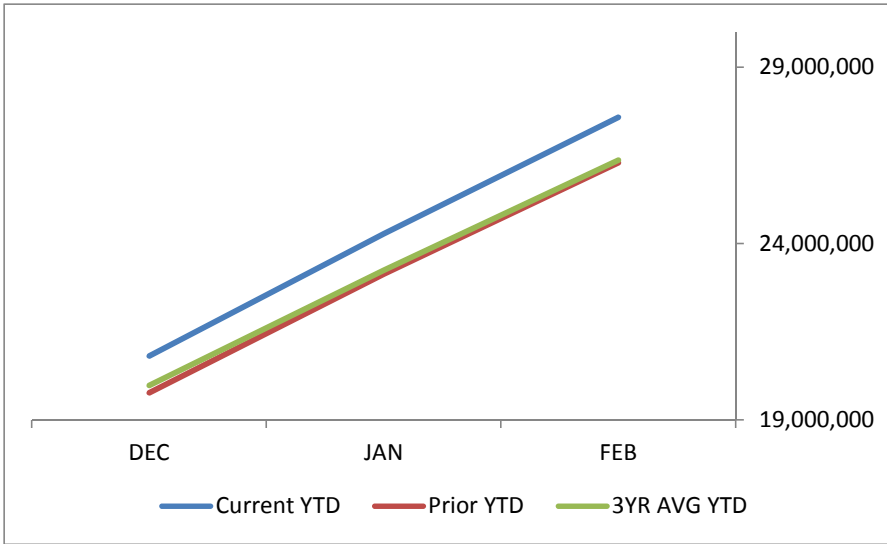
Economic indicators, such as those included in this report, provide measurements for evaluating the health of our economy, the latest business cycles, and how consumers are spending and generally faring. Included in this report are aviation, utility, new development, state and local sales tax, vehicle sales, property values, and employment statistics. Each statistic is shown through a graph presenting current year-to-date data, prior fiscal year-to-date, and prior three year average of year-to-date data. This is accompanied by a description of the significance of the measure as an economic indicator, and a statement about the current year data in relation to prior years. Many of the statistics are updated monthly, but a few are only available quarterly or annually.

## Table of Contents

Phoenix Sky Harbor Airport Passengers .....	1	City Sales Tax - Restaurants/Bars .....	6
Water Service Accounts .....	1	City Sales Tax - Contracting .....	6
New Home Construction Permit Issued .....	2	State Sales - Total .....	7
New Multifamily Units Permitted .....	2	State Vehicle License Tax .....	7
Total Valued of Permitted Activity .....	3	Phoenix Primary Net Assessed Value .....	8
Solid Waste -Total Tonnage Collected .....	3	Phoenix Full Cash Value .....	8
Solid Waste - Recycling Tonnage Collected .....	4	Phoenix Median Household Income .....	9
City Sales Tax - Total .....	4	Phoenix Unemployment Rate .....	9
City Sales Tax - Retail .....	5	Phoenix Labor Force Participation .....	10
City Sales Tax - Hotel/Motel .....	5		

## Phoenix Sky Harbor Airport Total Passengers

Significance: The number of passengers utilizing the Phoenix Sky Harbor airport can be an indicator for regional tourism and business activity.



### Current YTD Compared to:

Prior Year	+ 4.9%
3 Year Avg.	+ 4.6%

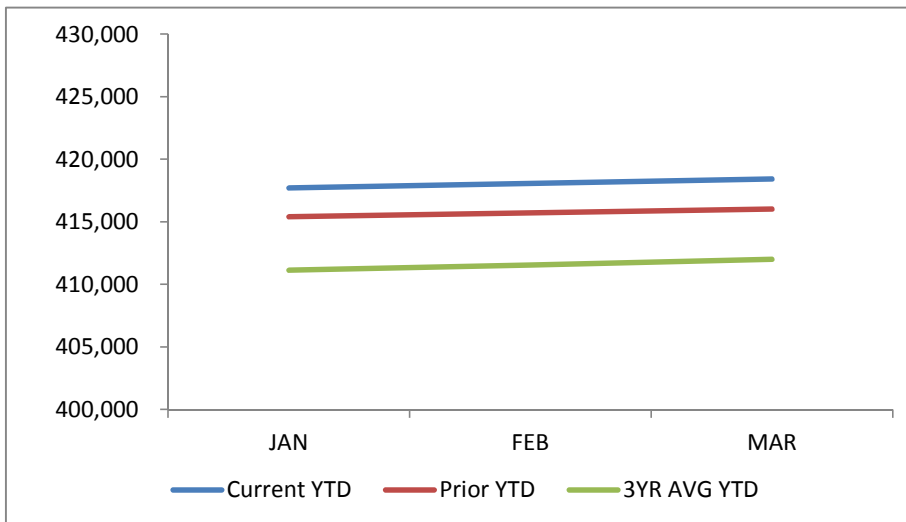
### Totals

CYTD	27,582,000
PYTD	26,298,000
3YRAVG	26,367,000

Current Year: February 2015 data continues fifteen months of growth. February's increase reflects additional passengers due to the NFL Super Bowl on February 1. Industry data lags two months. (Current fiscal data reflects July 2014 - February 2015.)

