2016 American Community Survey Data for Hampton Roads

HR Rank in the Comparable Metro Areas

15.9% % of Veterans in the Civilian Population

47.7% % Who Worked Outside County of Residence

26.3% % of Renter’s Spending >30% of Income on Housing

$31,622 Per Capita Income

31.4% % of People Who Have a Bachelor's Degree

35.9 Median Age

.44 Gini Coefficient (Measure of Income Equality)
Hampton Roads Gross Product
Inflation-Adjusted 2009 Dollars

Source: Bureau of Economic Analysis and HRPDC
Annualized Percent Change in Total Employment

Metropolitan Areas with Population between 1 and 3 Million

Source: Bureau of Economic Analysis and HRPDC
Employment Decline and Recovery

Source: Bureau of Labor Statistics, HRPDC
10-Year Employment Change in HR
September 2007 – September 2017

Healthcare & Social
Federal Government
Scientific & Technical
Education Services
Management
Other Services
Transportation & Utilities
Administrative & Support
Leisure & Hospitality
State Government
Finance & Insurance
Wholesale Trade
Real Estate & Leasing
Information
Manufacturing
Local Government
Retail Trade
Construction

Source: Bureau of Labor Statistics, HRPDC
1-Year Employment Change in HR
September 2016 – September 2017

Source: Bureau of Labor Statistics, HRPDC
U.S., Virginia, & Hampton Roads Unemployment Rate
(Seasonally Adjusted)

Source: Bureau of Labor Statistics, HRPDC

Presentation to Virginia Beach
Payroll Employment and Labor Force

12 – Month Moving Average

Source: Virginia Employment Commission, HRPDC
Initial Unemployment Claims
Deseasonalized

Source: Virginia Employment Commission, HRPDC
Relative Per Capita Income

Source: Bureau of Economic Analysis and HRPDC
U.S. and Hampton Roads Real Median Family Incomes

Source: U.S. Census Bureau, American Community Survey and HRPDC
Earnings Per Worker
(Inflation-Adjusted)

Source: Bureau of Economic Analysis and HRPDC
Annualized Real Defense Outlays
(U.S. Quarterly Data, Seasonally Adjusted)

Source: Bureau of Economic Analysis and HRPDC
Military Personnel as a Share of Hampton Roads Employment

Source: Bureau of Economic Analysis and HRPDC

Since 1990 - 56,800
Past 10 years -22,600

145K Personnel
86K Personnel

Share of Total Employment

Presentation to Virginia Beach
Defense Contracts in Hampton Roads
(Inflation-Adjusted)

Millions of 2016 Dollars (5-Year Moving Average)

Fiscal Year

1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015

Source: USAspending.gov, Consolidated Federal Funds Report and HRPDC
Defense Expenditures and Statutory Budget Caps

Billions in Projected Defense Spending

- Presidents Budget, 2012
- Budget Control Act, 2011
- American Taxpayer Relief Act, 2012
- Bipartisan Budget Act, 2013
- Bipartisan Budget Act, 2015
- Actual Defense Expenditures

Source: Congressional Research Office, Congressional Budget Office and HRPDC
General Cargo in Hampton Roads

Source: Port of Virginia and HRPDC
Hampton Roads Employment in the Leisure and Hospitality Industry

- Annualized growth rate past 5 years: 1.67%
- Annualized growth rate since 1990: 1.62%

Source: Bureau of Labor Statistics and HRPDC
Retail Share of Total Employment

Source: Virginia Employment Commission and HRPDC

<table>
<thead>
<tr>
<th>Year</th>
<th>HR Share</th>
<th>U.S. Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>13.2%</td>
<td>12.0%</td>
</tr>
<tr>
<td>2016</td>
<td>11.4%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Retail Employment as a Percent of Civilian Non-farm Employment

Source: Presentation to Virginia Beach
Hampton Roads Retail Sales and Incomes
(Inflation-Adjusted)

Source: Virginia Department of Taxation, Bureau of Economic Analysis and HRPDC

Presentation to Virginia Beach
Hampton Roads Retail Sales
(Local Option Retail: 3-Month Moving Average)

Source: Virginia Department of Taxation, HRPDC
Building Permits in Hampton Roads

Source: U.S. Census Bureau and HRPDC

Presentation to Virginia Beach
Closings in Hampton Roads
(Seasonally-Adjusted)

Source: Rose and Womble Residential Data Bank and HRPDC
Home Price Index

Sources: HRPDC and the Fair Housing Finance Agency
Per Capita Local Revenues (Inflation-Adjusted)

