



What the Economists Say & What it Means to VB

Getting Better...

Slowly!!!!

Post-Recession Real GRP Growth





Housing Recovery

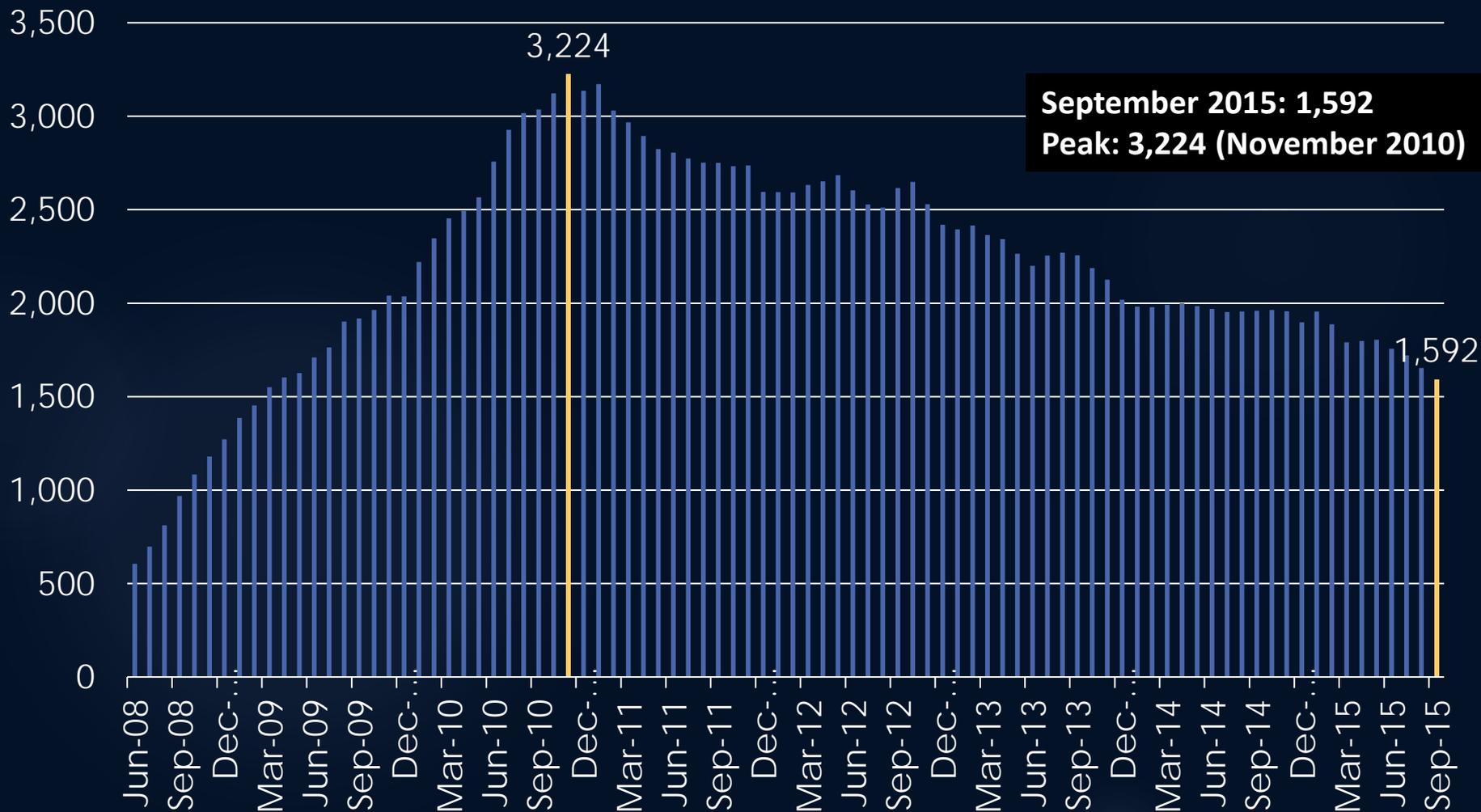
Number of Existing and New Construction Homes Sold

Year	Existing Homes Sold	New Construction Homes Sold	Percent New Construction
2002	19,869	4,969	20.0%
2003	21,421	4,757	18.2%
2004	23,548	4,587	16.3%
2005	24,755	4,379	15.0%
2006	22,405	4,327	16.2%
2007	19,154	3,912	17.0%
2008	15,046	3,178	17.4%
2009	15,851	2,673	14.4%
2010	14,703	2,265	13.4%
2011	15,818	2,366	13.0%
2012	16,856	2,664	13.6%
2013	18,791	2,878	13.3%
2014	18,700	2,485	11.7%
2015*	15,733	2,156	12.1%

Source: Real Estate Information Network and Old Dominion University Economic Forecasting Project. Information Deemed Reliable But not Guaranteed. Figures reported here represent only those properties listed through REIN by REIN members, may not represent all new construction activity in our region.

Number of Active Listing of Distressed Homes (REO & Short Sales)

Hampton Roads: June 2008 to September 2015



Source: Real Estate Information Network (REIN) and the Old Dominion University Economic Forecasting Project.