## Water Service Accounts

Significance: The number of water service accounts can be an indicator of changes in population and development.



### Current YTD Compared to:

Prior Year	+ 0.6%
3 Year Avg.	+ 1.6%

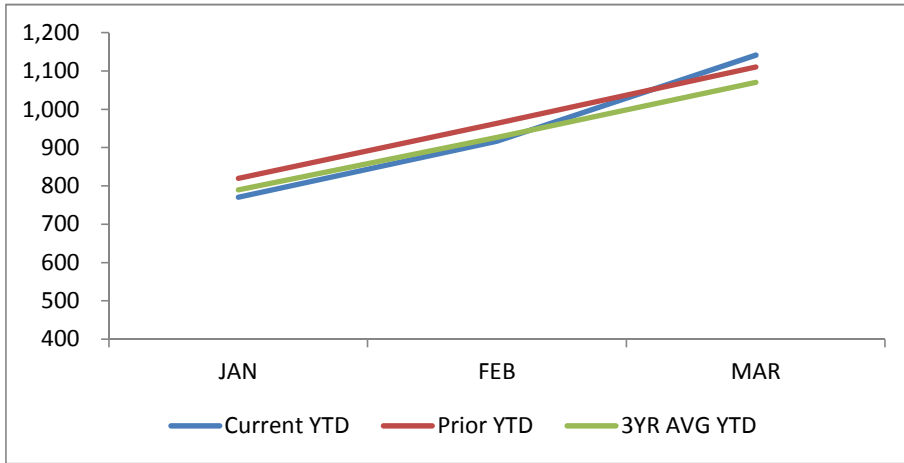
### Totals

CYTD	418,434
PYTD	416,009
3YRAVG	412,001

Current Year: Slightly higher number of new accounts during March 2015 than previous month. Trend continues upward. (Current fiscal data reflects July 2014 - March 2015.)

## New Home Construction Permits Issued

**Significance:** New single family homes are a key economic indicator, reflecting local population growth as well as spill over benefits to other sectors of the economy such as demand for construction labor/materials, retail, manufacturing and utilities.



### Current YTD Compared to:

Prior Year	2.8%
3 Year Avg.	6.6%

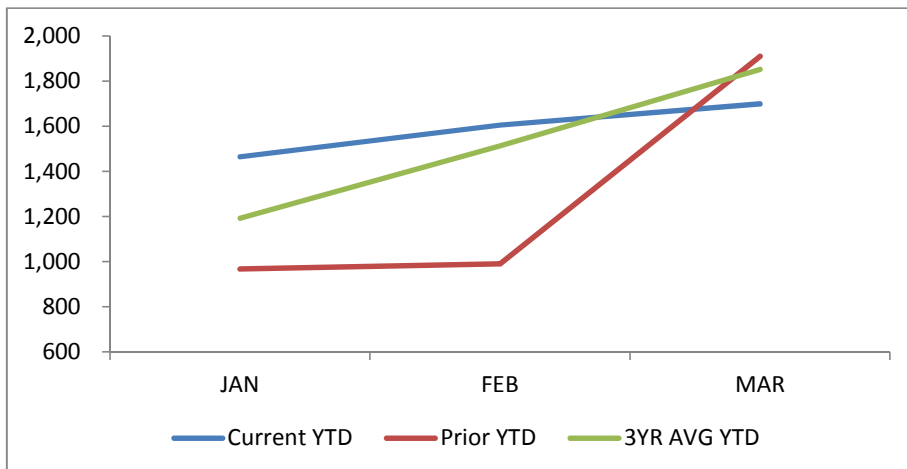
### Totals

CYTD	1,142
PYTD	1,111
3YRAVG	1,071

**Current Year:** Planning and Development is projecting modest growth in overall construction permits in 2014-15, based on economic projections of low population growth, a slow recovery of the single family housing market, and continuing high vacancy rates in office, retail, and industrial buildings. (Current fiscal data reflects July 2014 - March 2015.)

## New Multifamily Units Permitted

**Significance:** New multi-family construction is a key economic indicator of local population growth or shifts in housing preferences and its spill over benefits to other sectors of the economy such as demand for construction labor/materials, retail, manufacturing and utilities.



### Current YTD Compared to:

Prior Year	-11.0%
3 Year Avg.	-8.3%

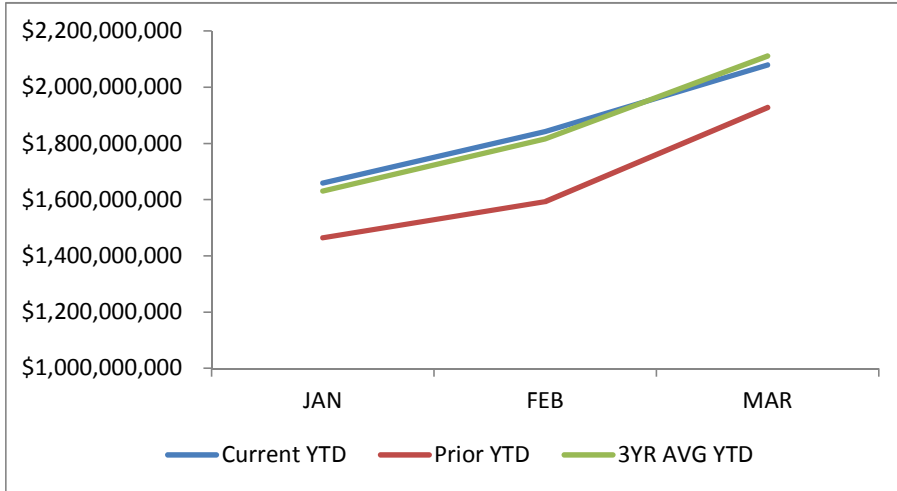
### Totals

CYTD	1,699
PYTD	1,910
3YRAVG	1,852

**Current Year:** New Multifamily Units permitted can fluctuate significantly from month to month and year to year. (Current fiscal year data represents July 2014 - March 2015.)