Source: Auditor of Public Accounts, Weldon Cooper Center, BLS, and HRPDC

Presentation to Virginia Beach
Per Capita Expenditure by Category, 2016

Source: Auditor of Public Accounts, Weldon Cooper Center, BLS, and HRPDC
Regional Per Capita Expenditures Compared to State, 2016

Source: Auditor of Public Accounts, Weldon Cooper Center, BLS, and HRPDC
Per Pupil School Spending
(Inflation-Adjusted)

Source: U.S. Census Bureau, American Community Survey and HRPDC

Presentation to Virginia Beach
Graduation Rates

* Dates are Graduation Rates Calculated Using the Cohort Method

Source: Virginia Department of Education and HRPDC
Violent Crime

*The FBI did not report data for Hampton Roads in 2009

Source: Federal Bureau of Investigation and HRPDC
Poverty Rate

Poverty Rate

Source: U.S. Census Bureau and HRPDC
Ozone Levels in Hampton Roads

Source: Virginia Department of Environmental Quality and HRPDC
Hampton Roads Population

![Population Chart]

Only Year-Over-Year Decrease 1978 - 1979

Source: Weldon Cooper Center and HRPDC

Presentation to Virginia Beach
Hampton Roads Population Histogram 2016

Age Categories
- 85 years and over
- 80 to 84 years
- 75 to 79 years
- 70 to 74 years
- 65 to 69 years
- 60 to 64 years
- 55 to 59 years
- 50 to 54 years
- 45 to 49 years
- 40 to 44 years
- 35 to 39 years
- 30 to 34 years
- 25 to 29 years
- 20 to 24 years
- 15 to 19 years
- 10 to 14 years
- 5 to 9 years
- Under 5 years

Population

Source: U.S. Census Bureau, American Community Survey and HRPDC

Presentation to Virginia Beach
Annualized Percent Change in Gross Domestic Product

Sources: HRPDC, the Bureau of Economic Analysis, and Blue Chip Economic Indicators
Hampton Roads Commuting Patterns all Jurisdictions

Commuting (Journey to Work) refers to a worker's travel from home to work.

Data source: U.S. Census Bureau, American Community Survey 2009-2013 data

Sources: HRPDC, HRTPO, and the U.S. Census Bureau
Hampton Roads Commuting Patterns by Jurisdiction:
Virginia Beach

Commuting (Journey to Work) refers to a worker's travel from home to work.

Sources: HRPDC, HRTPO, and the U.S. Census Bureau
Conclusions?

• Hampton Roads’ economy is inextricably linked to federal expenditures
• The region continues to struggle in the wake of the Great Recession
• Hampton Roads’ currently boasts a high Quality of Life
• Our investments today will set the stage for our future
City of Virginia Beach
Demographic Overview
Population with Growth Rate By Decade
1980 to 2016

Sources: Census Bureau and Weldon Cooper Center for Public Service
Population By Age Segment
1980 compared to 2016

Proportion of Population by Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1980</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;18</td>
<td>30.7%</td>
<td>22.5%</td>
</tr>
<tr>
<td>18-24</td>
<td>15.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>25-34</td>
<td>19.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>35-44</td>
<td>23.1%</td>
<td>25.8%</td>
</tr>
<tr>
<td>55-64</td>
<td>6.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>&gt;64</td>
<td>4.5%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Source: Census Bureau
Dependency Ratio

Source: Census Bureau
Educational Attainment

Source: Census Bureau
Imbalance of Education and Jobs

Nationally, 47% of adults over the age of 25 have an Associate’s Degree or higher. While only 27% of jobs require a degree.

Sources: Census Bureau and Bureau of Labor Statistics
Cost Burdened Housing
Housing Expenses Exceed 30% of Income

Source: Census Bureau
Homeowners Who Are Mortgage Free

Source: Census Bureau
Median Household Income Adjusted for Inflation from 2010 is $64,613. Per Capita Income Adjusted for Inflation from 2010 is $48,056.

Sources: Census Bureau and Bureau of Economic Analysis
Poverty Rates

First 3 data points are decades

Source: Census Bureau
Students Qualifying for Free and Reduced Lunch

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>30.79%</td>
</tr>
<tr>
<td>2007/08</td>
<td>27.18%</td>
</tr>
<tr>
<td>2008/09</td>
<td>29.13%</td>
</tr>
<tr>
<td>2009/10</td>
<td>31.13%</td>
</tr>
<tr>
<td>2010/11</td>
<td>30.46%</td>
</tr>
<tr>
<td>2011/12</td>
<td>33.15%</td>
</tr>
<tr>
<td>2012/13</td>
<td>32.85%</td>
</tr>
<tr>
<td>2013/14</td>
<td>36.18%</td>
</tr>
<tr>
<td>2014/15</td>
<td>36.94%</td>
</tr>
<tr>
<td>2015/16</td>
<td>37.74%</td>
</tr>
</tbody>
</table>

