

Birmingham Area Economic Report

Jefferson County Tax Collections over the Past 20 Years

Growth in tax collections is vital to any local government in order to keep up with the rising costs of providing services to citizens. Most governments levy a variety of taxes to fund operations. Jefferson County's main taxes include ad valorem taxes, or property taxes, taxes on hotel rooms, an occupational tax, and the one-cent sales tax.

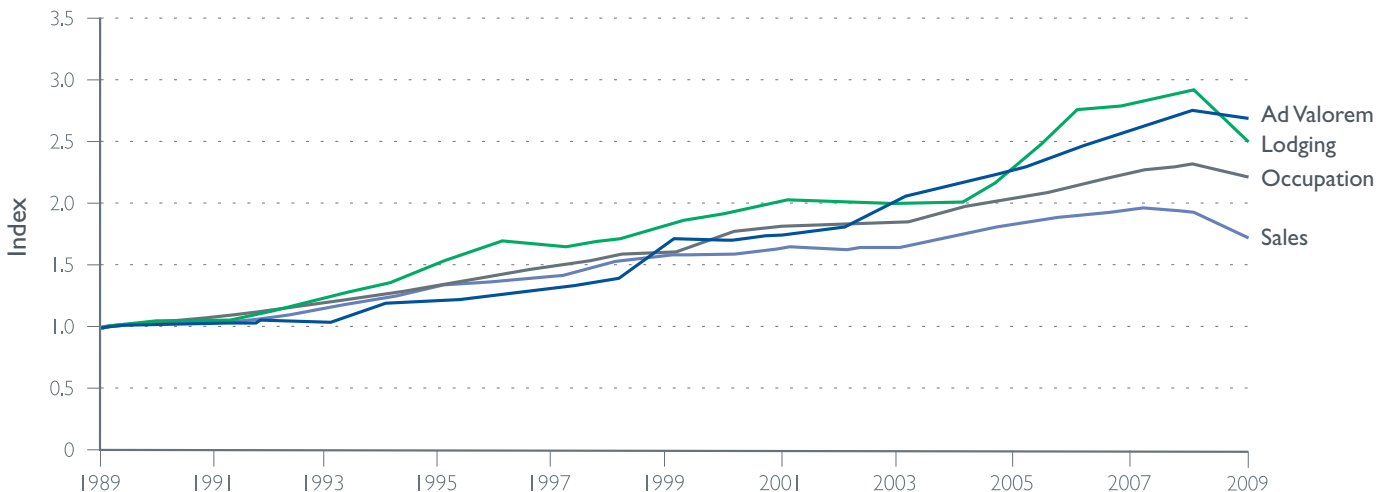
We have gathered data on these various taxes going back 20 years and compared growth in these taxes in Jefferson County. We have adjusted for any applicable changes in tax rates to try to uncover the underlying

growth in the activity being taxed. We used the assessed value of property in the County, after adjustments for exemptions, abatements and any penalties, as a proxy for ad valorem tax collections, as this data was more readily available.

The graph below shows an index of the four taxes for the County going back to fiscal year ending September 30, 1989. During this time, the ad valorem tax has enjoyed the most robust growth, while the sales tax has had the slowest growth. The lodging tax appears

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Jefferson County Tax Collections



Compound Annual Growth in Selected Jefferson County Tax Collections

	Sales Tax	Occupational Tax	Lodging Tax	Net Assessed Values for Ad Valorem Property*
FY 1989 - 2009	2.8%	4.1%	4.7%	5.1%
FY 1989 - 2007 (Pre-recession)	3.8%	4.7%	5.9%	5.5%

*Net of exemptions and penalties; includes motor vehicles
Sources: Jefferson County Revenue Department, Jefferson County Official Statements

to be the most variable, enjoying a jump between 2004 and 2007, and then a substantial decline in the past two years. It is interesting to note the steadier growth in ad valorem taxes after the State of Alabama instituted annual re-appraisals in 2003.

The current recession has adversely affected all of the County's tax collections. The table at the bottom of page 1 lists the compound annual growth rates for each

of the taxes depicted in the graph over the last 20 years ending September 30, 2009. A similar growth rate is calculated for the period from September 30, 1989 through September 30, 2007, a few months before the current recession started. Each of the tax collections has suffered negative growth, with the largest declines in the lodgings and sales taxes.

