



March 31, 2021

Overview and Purpose

This report compiles national, state, and local data that measure current economic conditions from national financial markets to local car registration. Most data will provide complete information for the previous fiscal year (FY2019-20) and compare it to the current year (FY2020-21). Data for FY2020-21 is updated monthly as it becomes available. Darker colors in the indicators represent the current fiscal year while lighter colors represent the previous. Figures with dollar values will be in the millions unless indicated. Some data is collected more frequently such as on a weekly basis. For sudden shocks, such as the ongoing COVID-19 pandemic, monthly totals may underplay the dramatic change but over time present the overall change. **The purpose of this report is to provide a comprehensive overview of different economic indicators that may affect Henrico County's ability to perform its services. These indicators include local figures at greater risk of variance during the COVID-19 outbreak.** This report culminates in updated projections of Henrico County's financial status.

State of Affairs

Conditions continue to be mixed in the economy. Economic activity from December 2020 - March 2021 overall present trends that continue to improve over the shock from one year ago. Excluding some elastic tax revenues, all other trends show a stable trajectory or continuing improvement. Initial Unemployment Claims for Henrico show more improvement compared to Virginia and Henrico continued claims have begun to level out. Most of the measured tax revenues are beginning to show improvement over previous months except for those taxes related to leisure activities such as travel and entertainment. Real and personal property tax collections were in line with last year's equivalent. Further data will clarify concerns these tax revenues may indicate.

Metrics Considered

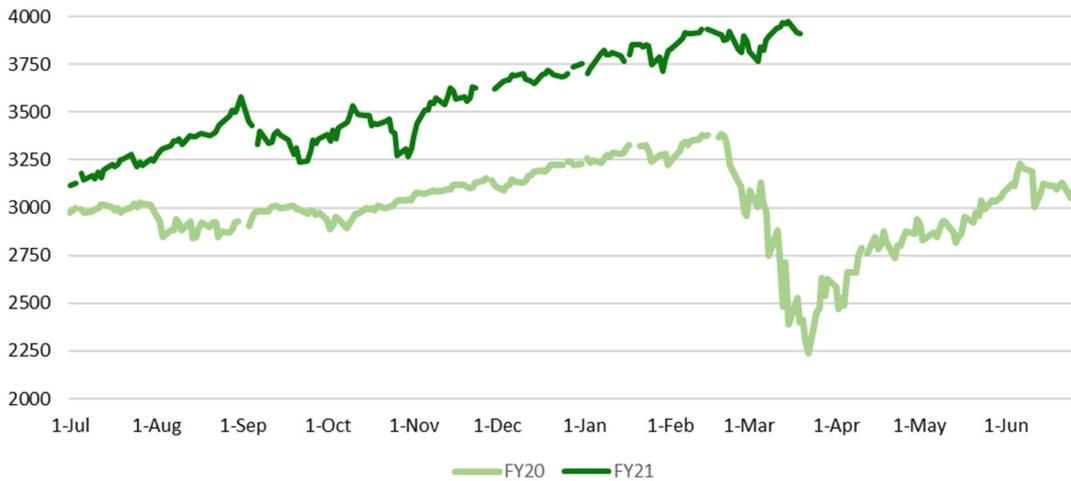
- **National:** S&P 500, Consumer Confidence Index, Weekly Economic Index
- **Virginia:** Unemployment Rate, Initial Unemployment Claims
- **Henrico:** Continued Unemployment Claims, New Residential Construction, Vehicle Registrations, Property Taxes, Meals Tax, Occupancy Tax, Real and Personal Property Taxes Local Sales and Use Tax, Residential Foreclosures & Transactions
- **Area:** Richmond Aviation Activity



National Metrics

These indicators provide a mix of hard financial data as well as consumer consensus surveys to provide a macroeconomic and microeconomic view of the United States.