Source: VBCPS Department of School Division Services, Office of Food Services
Relative Measures of Tax Burden

Per Capita Expenditures as a Percentage of Per Capita Income

Virginia Beach: 6.12%
Chesapeake: 7.19%
Norfolk: 8.57%
Portsmouth: 8.12%
Suffolk: 7.23%
Hampton: 9.11%
Newport News: 9.07%

Source: VBCPS Department of School Division Services, Office of Food Services
Technology Changes and Impact on Revenue

- Telecommunications Tax – Loss of Revenue
- Marketplace Fairness Act
- Sales Tax – Growth in Services vs. Retail
- Other – Airbnb, E-cigarettes and Uber
Personal Property

<table>
<thead>
<tr>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
<th>FY 19</th>
<th>FY 20</th>
<th>FY 21</th>
<th>FY 22</th>
<th>FY 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>$139</td>
<td>$132</td>
<td>$153</td>
<td>$150</td>
<td>$140</td>
<td>$130</td>
<td>$120</td>
<td></td>
<td></td>
<td>$171</td>
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</tbody>
</table>

Millions

- **Budget**
- **Actual**
- **Projection**
Consumer Driven Revenues

![Graph showing projected revenues for General Sales, BPOL, Restaurant, and Hotel sectors from FY 14 to FY 23. The graph includes budget, actual, and projection lines for each sector.](image-url)
State Revenue

FY 14 FY 15 FY 16 FY 17 FY 18 FY 19 FY 20 FY 21 FY 22 FY 23

Millions

$95 $108

$90 $92 $94 $96 $98 $100 $102 $104 $106 $108 $110
Expenditure Assumptions

- 2% salary increase per year from FY 2018-19 to FY 2022-23
- 2% inflation
- 1% increase in VRS every 2 years beginning in FY 2018-19
- Healthcare cost increasing by 3% from FY 2018-19 to FY 2022-23
- City CIP and Operating Budget commitments
- Debt based on current debt schedules and projected issuances
Expenses and Revenue Five Year Forecast

<table>
<thead>
<tr>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>$109,118</td>
<td>$(3,525,157)</td>
<td>$(6,597,800)</td>
<td>$(7,136,677)</td>
<td>$(10,115,989)</td>
</tr>
</tbody>
</table>

Billions
Status of Enterprise Funds

- **Stormwater Fund** - Balanced Through Final Year of 5 Year ERU Rate Increases
  - Slight Deficit in FY 2022-23

- **Water and Sewer Fund** – Balanced Through FY 2020-21
  - Slight Deficits in FY 2021-22 and FY 2022-23

- **Waste Management Fund** – Shows Deficit in Each Year of the Forecast
Schools’ Operating Budget
VBCPS’ Key Budget Assumptions

REVENUE HIGHLIGHTS

- Local, State and Federal Revenue
  - This forecast reflects increases in revenue at the state and local levels and continues to reverse the impact of significant cuts VBCPS has sustained since 2008.

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</thead>
<tbody>
<tr>
<td>State Shared Sales Tax</td>
<td>+2.5%</td>
<td>+2.5%</td>
<td>+3.0%</td>
<td>+3.0%</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Other State Revenue</td>
<td>+2.0%</td>
<td>+2.5%</td>
<td>+3.0%</td>
<td>+3.0%</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Local Revenue (RSF)</td>
<td>+1.97%</td>
<td>+2.03%</td>
<td>+2.01%</td>
<td>+2.03%</td>
<td>+1.96%</td>
</tr>
<tr>
<td>Federal Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

- Other Revenue Sources
  - Anticipate reducing the reliance on reversion funding by $2 million each year of the forecast period until this revenue source is no longer needed to balance the School Operating budget by FY 2022-23
VBCPS’ Key Budget Assumptions

EXPENDITURE HIGHLIGHTS

- **Personnel Services and Fringe Benefits**
  - Each year of the forecast period includes a 2% salary increase
  - The current Virginia Retirement System (VRS) rate of 16.32% is expected to drop by 0.64% in FY 2018-19 to 15.68% and remain flat at that rate from FY 2019-20 through FY 2022-23

- **Non-Personnel Expenses**
  - All non-personnel budget line items impacted by inflation are expected to increase by approximately 2% each year of the forecast period
  - Capital outlay expenditures are expected to increase by approximately $450,000 to purchase five additional replacement school buses each year from FY 2018-19 to FY 2022-23
VBCPS’ Budgetary Goals and Challenges

The following list highlights examples of factors that place considerable pressure on the School Operating budget.