Change in Assessed Value of Real Estate





Consumer Confidence

Consumer Confidence Index



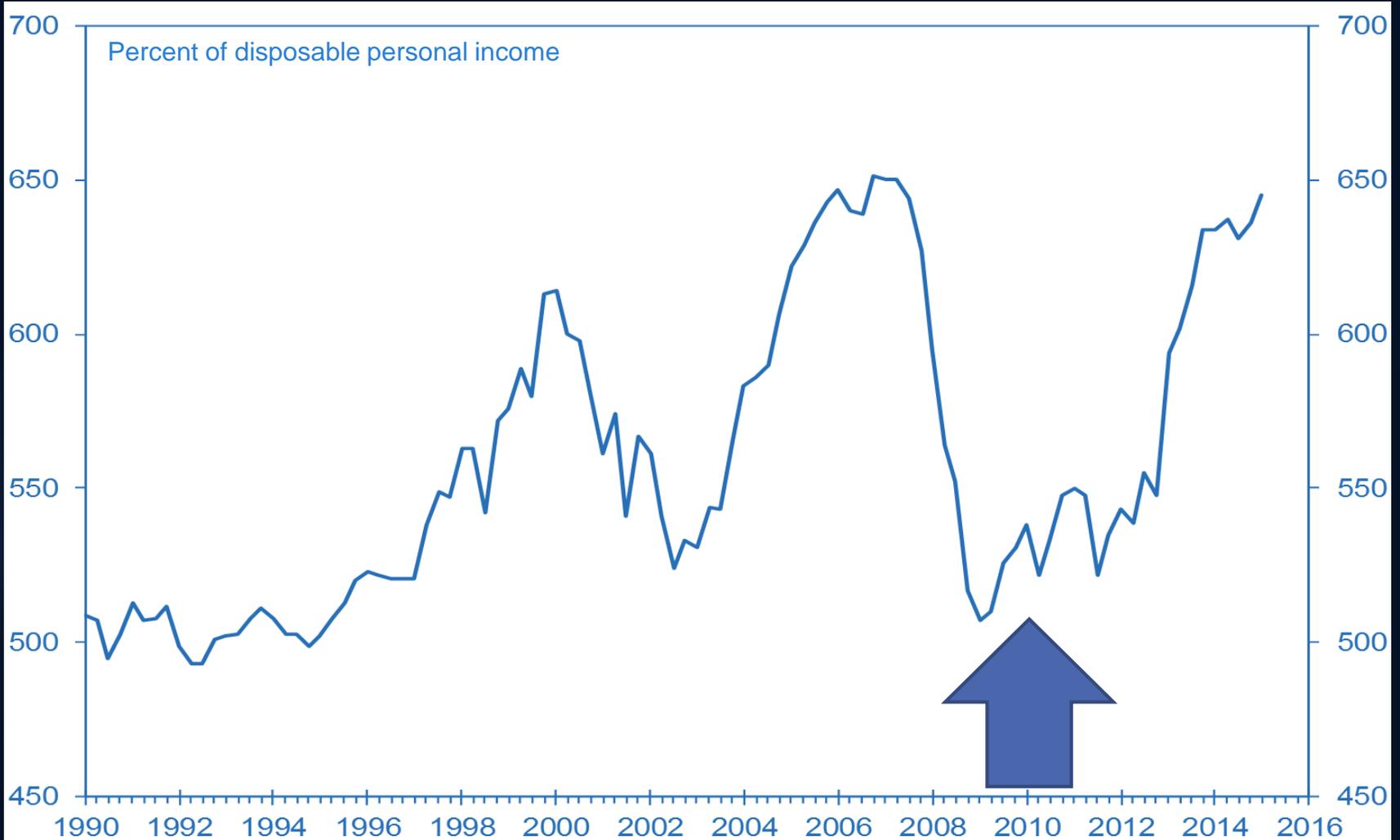
Consumer Price Index

10

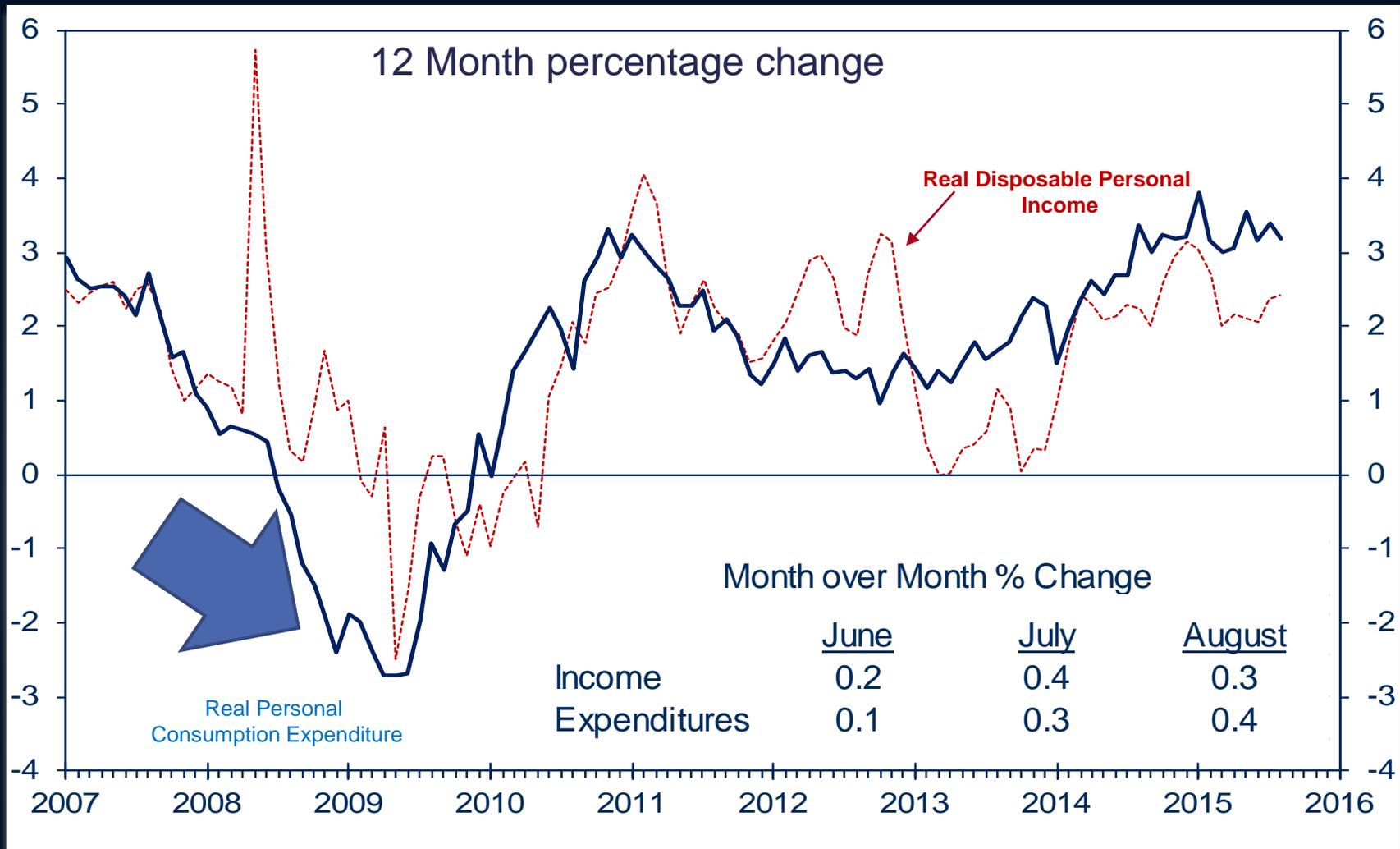


Source: U.S. Bureau of Labor Statistics

Household Net Worth



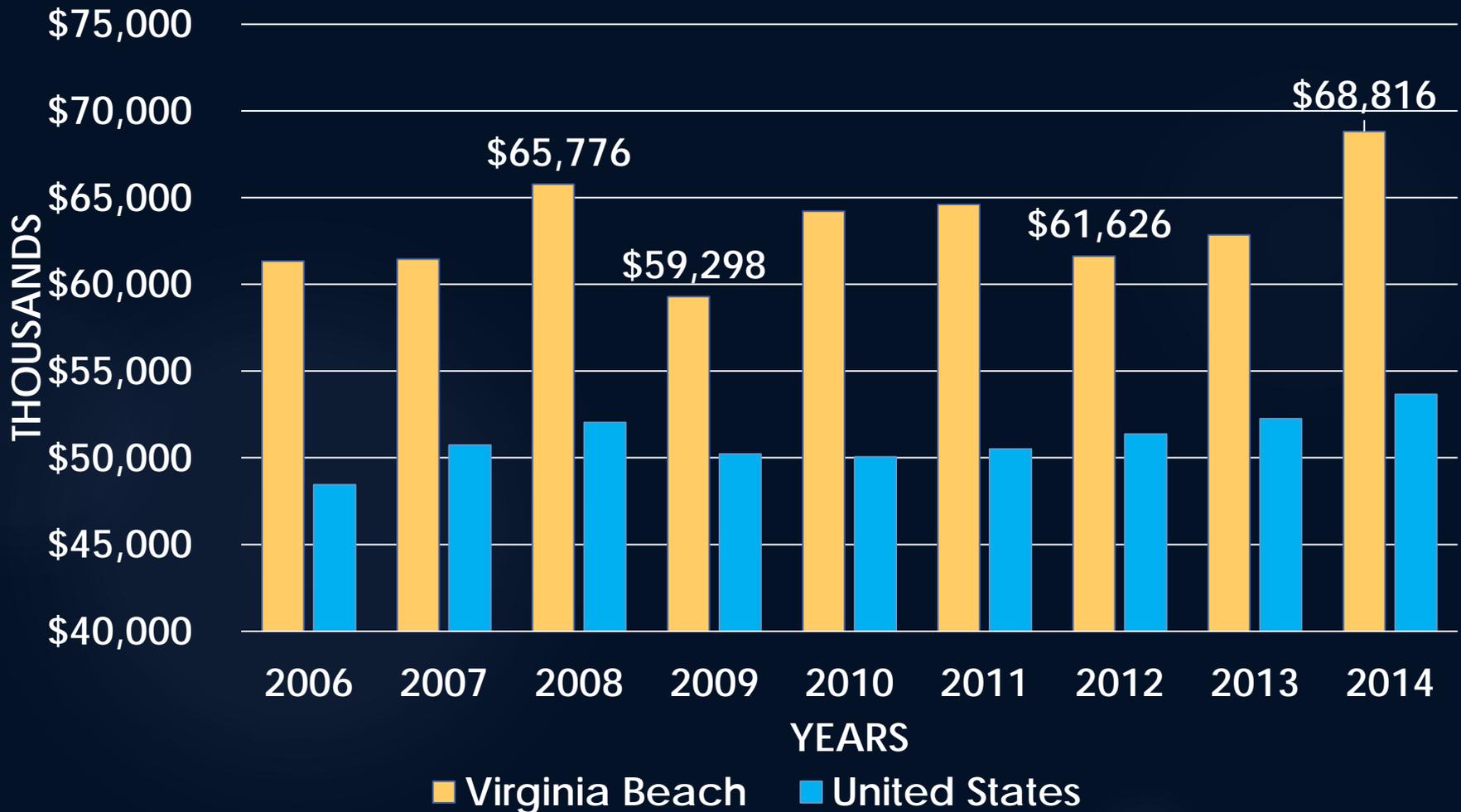
Disposable Personal Income & Expenditures



Note: Real disposable personal Income was adjusted to remove tax-induced income shifting near end of 2012.

Median Household Income

13

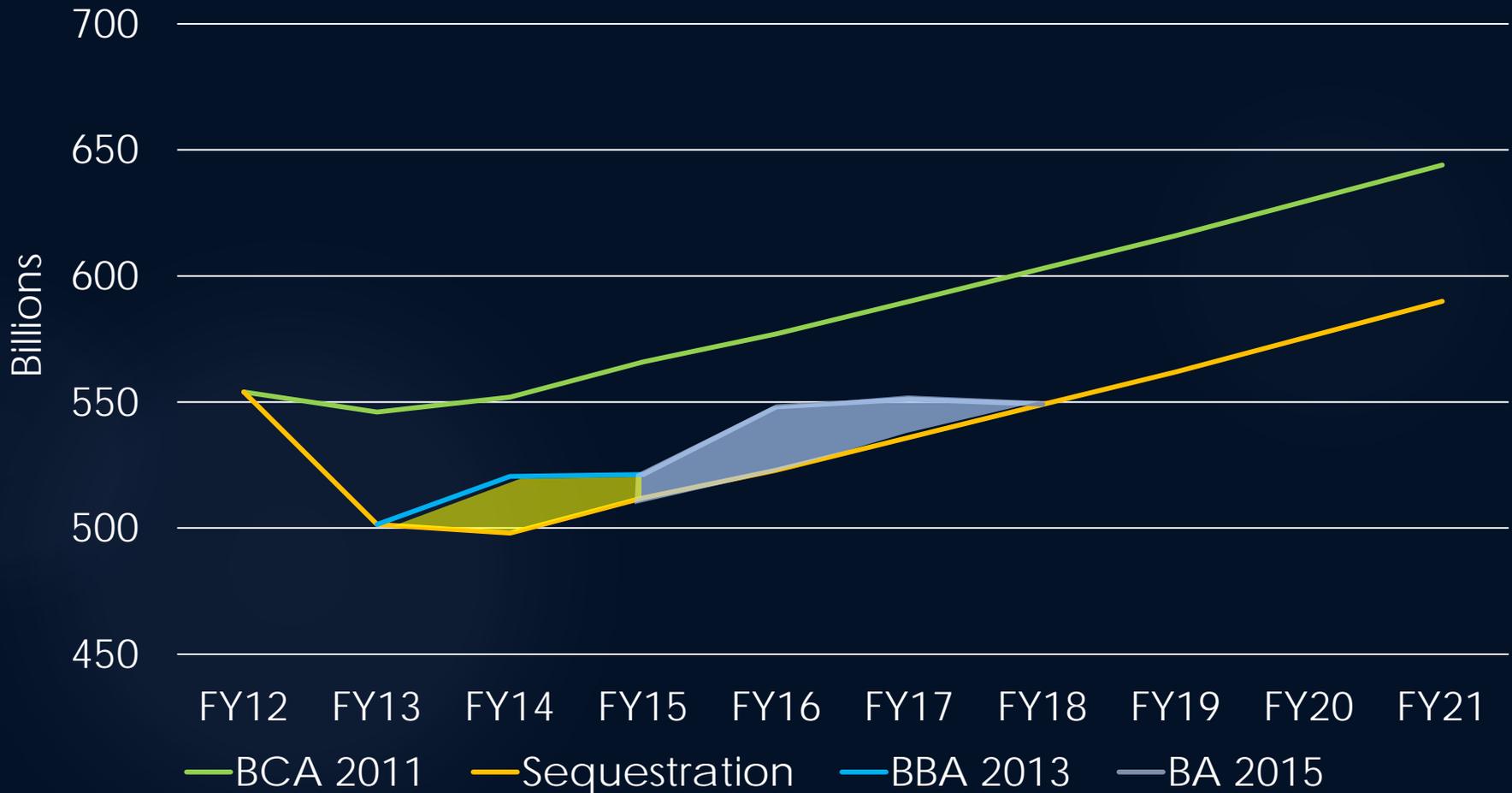




Defense

Caps on Defense Spending

15

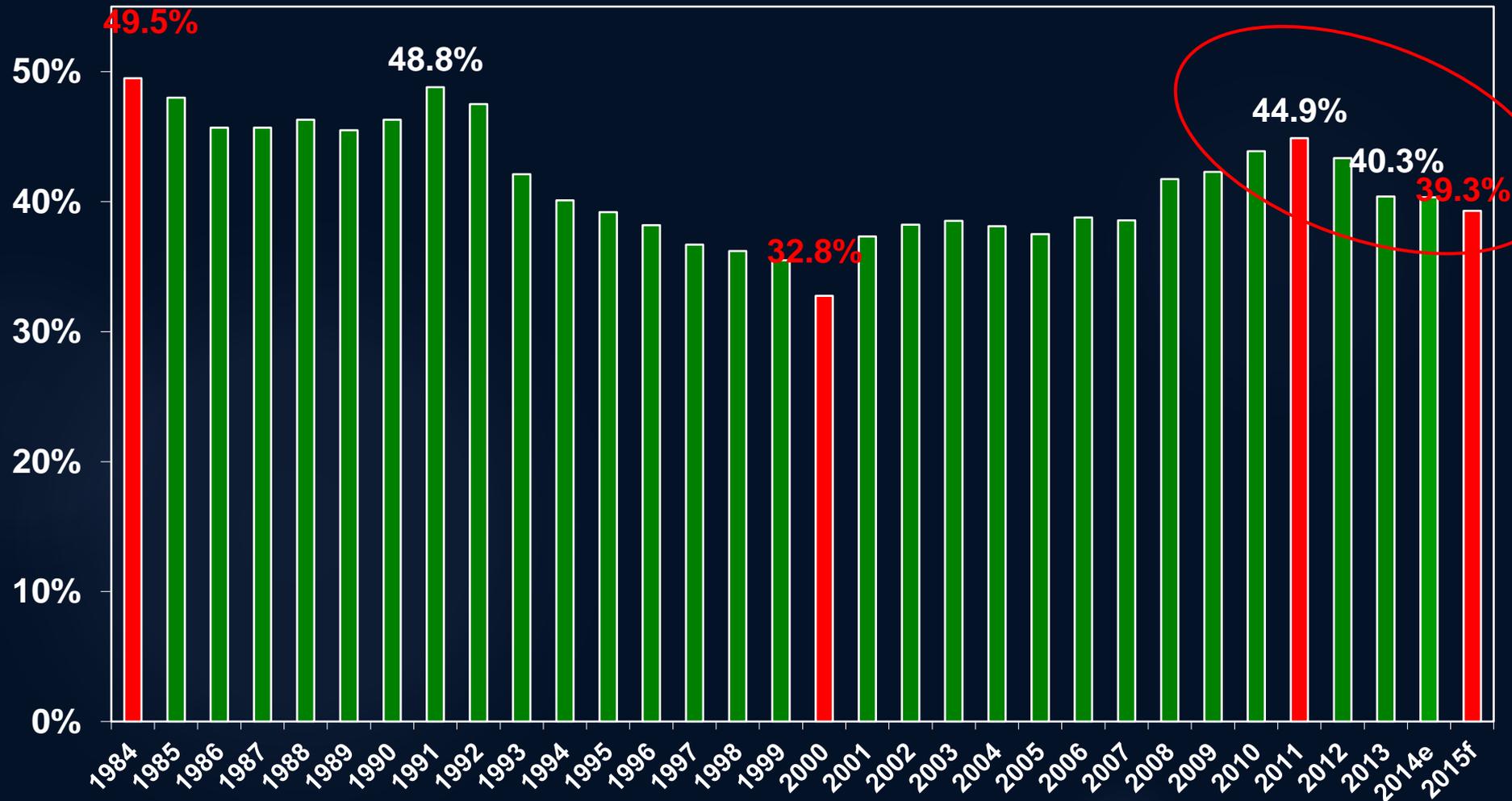


Source: BCA2011, Budget Requests for FY14, CBO Sequestration Update Report and the Old Dominion University Economic Forecasting Project