## Total Value of Permitted Activity

**Significance:** The valuation of new construction can be an indicator of one facet of Phoenix's economic strength because it reflects the permit value of new construction projects.



### Current YTD Compared to:

Prior Year	+ 7.9%
3 Year Avg.	-1.5%

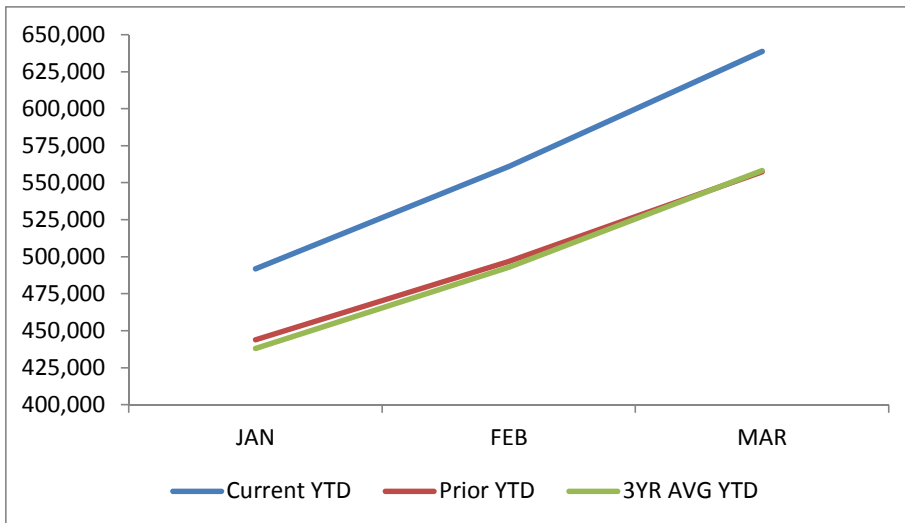
### Totals

CYTD	\$2,079,913,867
PYTD	\$1,928,411,652
3YRAVG	\$2,111,548,064

**Current Year:** Planning and Development is projecting modest growth in construction permits in 2014-15, based on economic projections of low population growth, a slow recovery of the single family housing market, and continuing high vacancy rates in office, retail, and industrial buildings. (Current fiscal year data represents July 2014 - March 2015.)

## Solid Waste - Total Tonnage Collected

**Significance:** Tonnage is an indicator of growth within the City of Phoenix or environmental factors such as storms.



### Current YTD Compared to:

Prior Year	+ 14.6%
3 Year Avg.	+ 14.4%

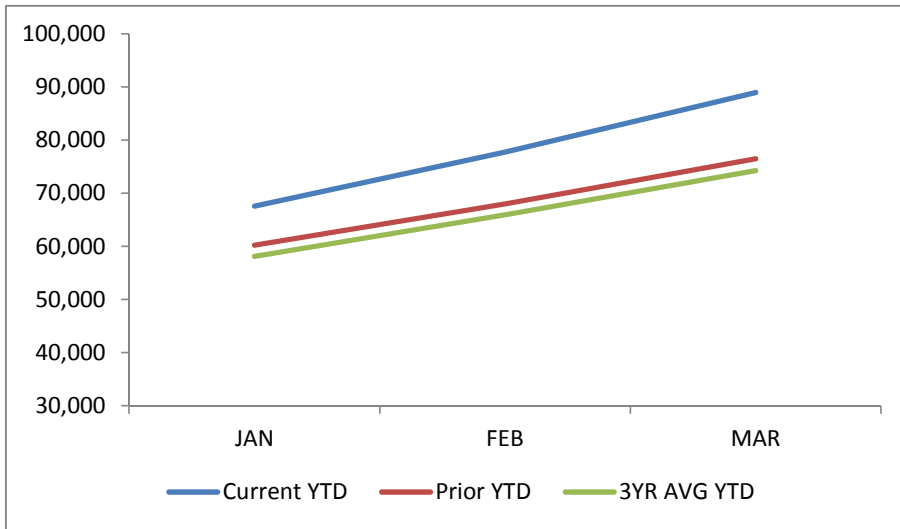
### Totals

CYTD	638,858
PYTD	557,352
3YRAVG	558,381

**Current Year:** With the economy getting stronger and more vacant homes filling, the tonnage for trash and green waste is increasing. Additionally, given the time of the year the green waste is normally on the rise; however, the green waste is higher than normal due to the amount of rain late in the year. (Current fiscal year data represents July 2014 - March 2015.)