The Local Economy

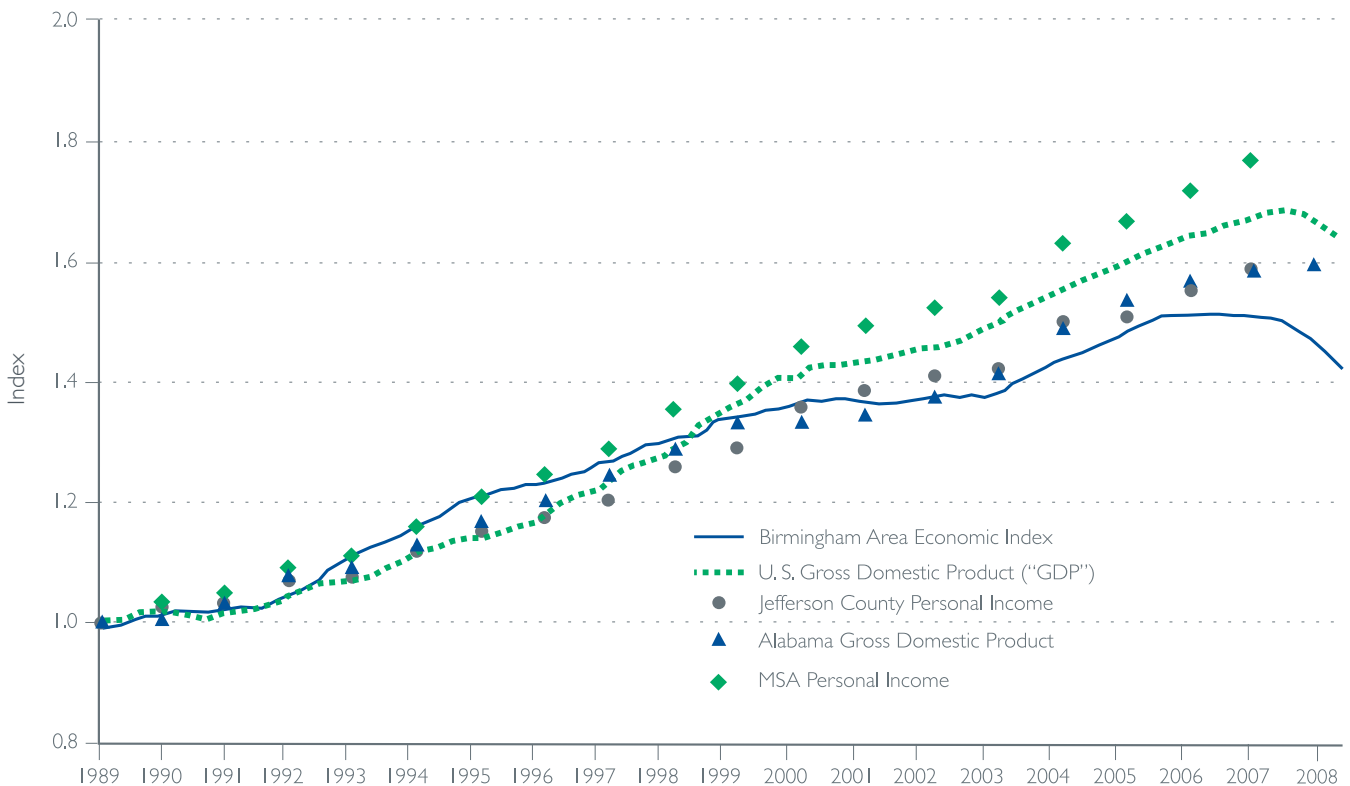
Negative growth continues to plague all of the local economic indicators covered in this newsletter, as depicted in the table on page 3. The only indicators increasing are unemployment rates, which jumped up considerably during the 12 months ending September 30, 2009. The unemployment rate in the metro area more than doubled between September 2008 and 2009, increasing from 4.8 percent to 10.2 percent. Other local areas have experienced similar increases in unemployment.

Retail sales and hotel revenues in both Jefferson County and the City of Birmingham experienced double-digit declines during the 12 months ending September

30, 2009. Single family housing starts continue steep declines over levels of a few years ago.

As of September 2009, nothing in the local economy was showing upward movement to indicate a return to normalcy. However, the Bloomberg Alabama Index, the stock index comprised of publicly traded companies with a major presence in our state, rose between August and September 2009. Because stock markets are true leading indicators of economic activity, investors are signaling that they believe a rebound will be forthcoming. The graph below shows the *Birmingham Area Economic Index*, which has now retreated to the level it was in 2003.

Measures of Economic Activity



A more detailed description of the BAE Index and issues of this newsletter are available at <http://www.pwco.com/library.html> under "Economic Articles."