Hampton Roads Gross Regional Product Attributable to DOD Spending

16

1984-2015

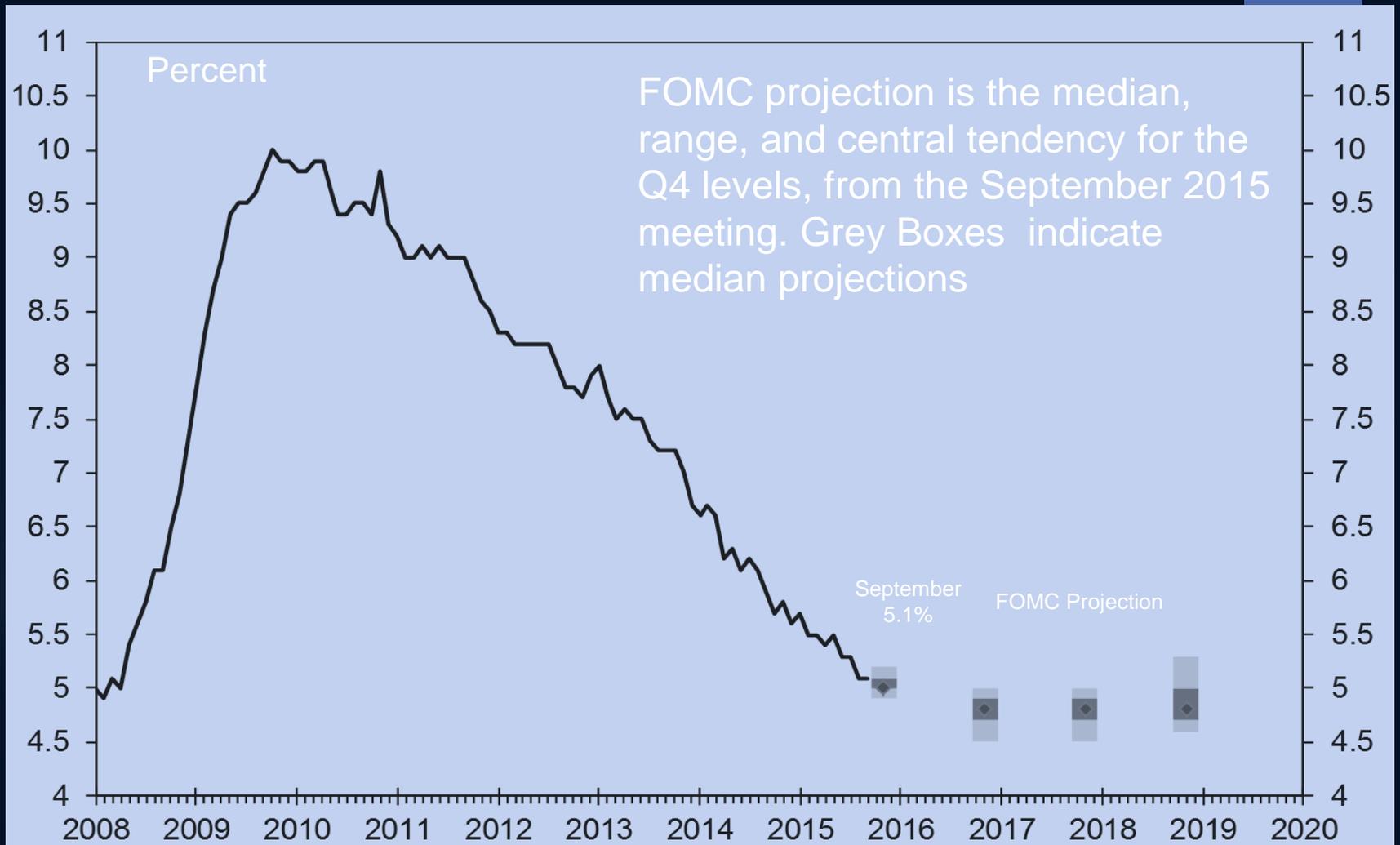




Employment

Unemployment Rate

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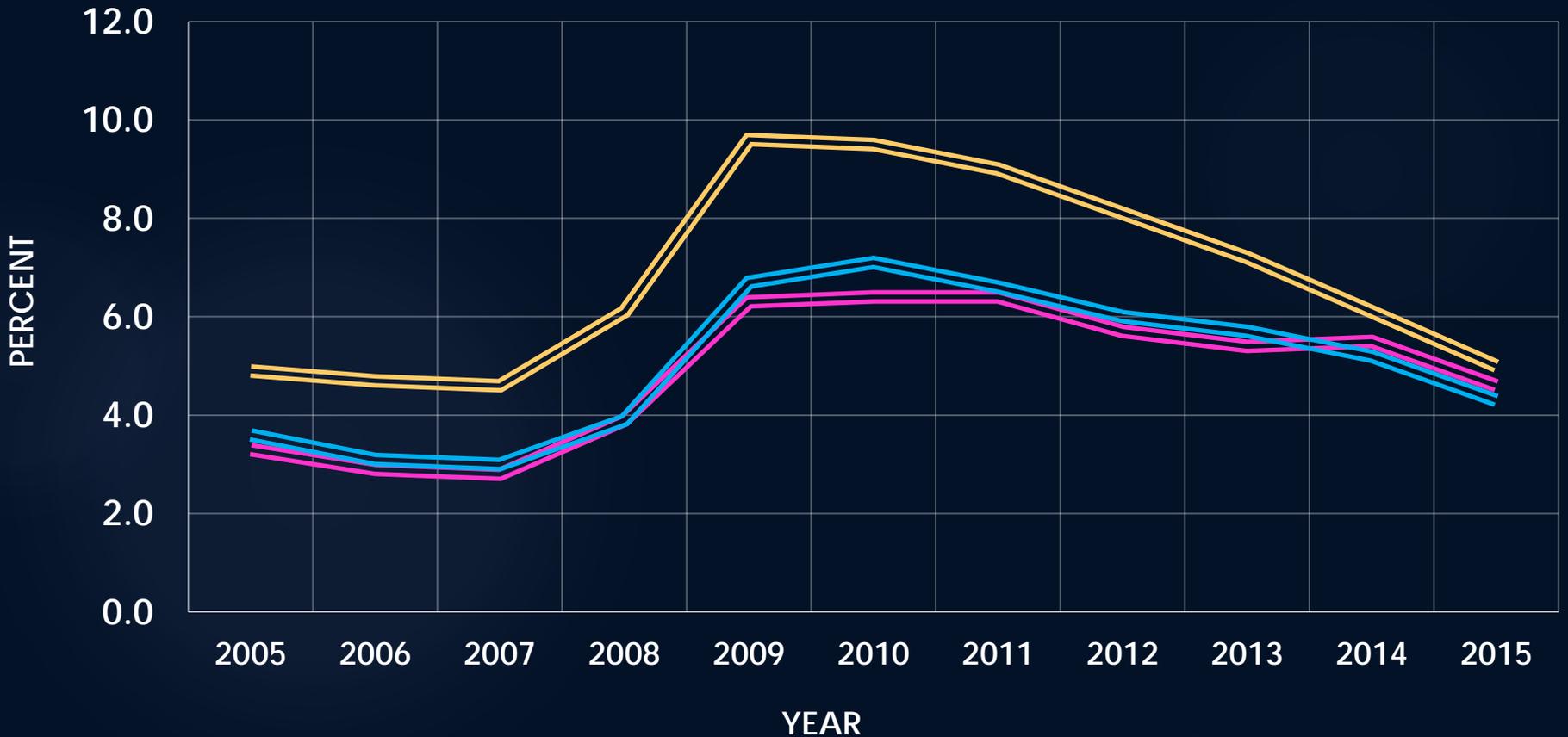


Source: Federal Reserve, Richmond VA, Bureau of Labor Statistics & Board of Governors via Haver Analytics

Unemployment Rate

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— Virginia Beach — Virginia — U.S.