## Solid Waste - Recycling Tonnage Collected

**Significance:** Recycling tonnage is one measurement of Solid Waste revenue generated through diversion and increased understanding by residents about how or what to recycle.



### Current YTD Compared to:

Prior Year	+ 16.3%
3 Year Avg.	+ 19.7%

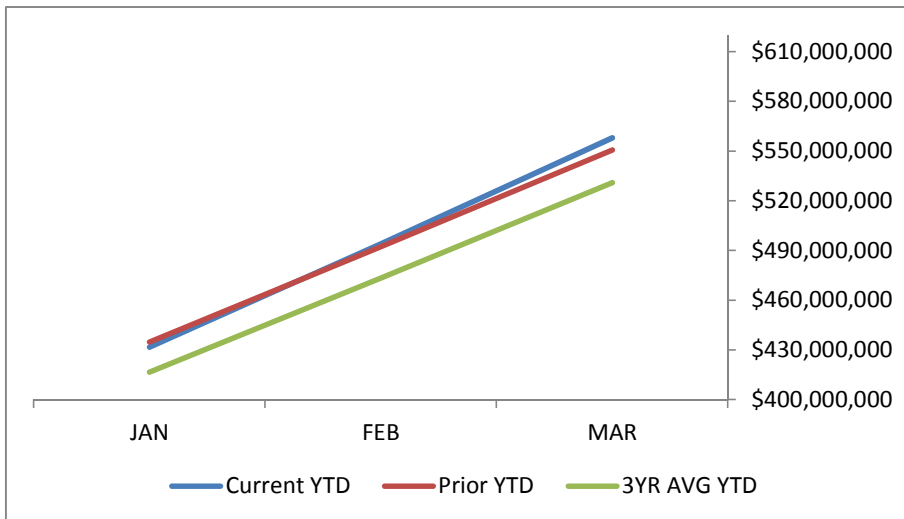
### Totals

CYTD	88,947
PYTD	76,501
3YRAVG	74,279

**Current Year:** Recycling tonnage is increasing due to the addition of new partners, who previously were not providing recycling material to the City, and the filling of vacant homes as the economy recovers. (Current fiscal year data represents July 2014 - March 2015.)

## City Sales Tax - Total

**Significance:** City sales tax (all funds including: General Fund, T2000, Public Safety, 3PI, Convention Center, Sports Facilities, and Capital Construction) represents overall local economic activity related to taxable sales.



### Current YTD Compared to:

Prior Year	+ 1.3%
3 Year Avg.	+ 5.1%

### Totals

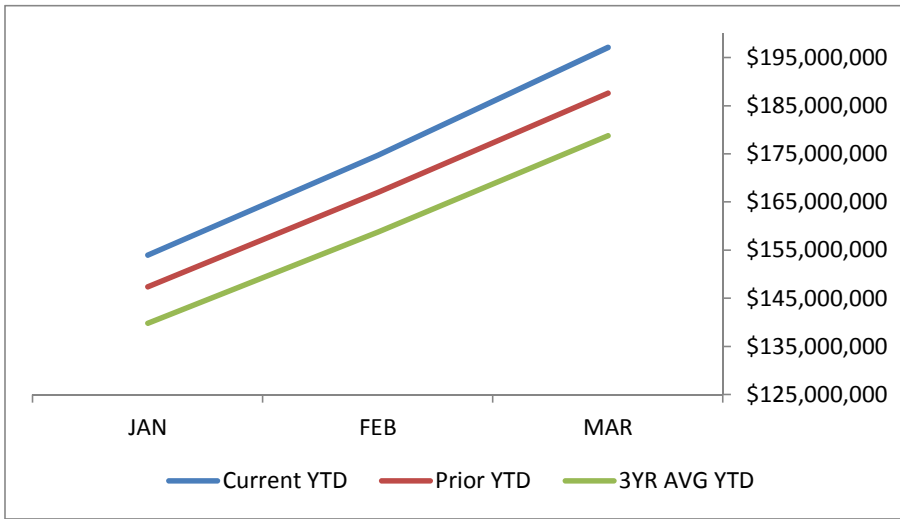
CYTD	\$558,146,000
PYTD	\$550,795,000
3YRAVG	\$531,018,667

**Current Year:** Prior year data, including the three year average, includes revenue from the sales tax on food. The sales tax on food was reduced from 2% to 1% effective January 2014, which began impacting reported revenue in February 2014. The sales tax on food will be eliminated effective April 2015, which will begin impacting reported revenue in May 2015. (Current fiscal year data represents July 2014 - March 2015.)



### City Sales Tax - Retail

Significance: Retail sales tax represents retail sales, not including the sales tax on food.