- Programmatic Priorities - expansion of existing programs or adding new programs (e.g. expansion of preschool and full-day kindergarten)
- Technology - 1:1 technology initiative (access for all students)
- Employee Compensation - competitive pay increases, Unified Pay Scale equity adjustments
- Employee Benefits - costs associated with healthcare (pending outcome of federal legislation)
VBCPS’ Budgetary Goals and Challenges

- Lagging State Funding - state budget allocates nine percent less on K-12 instruction than it did in 2005
- Life Cycle Needs - school buses, white fleet vehicles, copiers/multifunction devices and replacement technology equipment
- Structurally Flawed Operating budget strategy - FY 2017/18 marks the eighth consecutive year VBCPS is relying on one-time reversion funds for ongoing expenses ($8.8 million)
- Enrollment and demographics - slow decline in student enrollment projected to continue
### VBCPS’ Forecasted Revenues and Expenditures

#### Forecasted Revenues

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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Revenue Sharing Formula</strong></td>
<td>427,710,350</td>
<td>436,149,554</td>
<td>444,983,377</td>
<td>453,926,729</td>
<td>463,125,190</td>
<td>472,179,891</td>
</tr>
<tr>
<td><strong>Schools Use of Sandbridge TIF</strong></td>
<td>409,000</td>
<td>409,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>From the Use of Money and Property</strong></td>
<td>477,000</td>
<td>477,000</td>
<td>477,000</td>
<td>477,000</td>
<td>477,000</td>
<td>477,000</td>
</tr>
<tr>
<td><strong>Charges for Services</strong></td>
<td>2,816,638</td>
<td>2,816,638</td>
<td>2,816,638</td>
<td>2,816,638</td>
<td>2,816,638</td>
<td>2,816,638</td>
</tr>
<tr>
<td><strong>Miscellaneous Revenue</strong></td>
<td>224,703</td>
<td>224,703</td>
<td>224,703</td>
<td>224,703</td>
<td>224,703</td>
<td>224,703</td>
</tr>
<tr>
<td><strong>State Shared Sales Tax</strong></td>
<td>73,718,340</td>
<td>75,561,299</td>
<td>77,450,331</td>
<td>79,773,841</td>
<td>82,167,056</td>
<td>84,632,068</td>
</tr>
<tr>
<td><strong>Other State Revenue</strong></td>
<td>273,443,481</td>
<td>278,912,351</td>
<td>285,885,159</td>
<td>294,461,714</td>
<td>303,295,566</td>
<td>312,394,433</td>
</tr>
<tr>
<td><strong>Federal Revenue</strong></td>
<td>12,200,000</td>
<td>12,200,000</td>
<td>12,200,000</td>
<td>12,200,000</td>
<td>12,200,000</td>
<td>12,200,000</td>
</tr>
<tr>
<td><strong>School Reversion/Fund Balance</strong></td>
<td>8,803,897</td>
<td>6,800,000</td>
<td>4,800,000</td>
<td>2,800,000</td>
<td>800,000</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Forecasted Expenditures