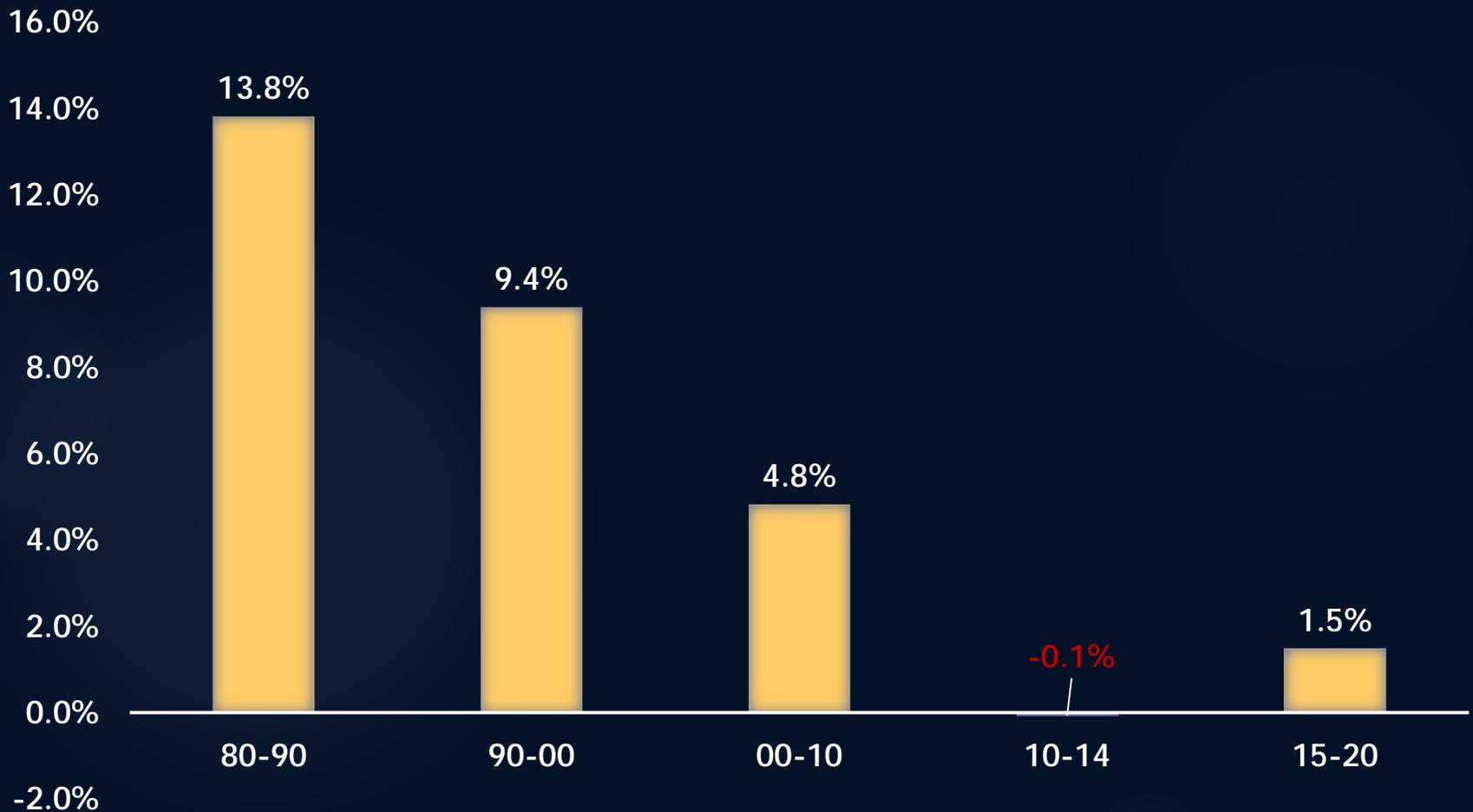


Revenues

Key Assumptions

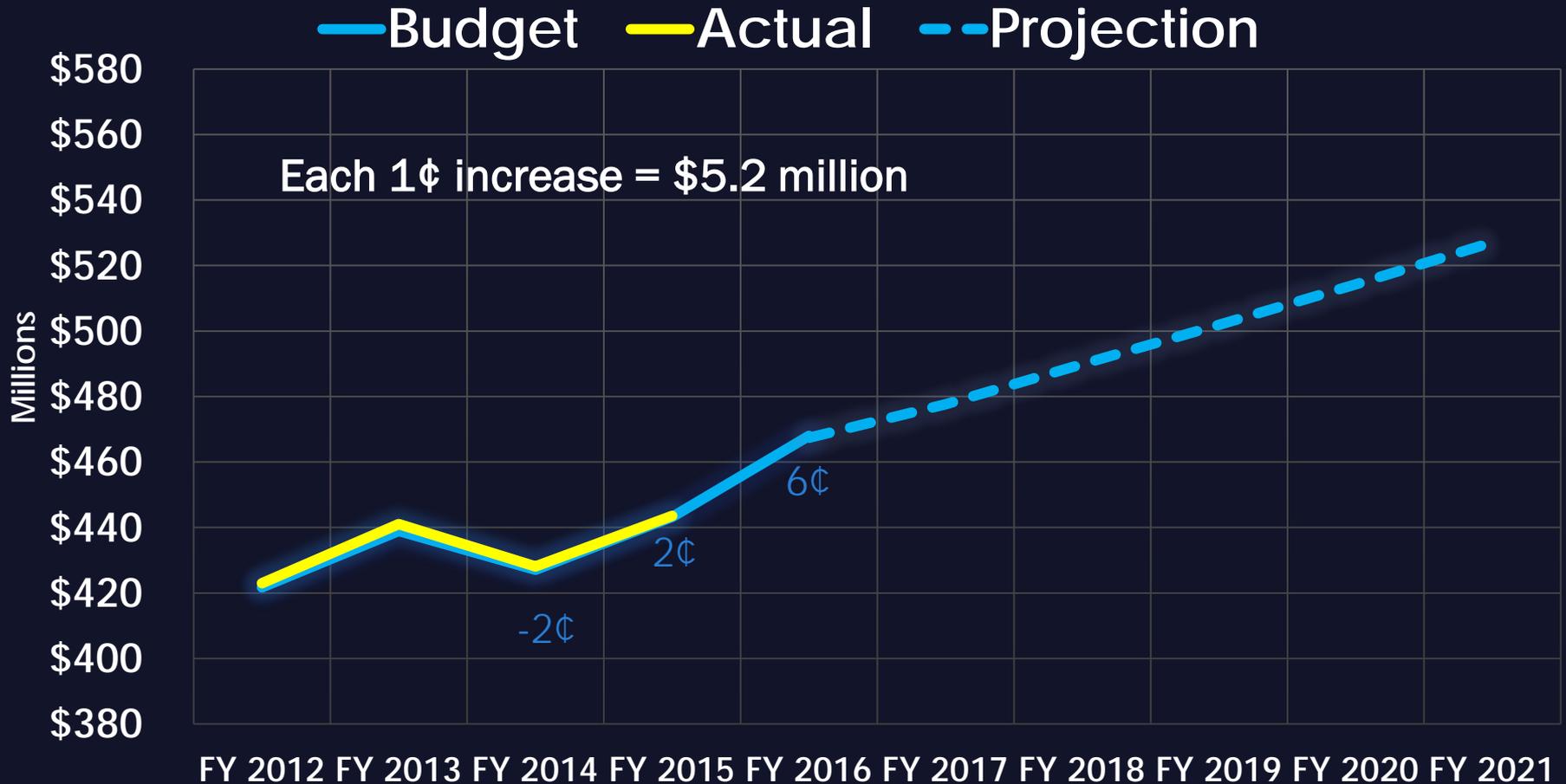
- ▶ No change in tax rates
- ▶ No use of fund balance
- ▶ Regional Economists indicate a slowly improving regional economy
- ▶ Given Federal Budget, funding for schools and city services will be minimally impacted

Average Revenue Growth Rates by Decade

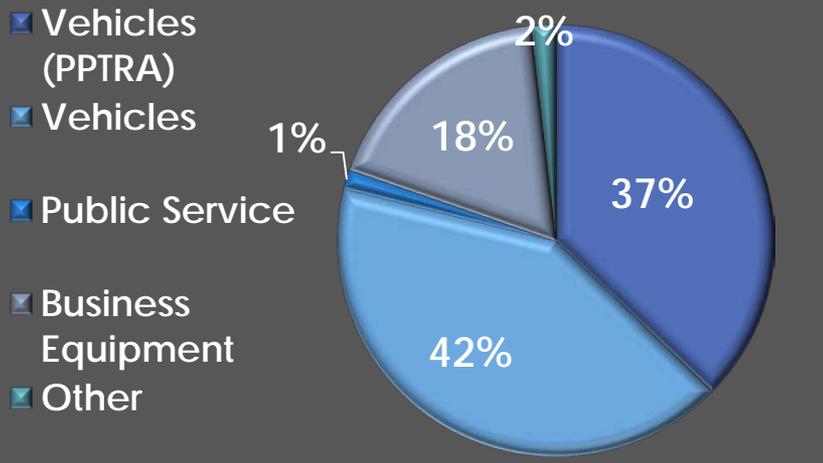


Real Estate Tax Revenue

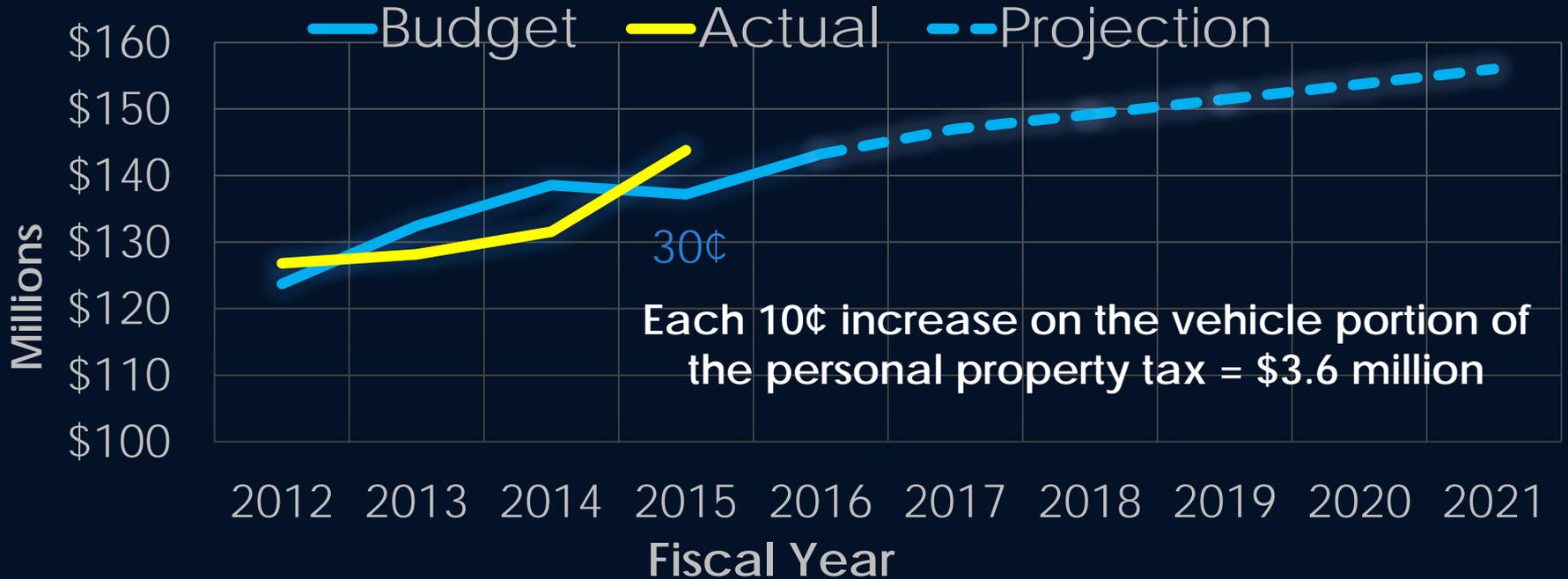
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General Fund only