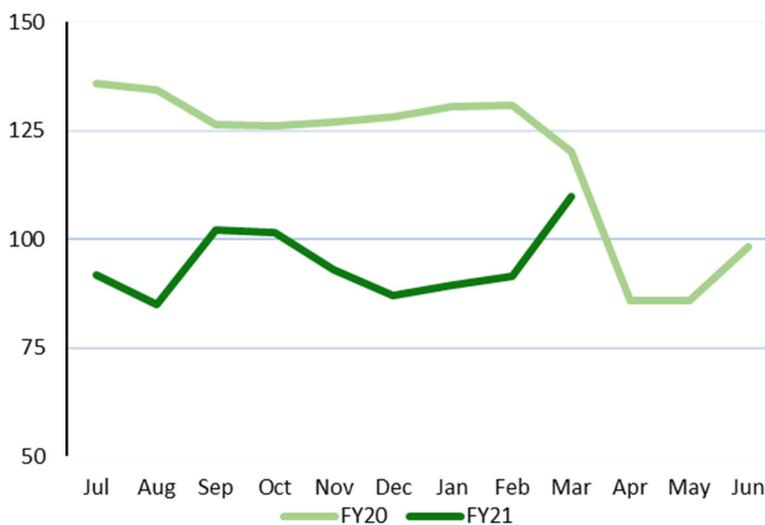
S&P 500



The S&P 500 is a stock market index measuring the performance of 500 large companies on stock exchanges in the United States and is considered one of the best representations of the U.S. stock market and the U.S. economy. **U.S. stock markets continue their upward trend.**

Levels are well above the major trough experienced between March and May 2020 and are consistent with the general trend line experienced pre-pandemic.

Consumer Confidence Index



The **Consumer Confidence Index** is a monthly survey given to 5,000 random households gathering opinions on present situations and future expectations. It is benchmarked (100) to 1985 and best compared by reviewing month over month changes. **The index increased significantly, to the highest level in a year, from 91 in February to 109.7 in March, continuing an upward trend that began in December 2020.** Pre-pandemic, the average Consumer Confidence Index for FY2018-19 was 130. The index has presented an average of 93 since April 2020 at the onset of the COVID-19 pandemic, reaching a low of 85 in August 2020. It is

important to note that the index reached a low of about 25 during the Great Recession in 2008.



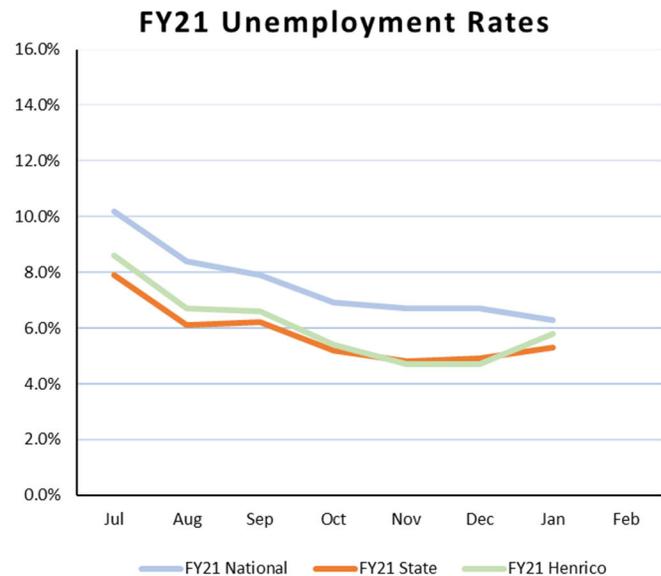
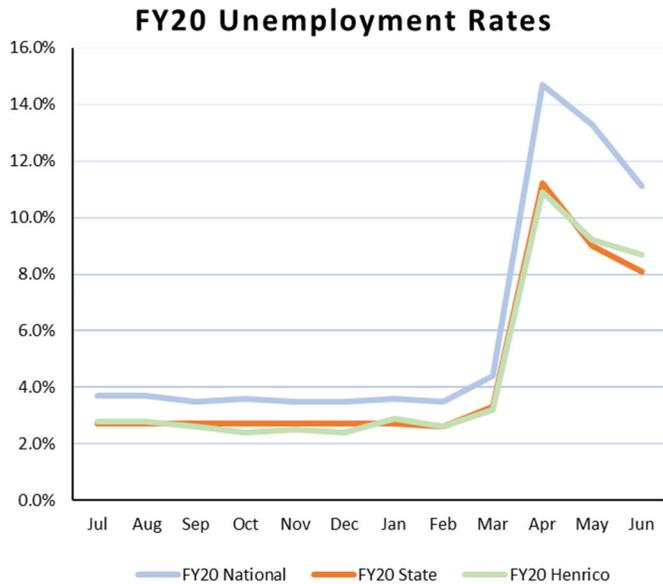
National Metrics



