What the Economists Say & What it Means to VB
Getting Better...

Slowly!!!!
Post-Recession Real GRP Growth

Blacksburg-Christiansburg-Radford, VA: 2.36
Charlottesville, VA: 2.35
Winchester, VA-WW: 1.40
Kingsport-Bristol-Bristol, TN-VA: 1.15
Richmond, VA: 1.06
Washington-Arlington-Alexandria, DC-VA-MD-WV: 1.00
Virginia Beach-Norfolk-Newport News, VA-NC: 0.31
Harrisonburg, VA: 0.28
Staunton-Waynesboro, VA: 0.14
Roanoke, VA: -0.18
Lynchburg, VA: -0.50

Source: Bureau of Economic Analysis and Old Dominion Economists
Housing Recovery
### Number of Existing and New Construction Homes Sold

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

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

September 2015: 1,592
Peak: 3,224 (November 2010)

Source: Real Estate Information Network (REIN) and the Old Dominion University Economic Forecasting Project.
Change in Assessed Value of Real Estate

Percent Change

Fiscal Year

Residential
Commercial
Total

Source: Real Estate Assessor's Office
Consumer Confidence
Consumer Confidence Index

Source: Consumer Confidence Board
Consumer Price Index

Source: U.S. Bureau of Labor Statistics
Household Net Worth

Source: Federal Reserve, Richmond BA Z.1 Financial Accounts of the United States via Haver Analytics
Disposable Personal Income & Expenditures

12 Month percentage change

Real Disposable Personal Income

Real Personal Consumption Expenditure

Month over Month % Change

<table>
<thead>
<tr>
<th>Month</th>
<th>Income</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>July</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>August</td>
<td>0.3</td>
<td>0.4</td>
</tr>
</tbody>
</table>

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

Source: Federal Reserve, Richmond VA Bureau of Economic Analysis via Haver Analytics
Median Household Income

Source: U.S. Census Bureau American Community Survey
Caps on Defense Spending

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

1984-2015

Source: ODU State of the Region Report, 2015
Employment
FOMC projection is the median, range, and central tendency for the Q4 levels, from the September 2015 meeting. Grey Boxes indicate median projections.
Unemployment Rate

Virginia Beach
Virginia
U.S.

Source: U.S. Bureau of Labor & Statistics
Revenues
Revenue Projections

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

- 1980-90: 13.8%
- 1990-2000: 9.4%
- 2000-2010: 4.8%
- 2010-2014: -0.1%
- 2015-2020: 1.5%
Real Estate Tax Revenue

- **Budget**
- **Actual**
- **Projection**

Each 1¢ increase = $5.2 million

- $380
- $400
- $420
- $440
- $460
- $480
- $500
- $520
- $540
- $560
- $580


General Fund only
Each 10¢ increase on the vehicle portion of the personal property tax = $3.6 million
Restaurant Meals

Each 1% rate increase = $7 million

General Fund only
Sales Taxes

General Sales Tax

- **Fiscal Year:** 2012 to 2021
- **Budget**
- **Actual**
- **Projection**

State Shared Sales Tax

- **Fiscal Year:** 2012 to 2021
- **Budget**
- **Actual**
- **Projected**

Source: Budget and Management Services
Base Revenue* Forecast

Millions


* Net of School Transfer
WORK ZONE

Expenditures
Expenditure Projections

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

Source: Budget and Management Services
Salary and Fringe Benefits

Fiscal Years

City

School

Millions

FY 2016-17 $386 $615
FY 2017-18 $390 $618
FY 2018-19 $395 $622
FY 2019-20 $399 $625
FY 2020-21 $403 $629
City and School Employer Contribution to Health and Pension

Projected

Fiscal Years

Millions

$140

$120

$100

$80

$60

$40

$20

$0


VRS

Health Insurance
City and School Operating Costs*

*Net of School Transfer from the General Fund
Average Price Per Gallon
(Blended rate for gasoline and diesel)

Source: U.S. Energy Information Administration and the Virginia Beach City Garage
Debt Service

Fiscal Years

Millions


City

Schools
Base Expenditure* Forecast

* Net of School Transfer
Per Capita Expenditure Comparisons

Source: State Auditor of Public Accounts, Comparison of Localities
Putting it all Together
Projected deficit for FY 2017 is $31.3 million.
Flat Revenue growth would increase the deficit by $21.6 million to $53.1 million.

Both Revenues and Expenditures are net of School Transfer.
Higher Revenue Growth

At a growth of 3.5% in revenue the deficit would essentially be eliminated.

Both Revenues and Expenditures are net of School Transfer.
A 1.66% pay increase each year would cost an additional $15 million in FY 17 and would increase the deficit to $46.3 million.

Both Revenues and Expenditures are net of School Transfer.
Conclusion

- 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**