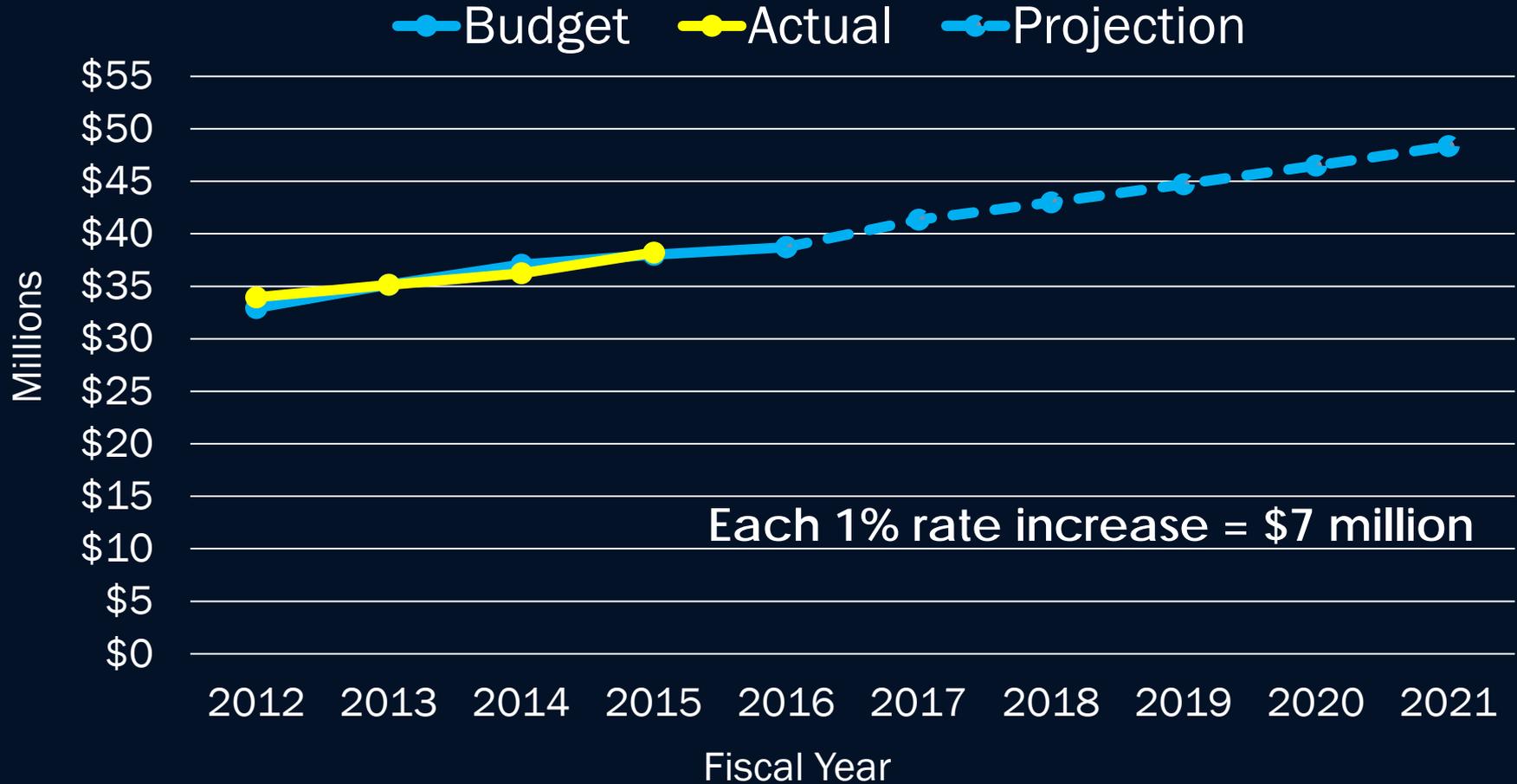


Personal Property Tax



Restaurant Meals

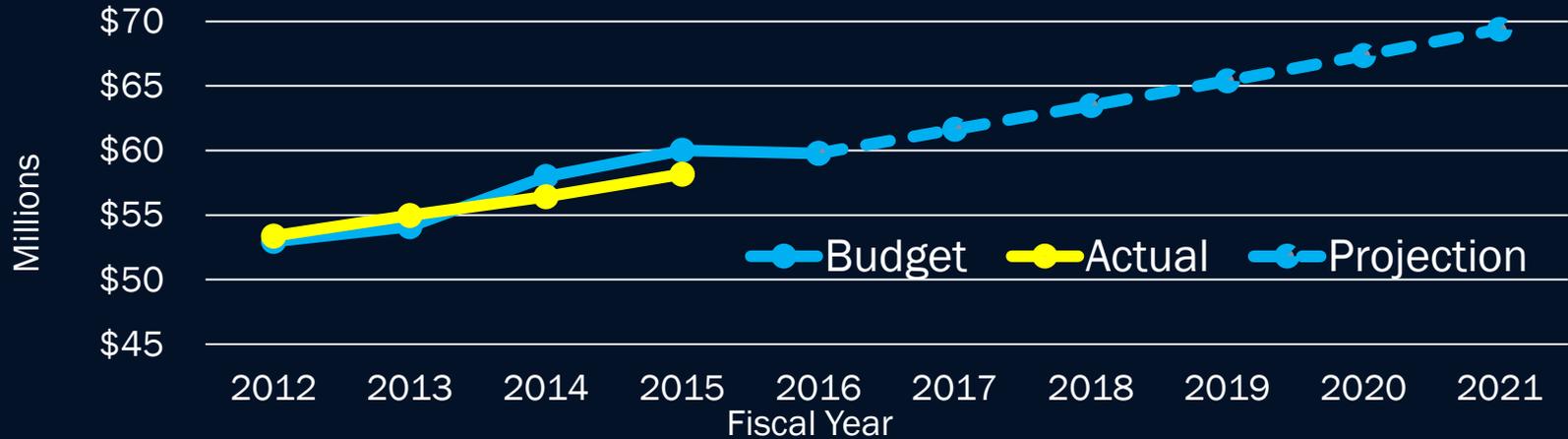
25



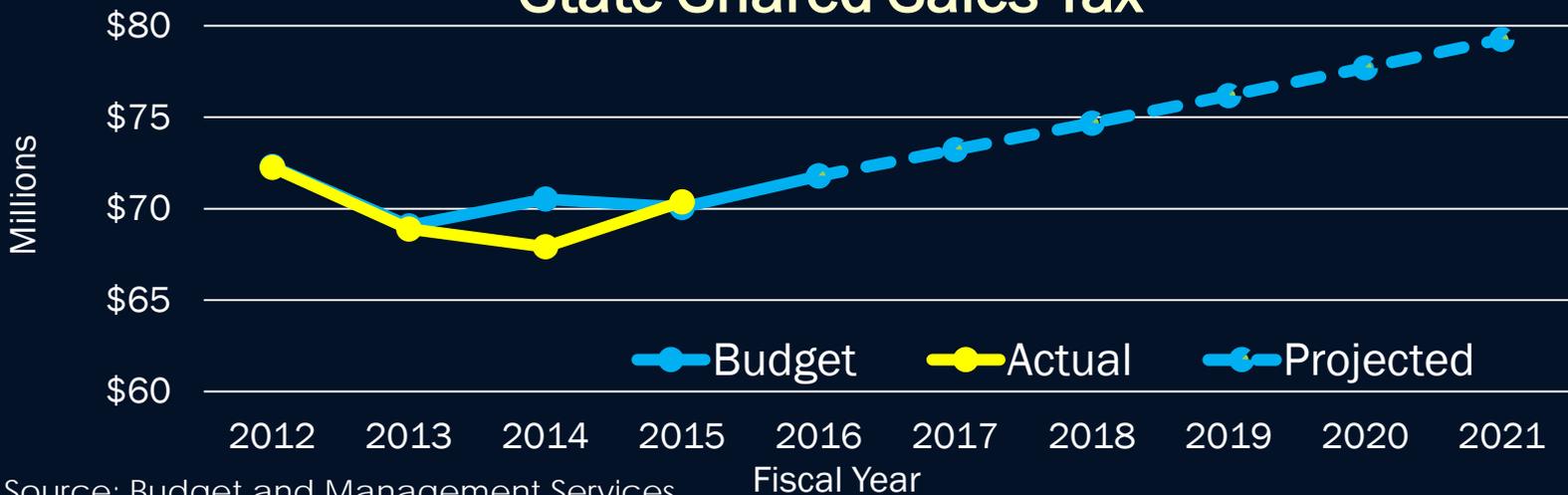
General Fund only

Sales Taxes

General Sales Tax



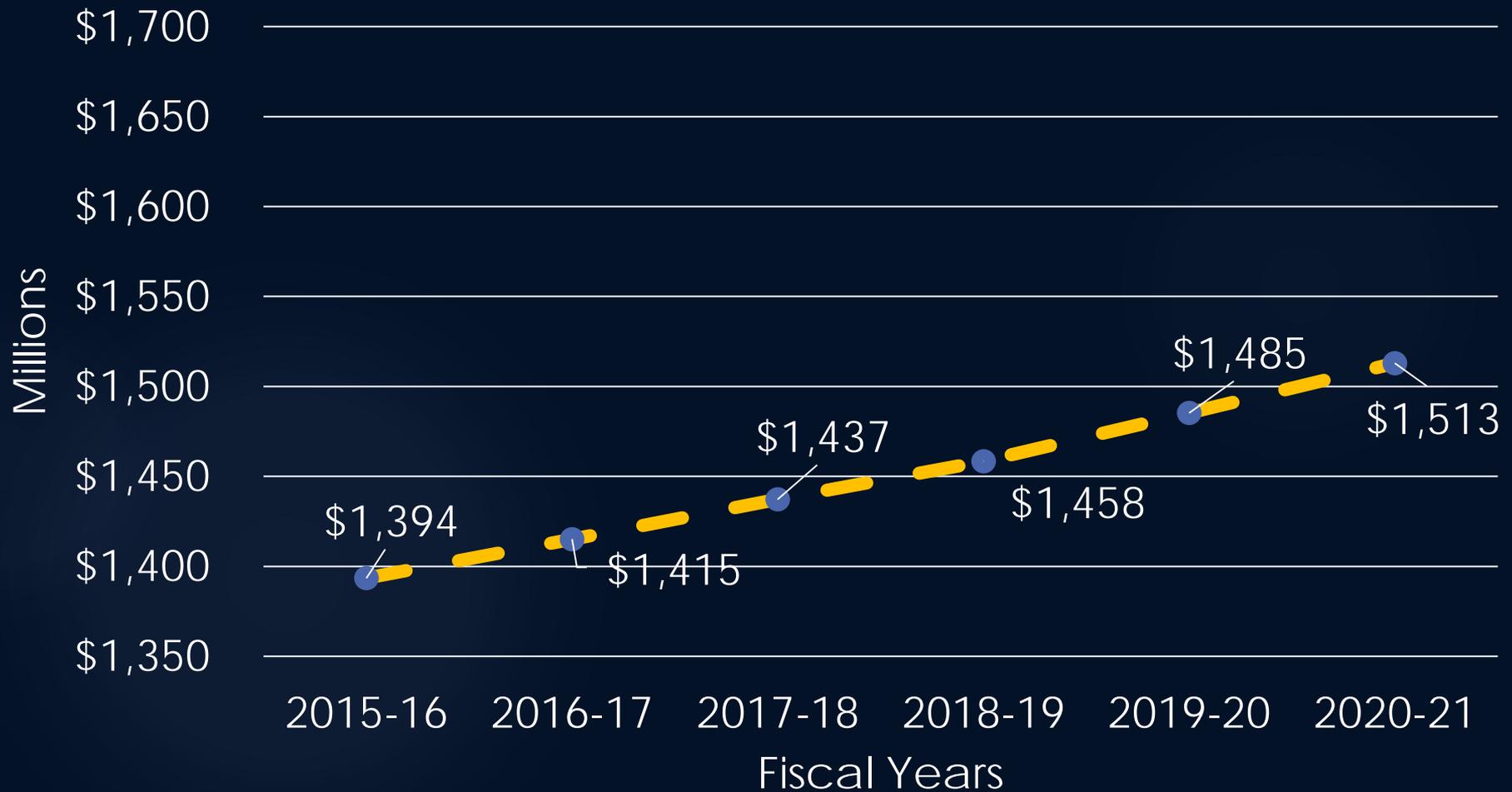
State Shared Sales Tax



Source: Budget and Management Services

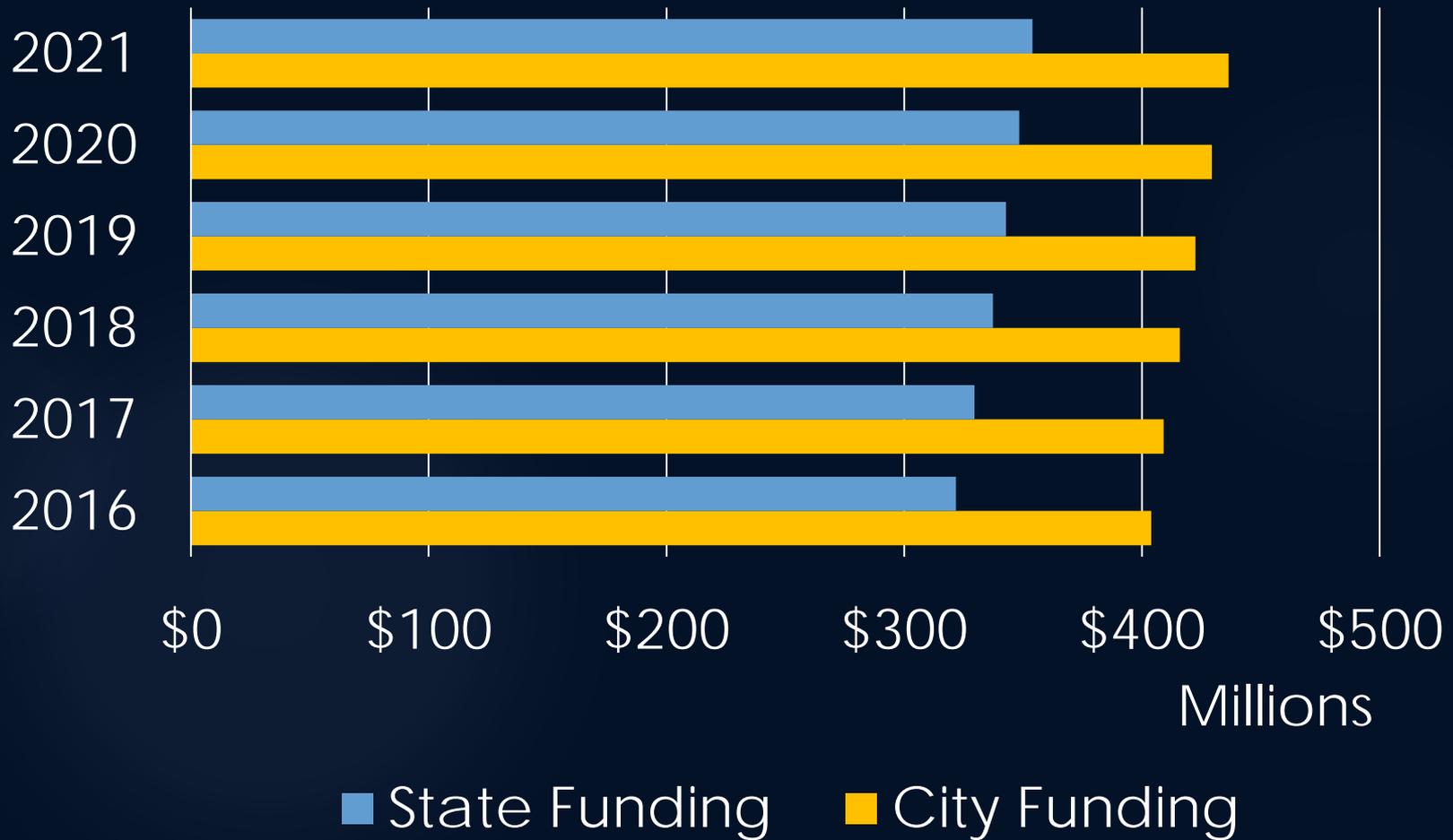
Base Revenue* Forecast

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* Net of School Transfer

School Revenues





Expenditures

Expenditure Projections

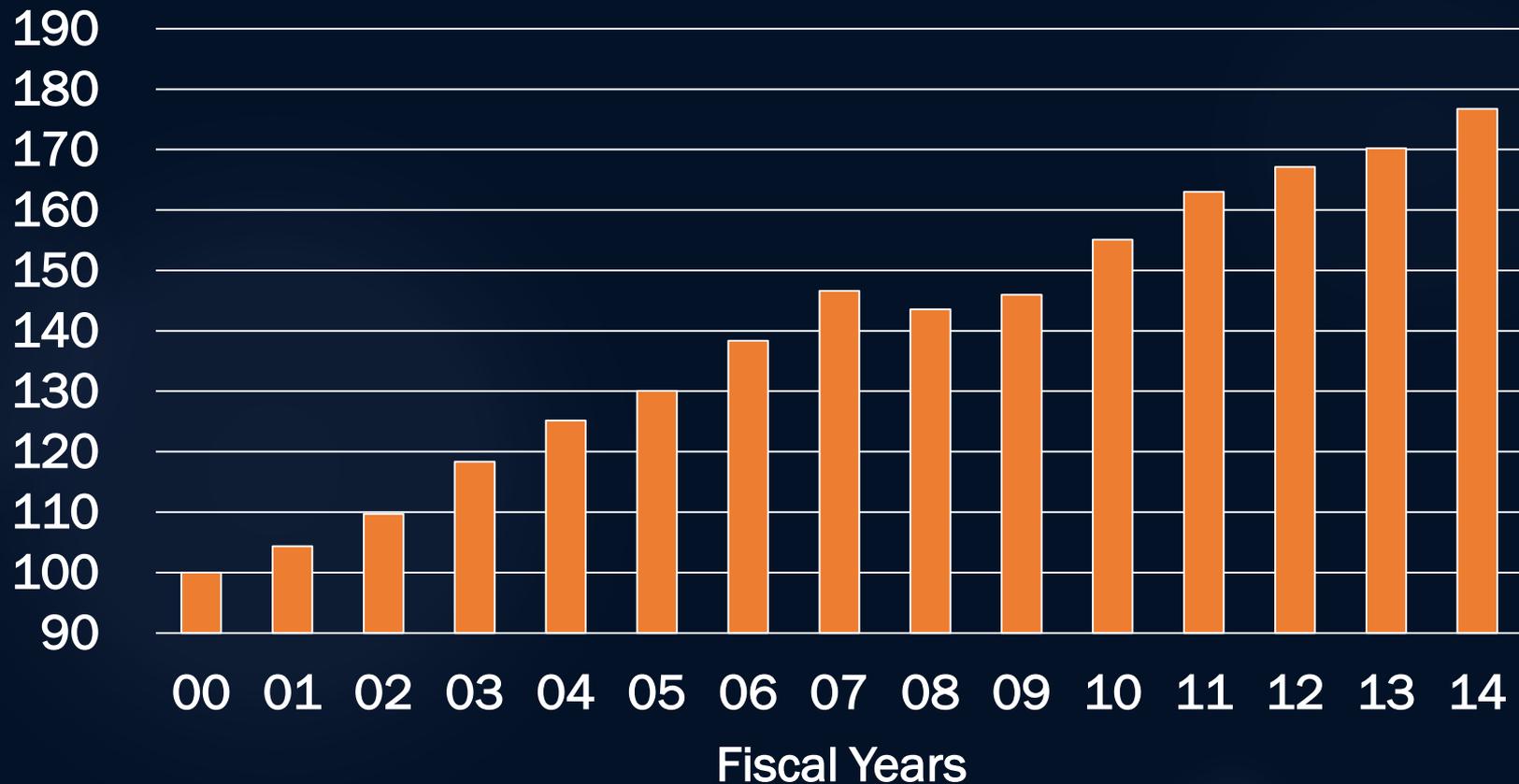
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Key Assumptions

- ▶ No pay increases