**Current YTD Compared to:**

Prior Year + 5.0%  
3 Year Avg. + 10.2%

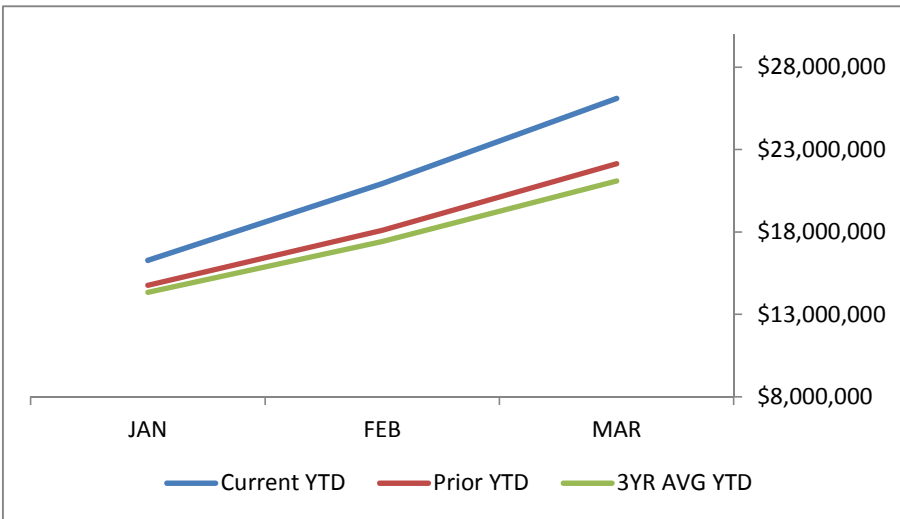
**Totals**

CYTD	\$197,117,000
PYTD	\$187,661,000
3YRAVG	\$178,820,000

Current Year: The current growth rate is expected to continue for the remainder of the year. (Current fiscal year data represents July 2014 - March 2015.)

### City Sales Tax - Hotel/Motel

Significance: Hotel/Motel sales tax revenue represents taxable sales for these businesses and is an indicator of tourism activity.



**Current YTD Compared to:**

Prior Year + 17.9%  
3 Year Avg. + 23.7%

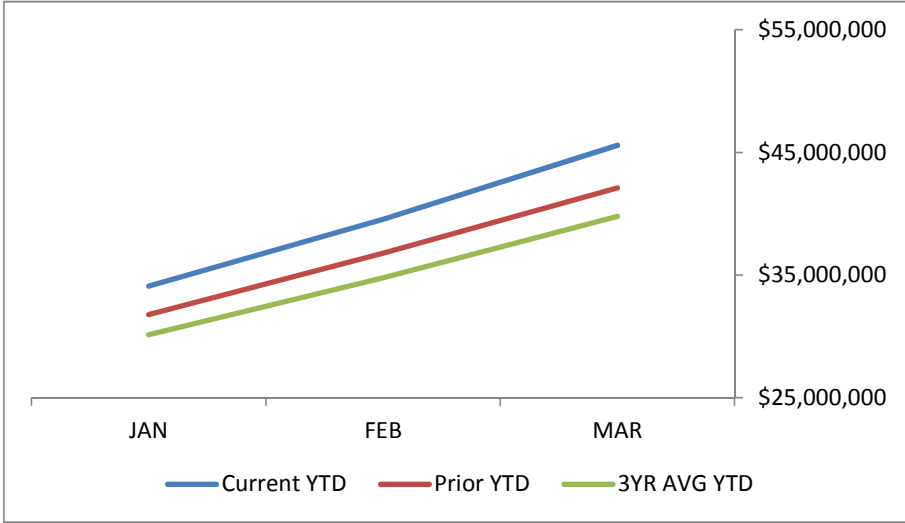
**Totals**

CYTD	\$26,106,000
PYTD	\$22,144,000
3YRAVG	\$21,102,000

Current Year: The current growth rate is expected to continue for the remainder of the year. (Current fiscal year data represents July 2014 - March 2015.)

**City Sales Tax - Restaurants/Bars**

Significance: Restaurants/Bars sales tax revenue represents taxable sales for these businesses and is an indicator of economic strength, population growth, and tourism.



**Current YTD Compared to:**

Prior Year	+ 8.2%
3 Year Avg.	+ 14.6%

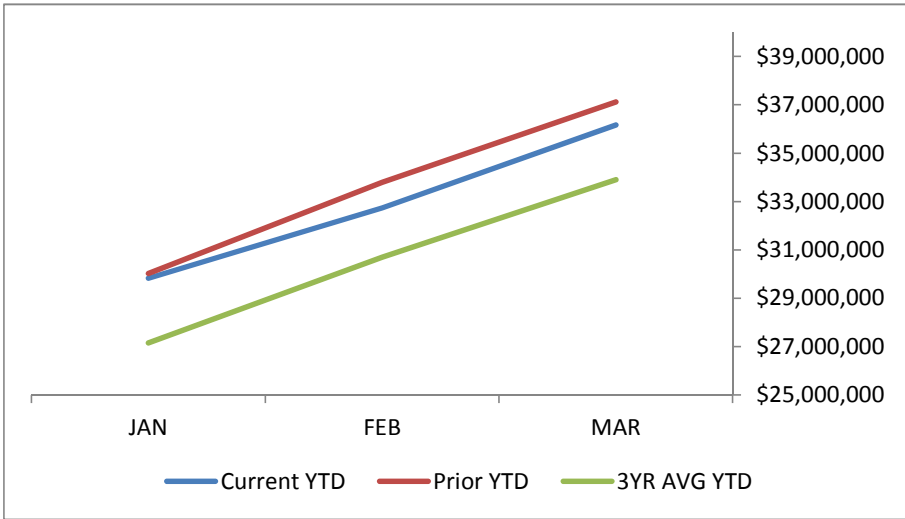
**Totals**

CYTD	\$45,580,000
PYTD	\$42,133,000
3YRAVG	\$39,786,667

Current Year: The current growth rate is expected to continue for the remainder of the year. (Current fiscal year data represents July 2014 - March 2015.)