Porter, White & Company, Inc.
Birmingham Area Economic Indicators
September 2009

	% Change from Previous 12 Months	Twelve Months Ending		Month Ending	
		September 2009	September 2008	September 2009	September 2008
Local Indicators					
Jefferson County Retail Sales (000) (1)	-11.4%	\$8,456,537	\$9,544,087	\$672,302	\$744,677
Jefferson County Hotel Revenues (000)(1)	-14.7%	\$169,401	\$198,537	\$14,308	\$16,195
Jefferson County Occupational Tax Collections (000) (1)	-4.3%	\$65,545	\$68,523	\$5,131	\$5,304
Jefferson County Gasoline Tax Collections (000) (1)	-6.3%	\$4,613	\$4,922	\$348	\$383
City of Birmingham Retail Sales (000) (2)	-13.5%	\$3,213,615	\$3,717,103	\$208,125	\$245,538
City of B'ham Occupational Tax Collections (000) (2)	-0.8%	\$75,746	\$76,359	\$5,533	\$6,104
City of Birmingham Hotel Revenues (000) (2)	-15.3%	\$78,444	\$92,615	\$6,334	\$7,361
Birmingham Area Housing Sales (3)					
Total Dollar Sales (000)	-33.0%	\$1,783,850	\$2,661,773	\$165,008	\$214,423
Average Sales Price	-10.2%	\$173,386	\$193,067	\$172,602	\$182,955
Number of Units	-25.7%	10,218	13,761	956	1,172
Birmingham-Hoover MSA Single-Family Housing Starts (4)					
Total Dollar Value (000)	-41.0%	\$287,697	\$487,501	\$24,718	\$30,624
Number of Units	-39.1%	1,707	2,805	153	180
Birmingham MSA Nonresidential Building Contracts (3)					
Total Dollar Value (000)	-7.0%	\$991,618	\$1,066,516	\$29,179	\$69,261
Birmingham Airport Passengers Boarded (5)	-11.4%	1,420,187	1,603,623	114,388	113,849
Birmingham Division Commercial & Industrial Electricity Sales (GWH) (6)	-9.2%	9,085	10,007	778	859
State Indicators					
Alabama Income Tax Collections (7)					
Corporate Tax (000)	-3.2%	\$536,702	\$554,498	\$84,067	\$92,065
Individual Tax (000)	-7.9%	\$3,322,038	\$3,608,463	\$252,559	\$304,898
Alabama Retail Sales (000) (7)	-9.8%	\$51,949,283	\$57,608,294	\$4,132,676	\$5,064,498
Alabama Gasoline Tax Collections (000) (7)	-0.3%	\$403,192	\$404,264	\$34,472	\$34,491

	% Change from Previous Year	Current Year		Previous Year	
		September 2009	August 2009	September 2008	August 2008
City Employment					
Birmingham Unemployment Rate (8)	6.2%	12.7%	12.9%	6.5%	6.9%
Hoover Unemployment Rate (8)	3.5%	6.6%	6.5%	3.1%	3.2%
Birmingham-Hoover MSA Employment					
Goods-Producing Employment (000) (8)	-9.3%	71.0	71.0	78.3	78.8
Service-Providing Employment (000) (8)	-2.7%	435.4	437.5	447.7	448.6
Unemployment Rate (8)	5.4%	10.2%	10.2%	4.8%	5.0%
State of Alabama Employment					
Goods-Producing Employment (000) (8)	-13.6%	349.6	349.7	404.6	405.7
Service-Providing Employment (000) (8)	-2.6%	1,546.0	1,546.2	1,588.0	1,586.4
Unemployment Rate (8)	5.2%	10.6%	10.7%	5.4%	5.6%
Average Manufacturing Per-Hour Wage (8)	-1.3%	\$15.49	\$15.47	\$15.70	\$15.75
Average Manufacturing Work Week (Hours) (8)	-1.5%	39.7	39.6	40.3	40.3
Alabama Indicators					
Bloomberg Alabama Index (9)	-10.4%	280.1	270.7	312.7	369.2
National Indicators					
Consumer Price Index (9)	-1.3%	216.0	215.8	218.8	219.1
Unemployment Rate (8)	3.5%	9.5%	9.6%	6.0%	6.1%
S&P 500 Index (9)	-9.4%	1,057.1	1,020.6	1,166.4	1,282.8

(1) Jefferson County Department of Revenue (2) City of Birmingham, Finance Department (3) Alabama Center for Real Estate (4) U.S. Census Bureau (5) Birmingham Airport Authority (6) Alabama Power Company (7) Alabama Department of Revenue (8) Bureau of Labor Statistics (9) Bloomberg Financial Markets.

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