- ▶ 5% increase in health insurance contribution
- ▶ VRS contribution increase
- ▶ Operating costs increase by inflation
- ▶ Debt service based on Charter Debt capacity

Demand for Services

If demand was consistent,
all bars would be flat at the 2000 level of 100

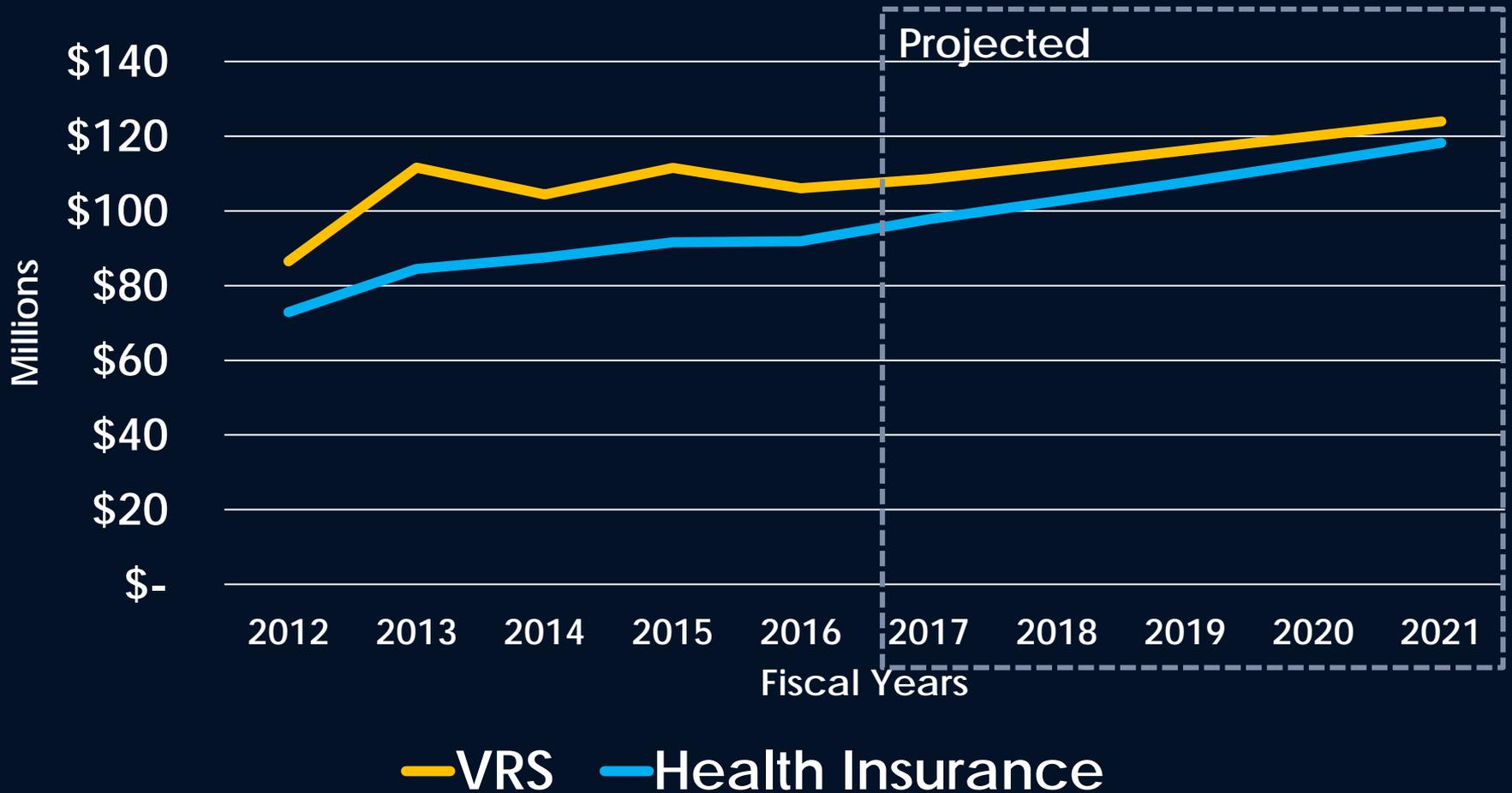


Salary and Fringe Benefits

■ City ■ School

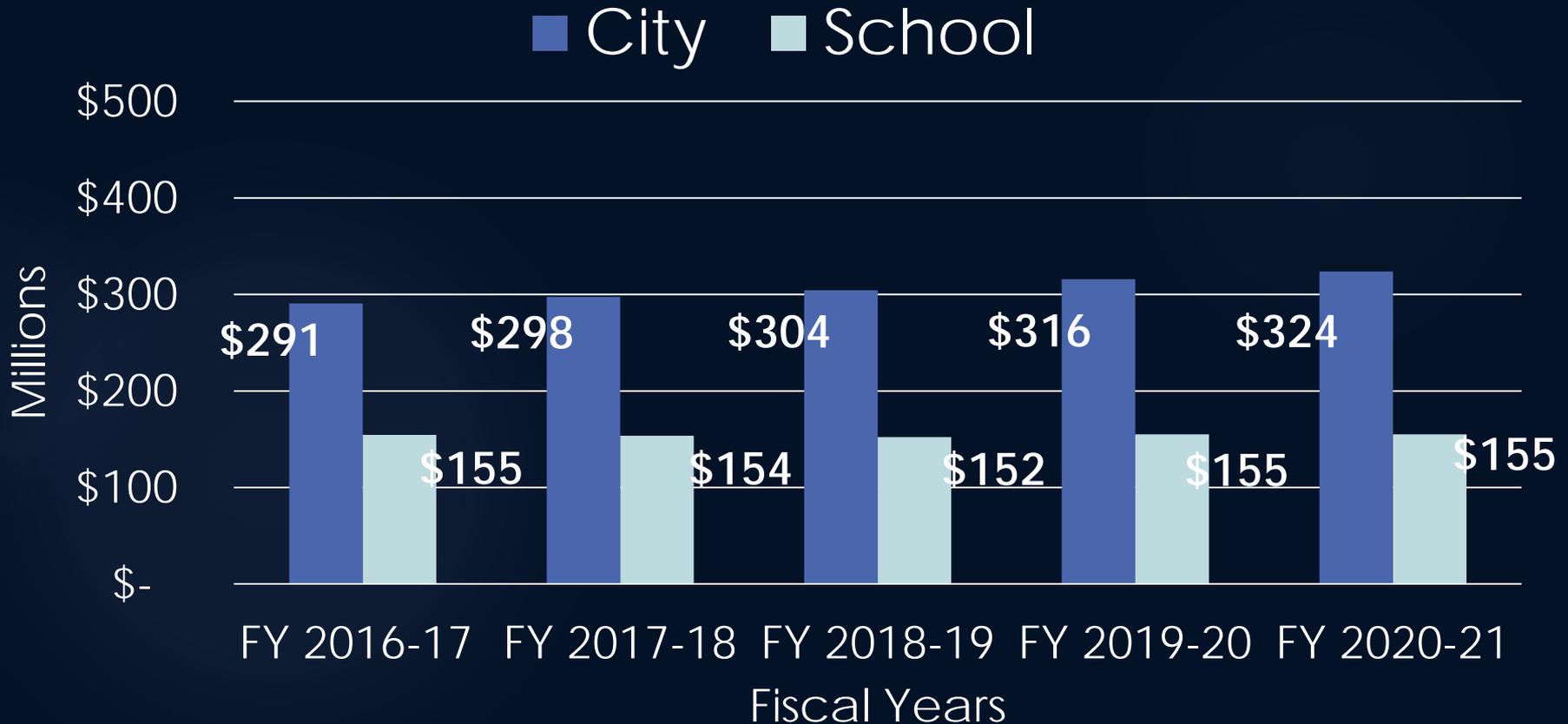


City and School Employer Contribution to Health and Pension



City and School Operating Costs*

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* Net of School Transfer from the General Fund

Average Price Per Gallon

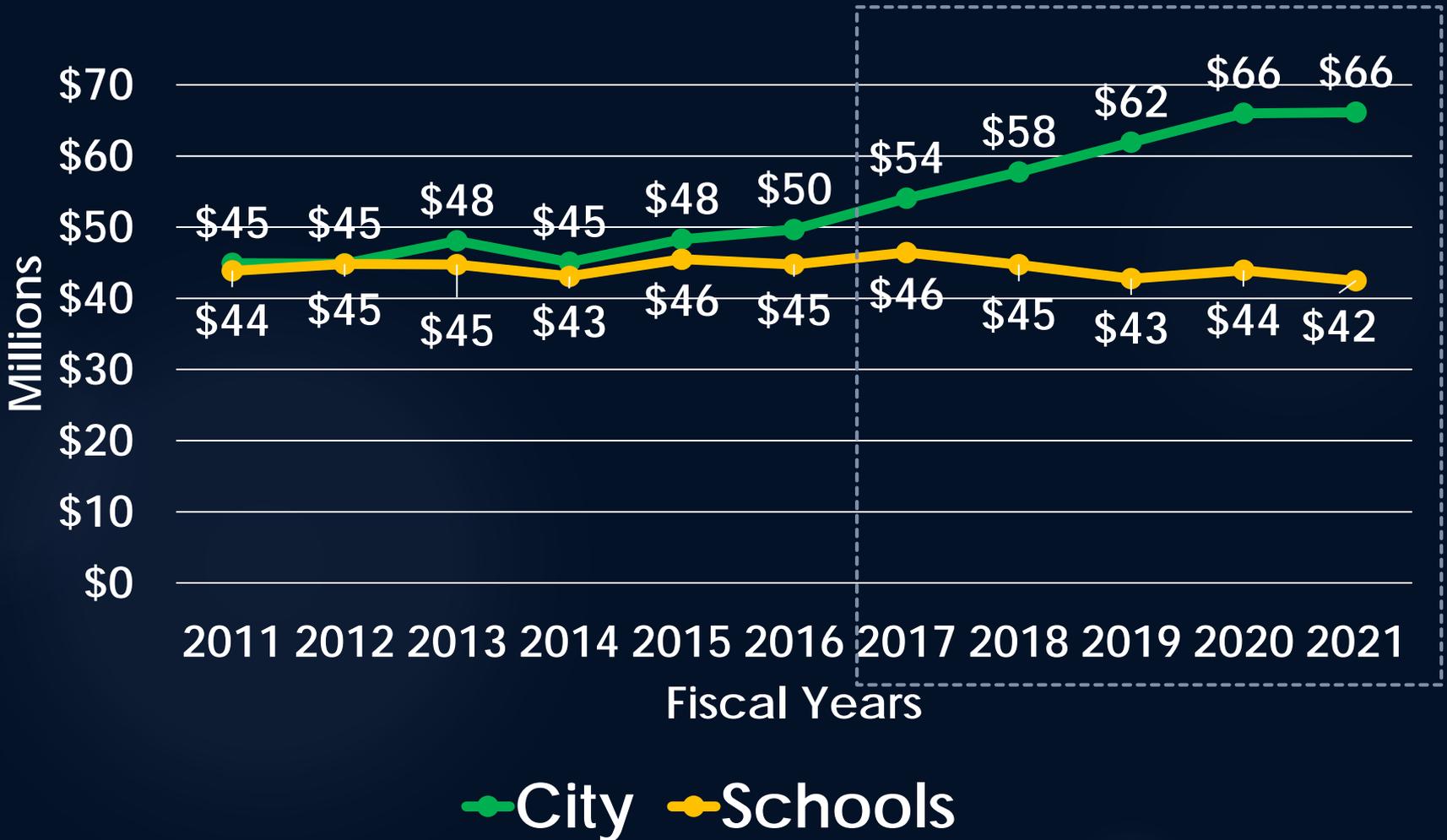
(Blended rate for gasoline and diesel)