**City Sales Tax - Contracting**

Significance: Contracting sales tax revenue presents activity in the commercial, retail and residential construction markets.



**Current YTD Compared to:**

Prior Year	-2.6%
3 Year Avg.	+ 6.7%

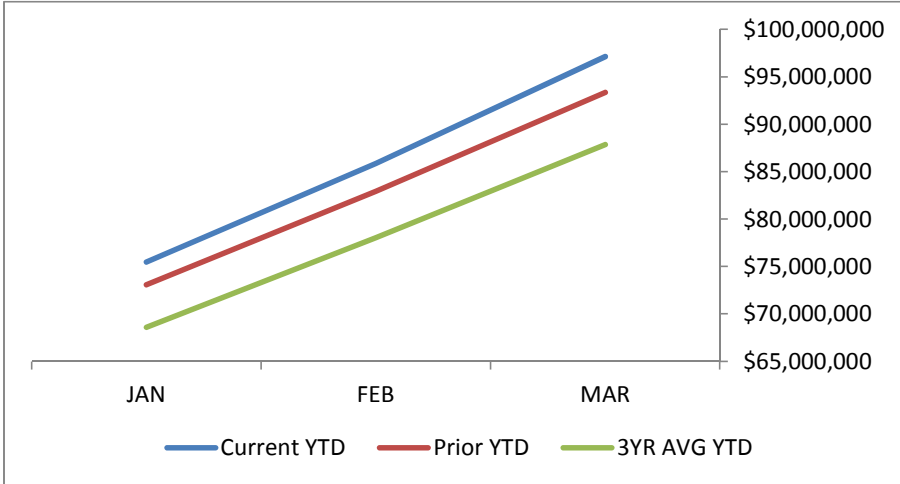
**Totals**

CYTD	\$36,178,000
PYTD	\$37,128,000
3YRAVG	\$33,910,000

Current Year: The current growth rate is expected to continue for the remainder of the year. (Current fiscal year data represents July 2014 - March 2015.)

**State Sales Tax - Total**

Significance: State Sales Tax accounts for approximately 36.5% of Total State Shared Revenues. Total State Shared revenue is approximately 34% of total General Fund Revenue.



**Current YTD Compared to:**

Prior Year + 4.0%  
3 Year Avg. + 10.5%

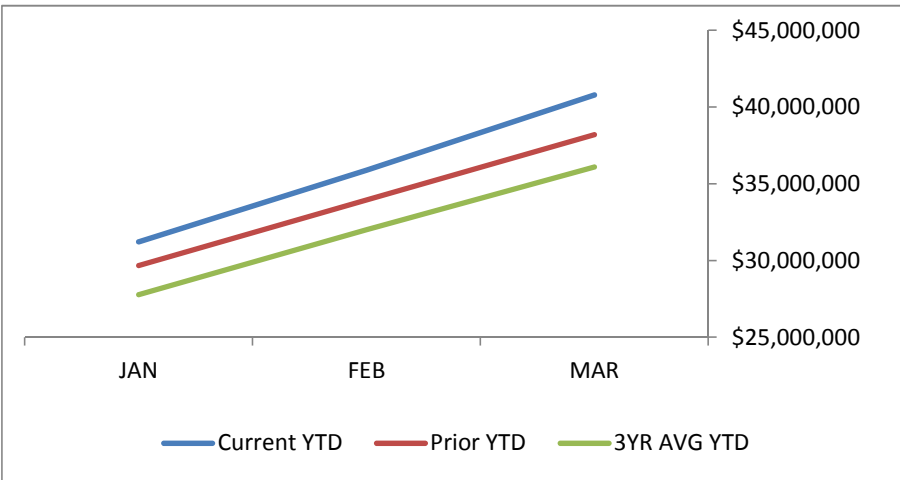
**Totals**

CYTD \$97,140,000  
PYTD \$93,360,000  
3YRAVG \$87,876,333

Current Year: In the first nine months of 2014-15, State sales tax was \$97.1 million, representing 4.0% growth over 2013-14; this is slightly ahead this year’s revenue estimate of 3.7%. The retail category grew at 4.1%. (Current fiscal year data represents July 2014 - March 2015.)

**State Vehicle License Tax**

Significance: State Vehicle License tax accounts for approximately 14.9% of Total State Shared Revenues. Total State Shared revenue is approximately 34% of total General Fund Revenue.