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</thead>
<tbody>
<tr>
<td><strong>Personnel Services</strong></td>
<td>460,704,795</td>
<td>471,165,890</td>
<td>481,861,146</td>
<td>491,498,369</td>
<td>501,328,336</td>
<td>511,354,903</td>
</tr>
<tr>
<td><strong>Fringe Benefits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FICA</strong></td>
<td>35,124,805</td>
<td>36,044,191</td>
<td>36,862,378</td>
<td>37,599,625</td>
<td>38,351,618</td>
<td>39,118,650</td>
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<tr>
<td><strong>VRS</strong></td>
<td>72,142,284</td>
<td>73,878,812</td>
<td>75,555,828</td>
<td>77,066,944</td>
<td>78,608,283</td>
<td>80,180,449</td>
</tr>
<tr>
<td><strong>Health Insurance</strong></td>
<td>59,146,766</td>
<td>60,921,169</td>
<td>62,748,804</td>
<td>64,631,268</td>
<td>66,570,206</td>
<td>68,567,312</td>
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<tr>
<td><strong>Life Insurance</strong></td>
<td>3,303,644</td>
<td>6,172,273</td>
<td>6,312,381</td>
<td>6,438,629</td>
<td>6,567,401</td>
<td>6,698,749</td>
</tr>
<tr>
<td><strong>All Other Fringe Benefits</strong></td>
<td>3,149,554</td>
<td>3,149,554</td>
<td>3,149,554</td>
<td>3,149,554</td>
<td>3,149,554</td>
<td>3,149,554</td>
</tr>
<tr>
<td><strong>Contractual Services</strong></td>
<td>49,216,858</td>
<td>50,201,195</td>
<td>51,205,219</td>
<td>52,229,323</td>
<td>53,273,910</td>
<td>54,339,388</td>
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<tr>
<td><strong>Other Charges</strong></td>
<td>55,629,948</td>
<td>56,742,547</td>
<td>57,877,398</td>
<td>59,034,946</td>
<td>60,215,645</td>
<td>61,419,958</td>
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<tr>
<td><strong>Capital Outlay</strong></td>
<td>4,541,259</td>
<td>4,991,259</td>
<td>5,441,259</td>
<td>5,891,259</td>
<td>6,341,259</td>
<td>6,791,259</td>
</tr>
<tr>
<td><strong>Land, Structures and Improvement</strong></td>
<td>222,577</td>
<td>222,577</td>
<td>222,577</td>
<td>222,577</td>
<td>222,577</td>
<td>222,577</td>
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<tr>
<td><strong>Debt Service</strong></td>
<td>44,947,680</td>
<td>41,951,320</td>
<td>44,558,067</td>
<td>44,558,369</td>
<td>45,429,259</td>
<td>45,830,953</td>
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<tr>
<td><strong>Transfers to Other Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Athletics Fund</strong></td>
<td>4,595,823</td>
<td>4,595,823</td>
<td>4,595,823</td>
<td>4,595,823</td>
<td>4,595,823</td>
<td>4,595,823</td>
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<tr>
<td><strong>Categorical Grants Fund</strong></td>
<td>3,313,969</td>
<td>3,573,608</td>
<td>3,833,246</td>
<td>3,833,246</td>
<td>3,833,246</td>
<td>3,833,246</td>
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<tr>
<td></td>
<td>799,803,409</td>
<td>817,432,275</td>
<td>838,141,836</td>
<td>854,709,377</td>
<td>872,514,255</td>
<td>890,199,089</td>
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</tbody>
</table>
VBCPS’ Baseline Forecast

- Projected Deficits
  - Utilizing the revenue and expenditure assumptions from the previous slide, VBCPS is projecting the following deficits over the forecast period.

<table>
<thead>
<tr>
<th>FY</th>
<th>Baseline Deficit</th>
</tr>
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<tbody>
<tr>
<td>2017-18</td>
<td>$3,881,731</td>
</tr>
<tr>
<td>2018-19</td>
<td>$9,304,628</td>
</tr>
<tr>
<td>2019-20</td>
<td>$8,028,752</td>
</tr>
<tr>
<td>2020-21</td>
<td>$7,408,102</td>
</tr>
<tr>
<td>2021-22</td>
<td>$5,274,357</td>
</tr>
<tr>
<td>2022-23</td>
<td></td>
</tr>
</tbody>
</table>

Revenue | Expenditures | Baseline Deficit
# City and Schools’ Combined Expenditures and Revenues

## City and School’s Surplus and Deficit

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>City Surplus and Deficit</td>
<td>$109,118</td>
<td>$(3,525,157)</td>
<td>$(6,597,880)</td>
<td>$(7,136,677)</td>
<td>$(10,115,989)</td>
</tr>
<tr>
<td>Schools’ Deficit</td>
<td>$(3,881,731)</td>
<td>$(9,304,628)</td>
<td>$(8,028,752)</td>
<td>$(7,408,102)</td>
<td>$(5,274,357)</td>
</tr>
</tbody>
</table>

## City and School Combined Expenditures and Revenues

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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$1,971,985,569</td>
<td>$2,023,563,517</td>
<td>$2,070,810,639</td>
<td>$2,117,561,725</td>
<td>$2,167,456,192</td>
</tr>
<tr>
<td>Revenues</td>
<td>$1,968,212,956</td>
<td>$2,010,733,732</td>
<td>$2,056,184,008</td>
<td>$2,103,016,945</td>
<td>$2,152,065,847</td>
</tr>
<tr>
<td><strong>Total Combined Deficit</strong></td>
<td>$(3,772,613)</td>
<td>$(12,829,785)</td>
<td>$(14,626,631)</td>
<td>$(14,544,779)</td>
<td>$(15,390,346)</td>
</tr>
</tbody>
</table>

*The combined City and School Expenditures and Revenues includes transfers*
Closing Thoughts

- Moving towards sustainable forecasts
- State budget
- Regional Economy is Growing
- Recession on the horizon?
- New/expanded programs
- Tax restructuring
Questions?