35



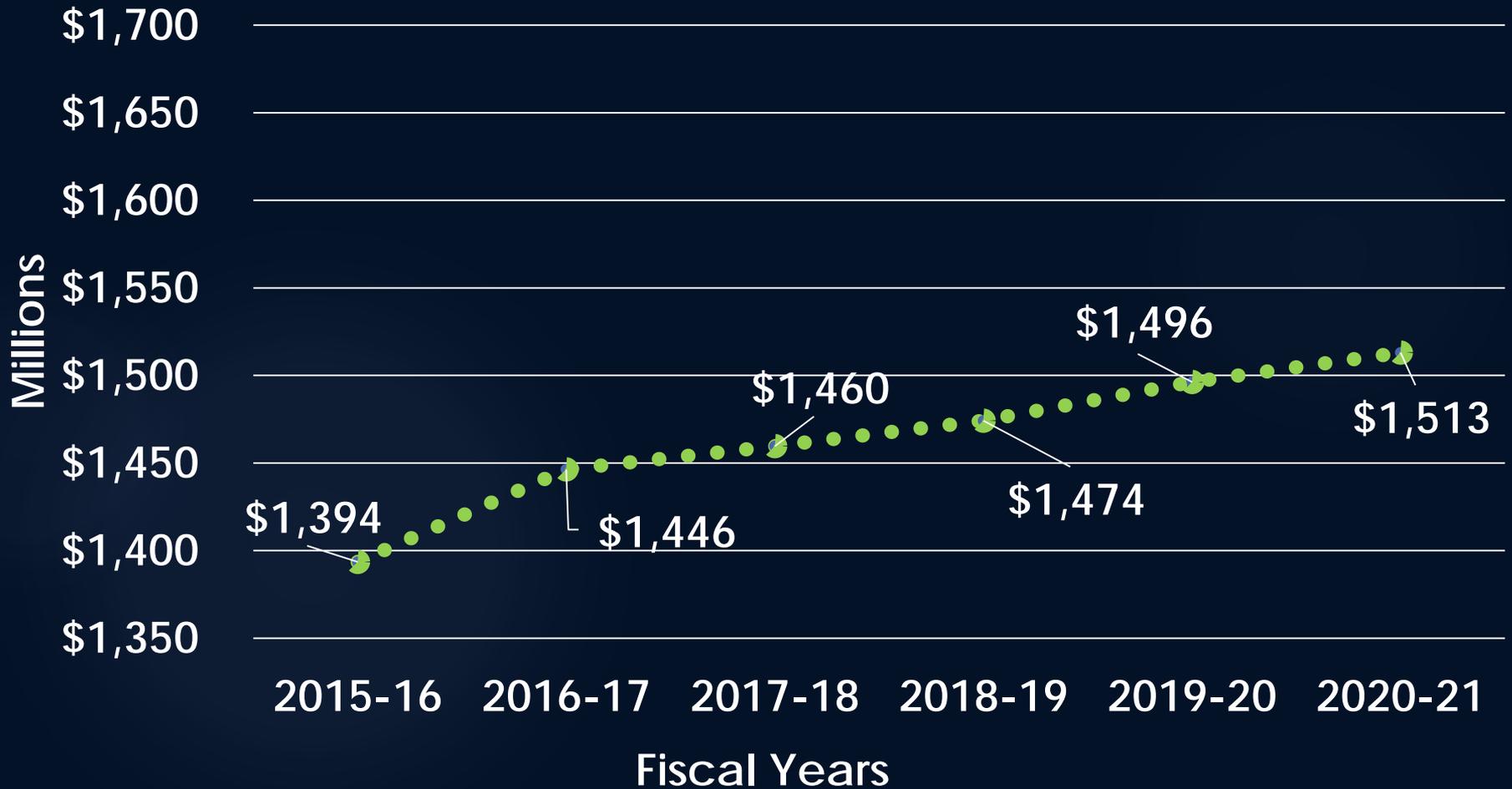
Debt Service

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Base Expenditure* Forecast

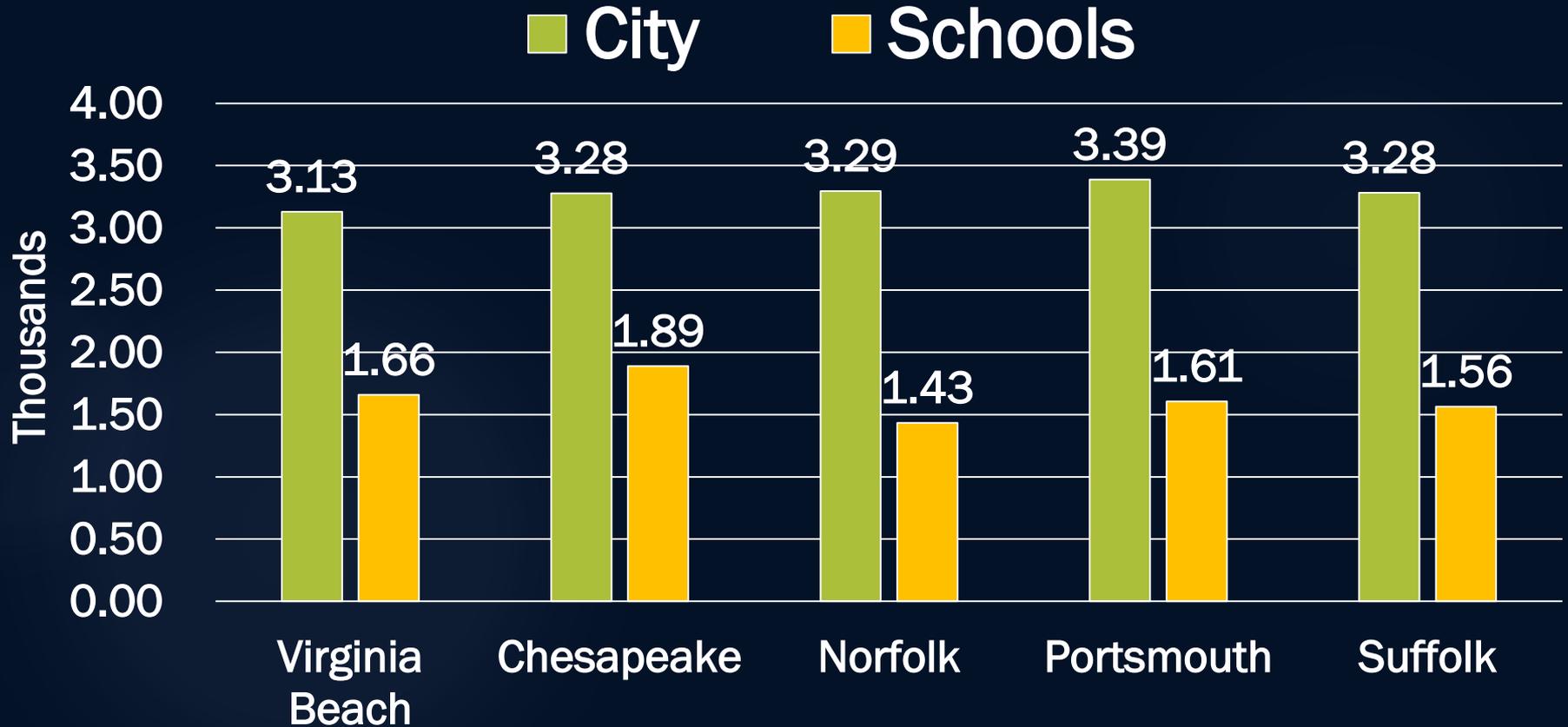
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* Net of School Transfer

Per Capita Expenditure Comparisons

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Source: State Auditor of Public Accounts, Comparison of Localities