**Current YTD Compared to:**

Prior Year + 6.8%  
3 Year Avg. + 13.0%

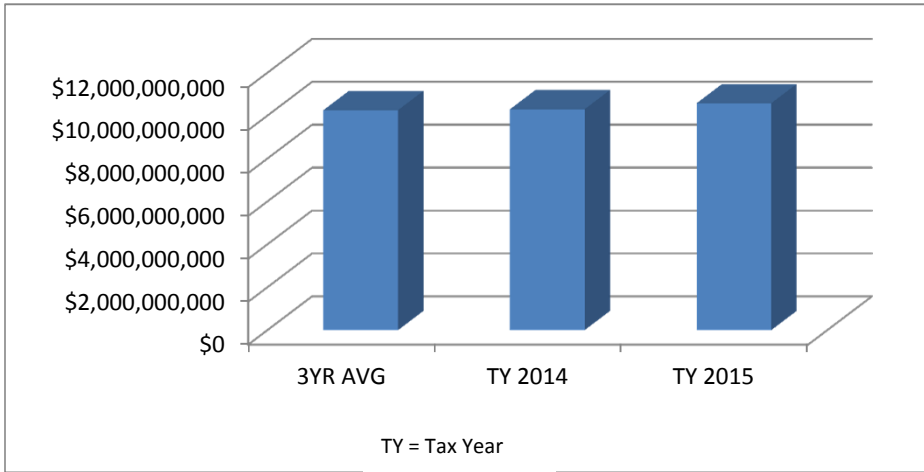
**Totals**

CYTD \$40,797,699  
PYTD \$38,206,924  
3YRAVG \$36,100,348

Current Year: The current growth rate is expected to continue for the remainder of the year. (Current fiscal year data represents July 2014 - March 2015.)

**Phoenix Assessed Valuation**

**Significance:** Phoenix's assessed valuation is based on the Primary Net Assessed Value (PNAV) which beginning in FY2015-16 is the single value used for calculating both Primary Property Taxes and Secondary Property Taxes. The assessed valuation provides an indicator of the basis for City property tax revenue.



**Calendar Year Compared to:**

Prior Year	2.7%
3 Year Avg.	3.1%

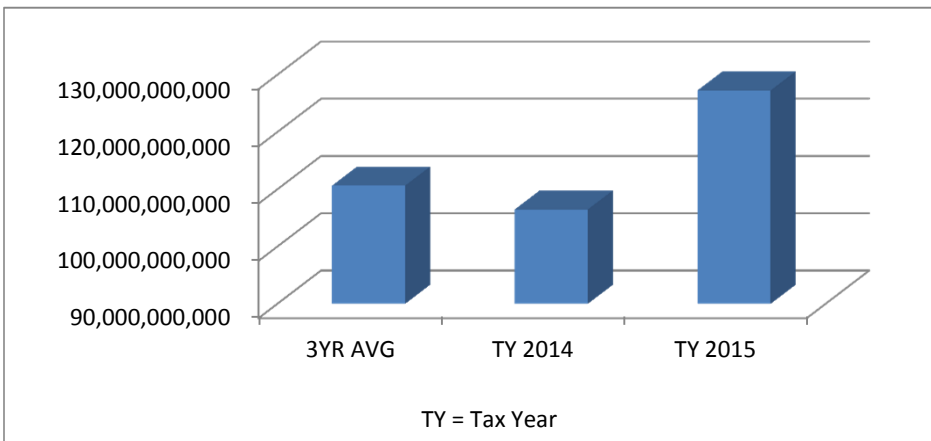
**Totals**

2015	\$10,577,031,724
2014	\$10,298,185,184
3YRAVG	\$10,255,005,231

**Current Year:** Tax Year 2015 (FY15-16) PNAV grew by 2.7% over the prior year; 1.8% of this is attributable to new property, and 0.9% is attributable to appreciation in previously-taxed property. Ongoing reductions in assessment ratios for commercial property, which will continue to occur through Tax Year 2016, played a large part in limiting real property appreciation to 2.9% rather than the theoretical maximum of 5.0%. Additionally, commercial personal property depreciated by 23.2%, and centrally valued property depreciated by 3.6%.

**Phoenix Full Cash Value**

**Significance:** Full cash value is an indicator of both commercial and residential property values, an important indicator of one facet of economic health. This statistic is updated once per year in February and lag market conditions by approximately one year. Due to assessed valuation growth limits and statutory changes in assessment ratios, however, trends in full cash value do not correlate to trends in the tax base for property taxes.



**Calendar Year Compared to:**

Prior Year	19.5%
3 Year Avg.	15.0%

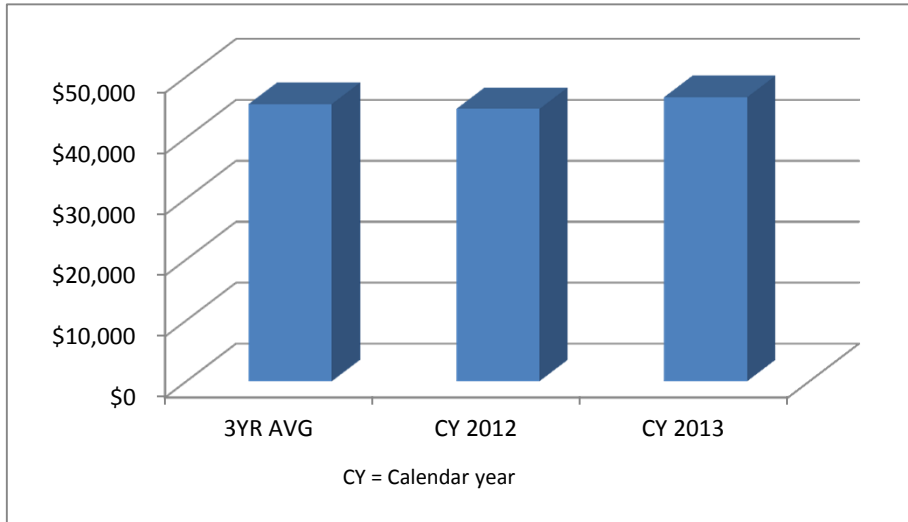
**Totals**

2015	\$127,280,069,634
2014	\$106,487,248,298
3YRAVG	\$110,653,274,620

**Current Year:** From tax year 2014 to tax year 2015, single and multi-family residential property values grew by 29%, while commercial property values grew by 8%.