Putting it all
Together

Schools Base Forecast

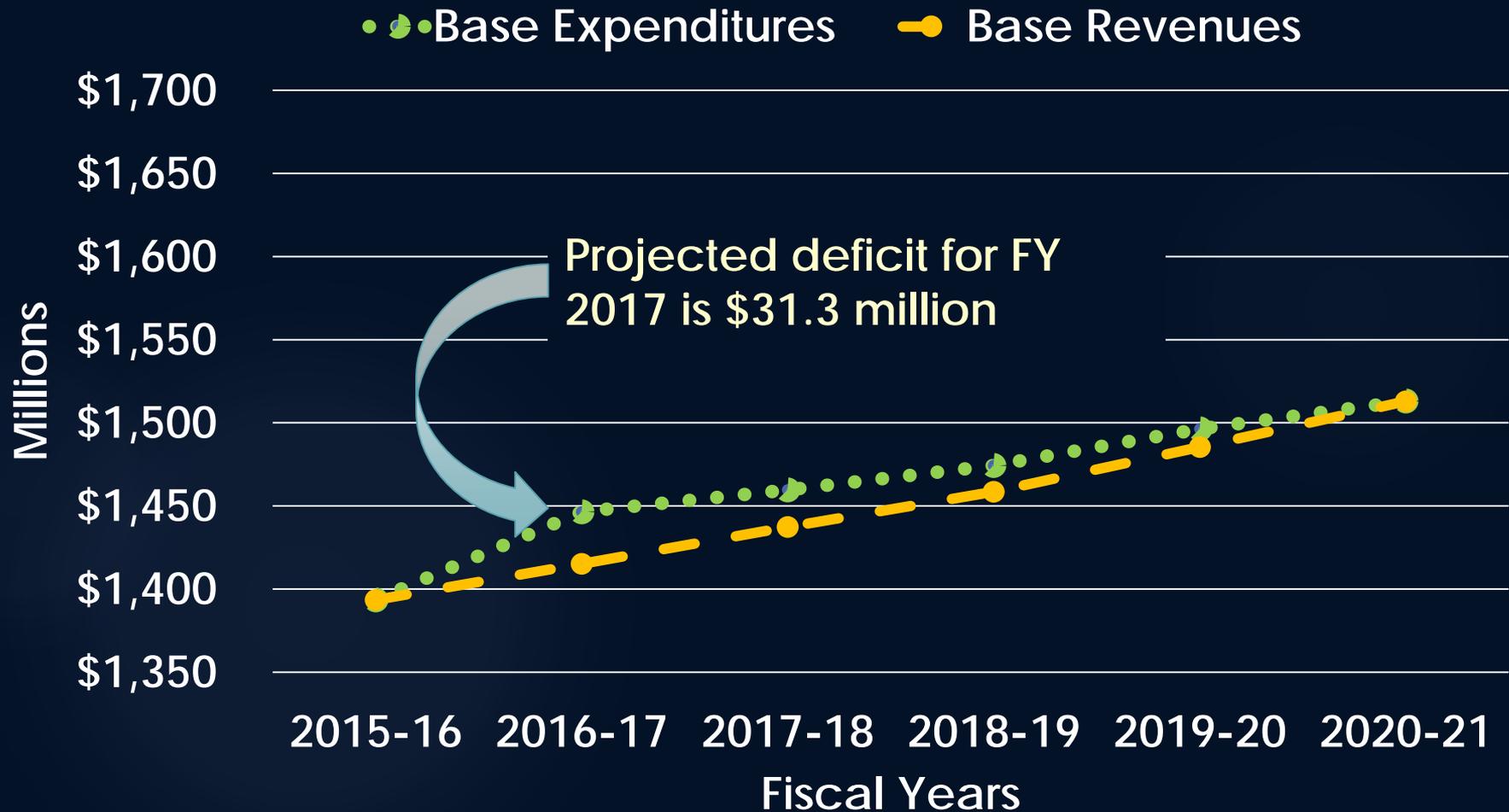


City Base Forecast



Base Forecast

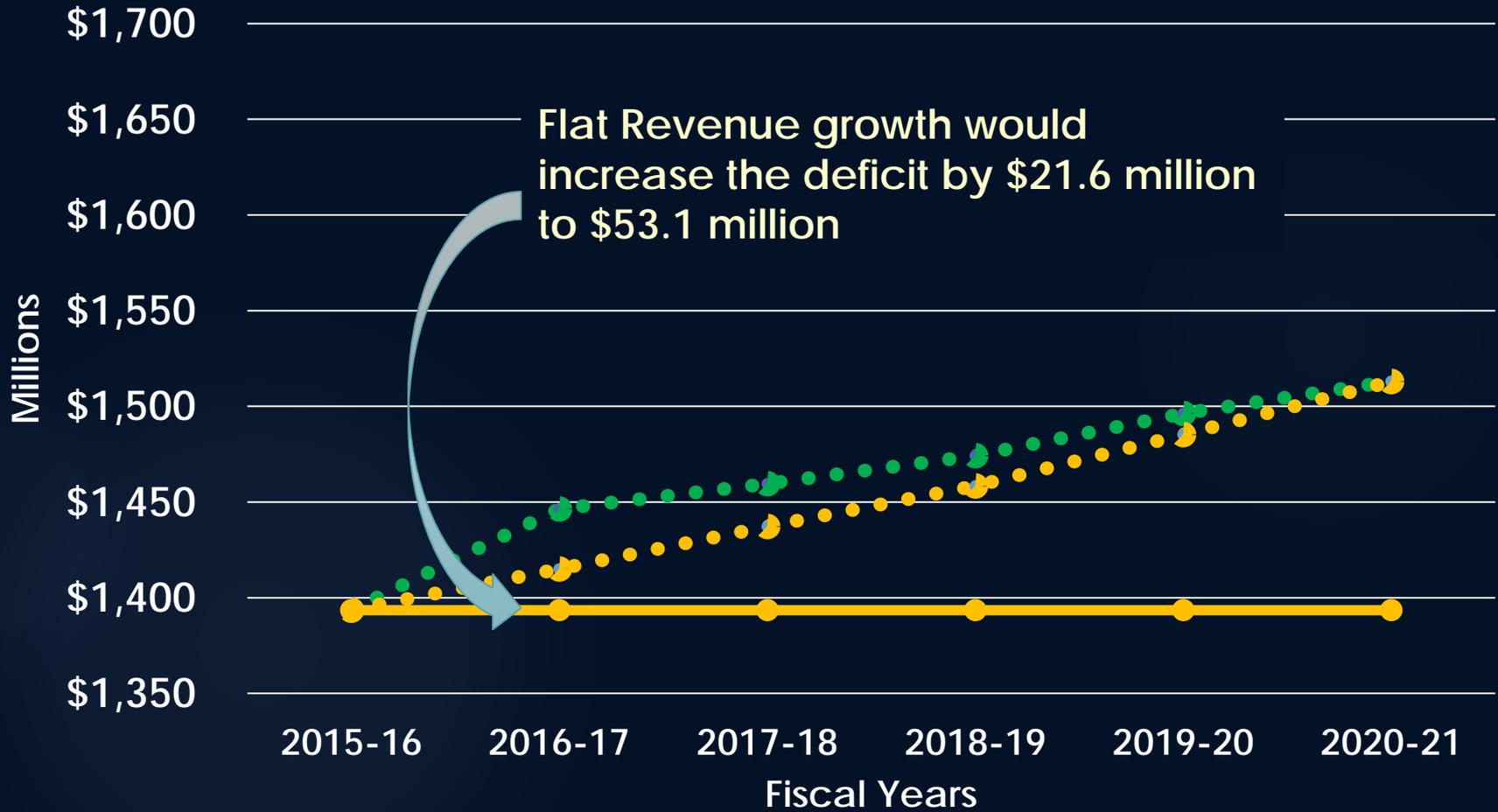
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Both Revenues and Expenditures are net of School Transfer

Flat Revenue Growth

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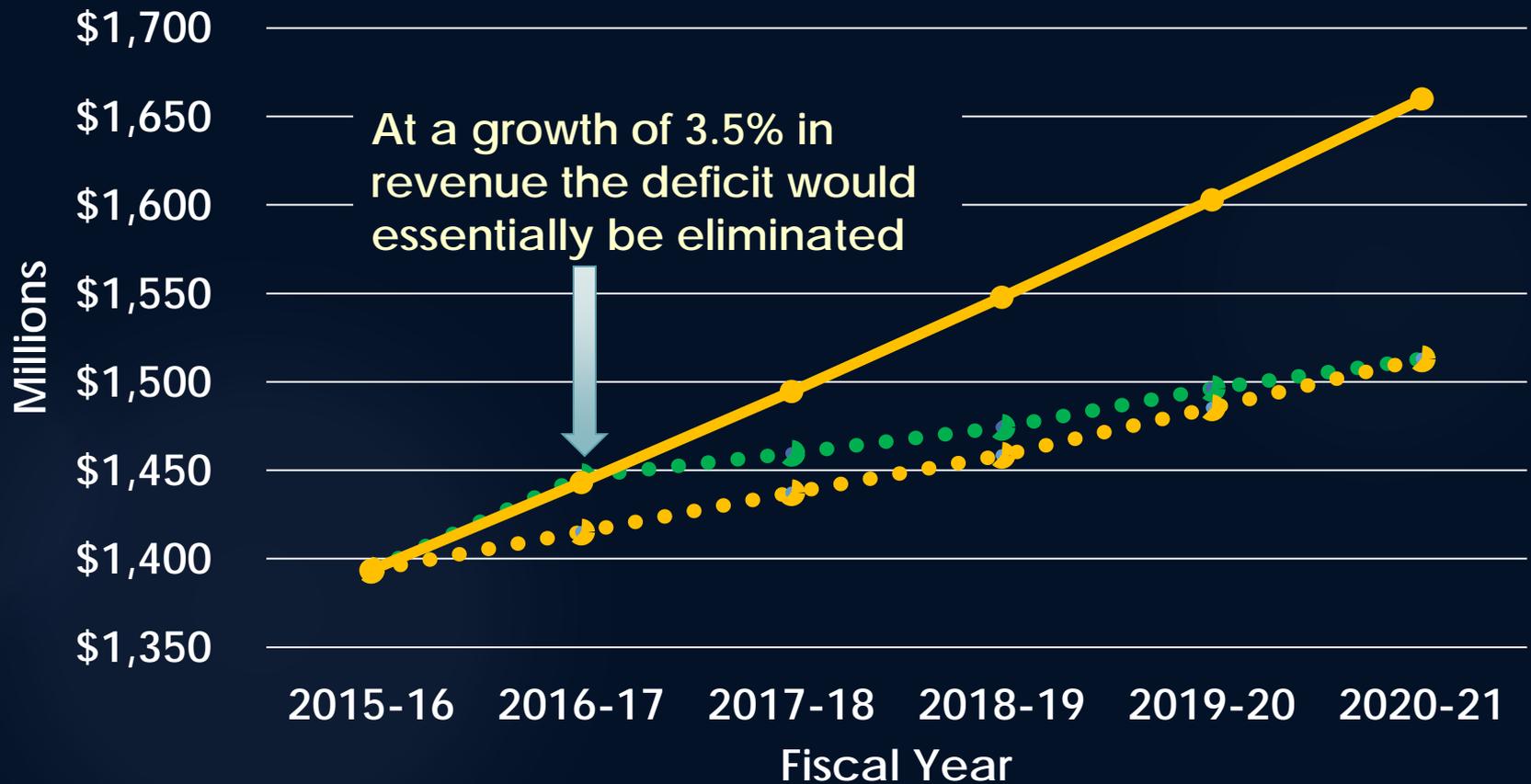


●●● Base Expenditures ●●● Base Revenues —●— Flat Revenues

Both Revenues and Expenditures are net of School Transfer

Higher Revenue Growth

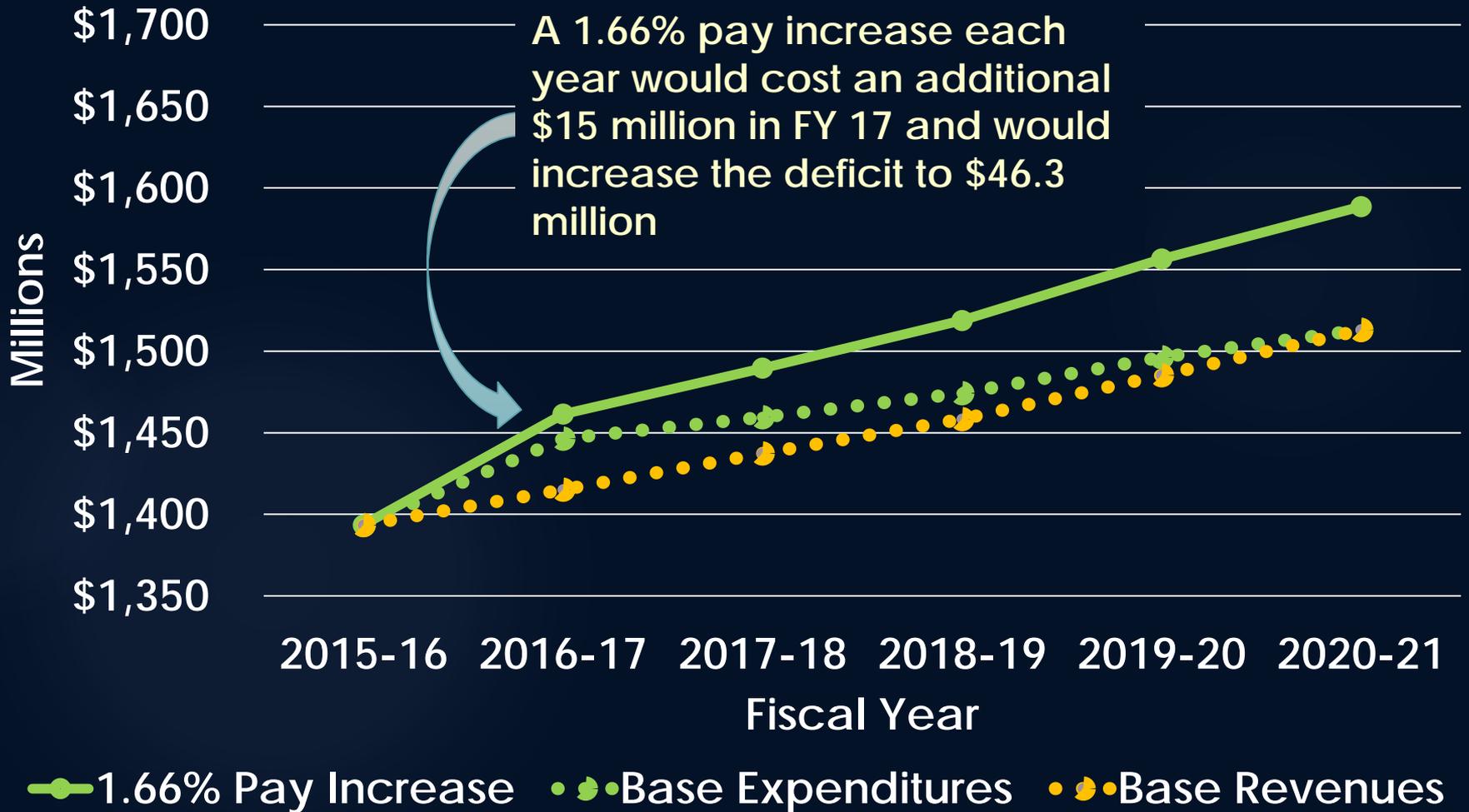
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●●● Base Expenditures ●●● Base Revenues ●●● High Revenues

Both Revenues and Expenditures are net of School Transfer

Expenditures with Pay Increase



Both Revenues and Expenditures are net of School Transfer

Conclusion

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- ▶ Budget will be balanced when presented to the City Council and School Board
- ▶ We have managed through greater deficits during the recession
- ▶ The economy is getting better...slowly