## Phoenix Median Household Income

**Significance:** This measure includes the income of the householder and all other individuals 15 years old and over in the household. Median income is the amount that divides the income distribution into two equal groups, half at income levels above that amount, and half at income levels below that amount. This statistic is updated once per year in October.



### Calendar Year Compared to:

Prior Year	+ 4.3%
3 Year Avg.	+ 2.4%

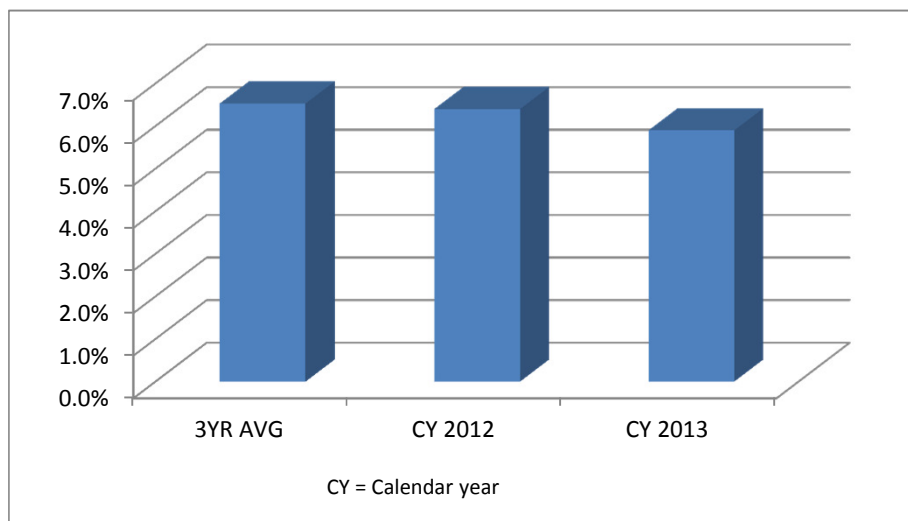
### Totals

2013	\$46,601
2012	\$44,688
3YRAVG	\$45,496

**Current Year:** The increase in 2013 over prior years is an indication of the slow to moderate recovery from the 2008 recession.

## Phoenix Unemployment Rate

**Significance:** This measures the percentage of the labor force that are unemployed. People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. This statistic is updated once per year in October.



### Calendar Year Compared to:

Prior Year	-7.8%
3 Year Avg.	-9.6%

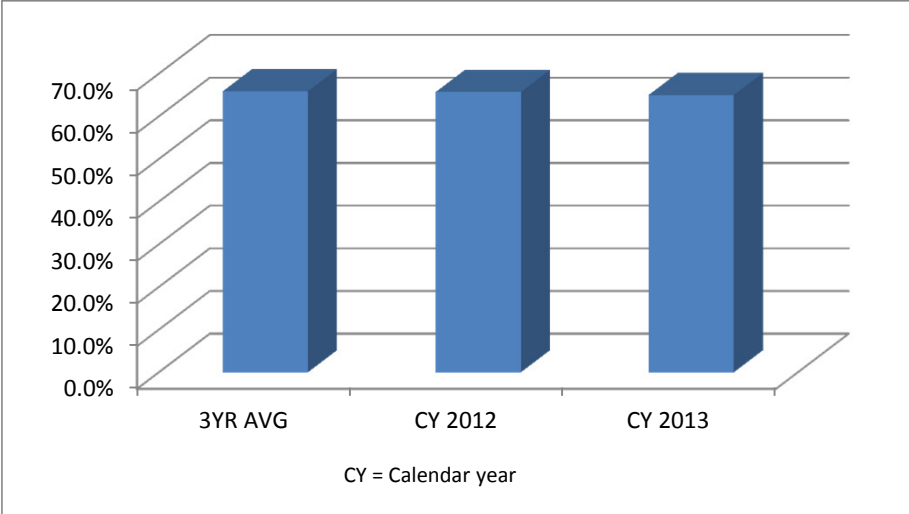
### Totals

2013	5.9%
2012	6.4%
3YRAVG	6.5%

**Current Year:** The decrease in the unemployment rate over prior years may indicate growth in jobs and/or that fewer people who are available to work have been actively looking for work in the prior 4 weeks of the survey.

**Phoenix Labor Force Participation**

Significance: This measures the percentage of the population (16 and older) that is in the labor force. The labor force is defined as the total population of employed and unemployed people (16 and older). People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. This statistic is updated once per year in October.



**Calendar Year Compared to:**

Prior Year	-1.1%
3 Year Avg.	-1.3%

**Totals**

2013	65.0%
2012	65.7%
3YRAVG	65.9%

Current Year: The decrease in the labor force participation rate indicates a decline in the percentage of the population that is either employed or unemployed and actively looking for work.