The Weekly Economic Index (WEI) provides an indication of real economic activity on a weekly basis and was developed by an economist at the Federal Reserve Bank (FED) of New York. The index covers consumer behavior, the general labor market, and production. The index has averaged between 2 and 3 for much of the last decade. Exceptions include the great recession from 2008 - 2009 and the minor pullback in 2015. When the country first quarantined in response to the COVID-19 pandemic, this index dropped 409% between the week beginning March 14 and March 21, 2020. The index reached a low of -11.45 for the week of April 25, 2020 before starting to recover. This figure generally trended upwards since that bottom **but after decreases since the week of December 26, 2020, common after holiday economic activity, seems to be trending toward a new plateau.** Confirmation on stimulus, political stability, and continued vaccination efforts may positively influence this measure.



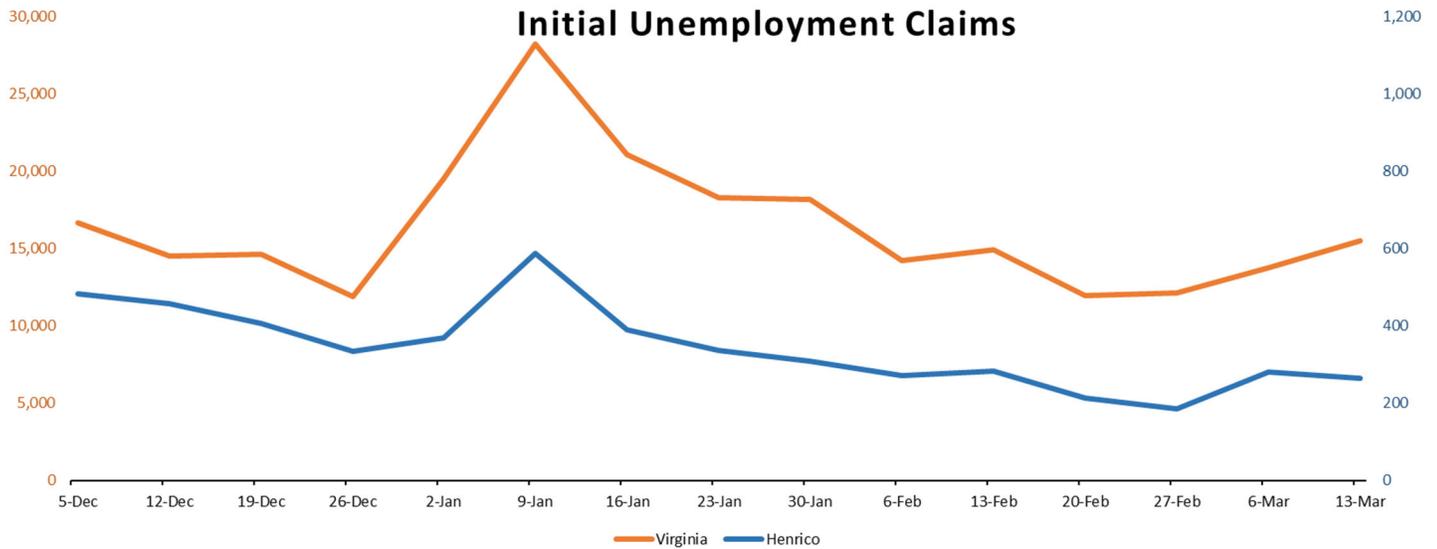
Combined Metrics



The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. Note: The most recent data available for State and Local rates are preliminary and may slightly change in future reports. **Virginia's unemployment rate continued to increase from 4.9 percent in December to 5.3 percent in January. Henrico's also increased, reaching 5.8 percent in January from 4.7 percent in both November and December exceeding the 5.4 percent from back in October. As shown above, in FY20, Henrico County and the Commonwealth of Virginia had largely equivalent unemployment rates, below the national average. In contrast, FY21 has generally presented higher unemployment rates in Henrico County than in the State overall.** Initial and continuing unemployment claims data indicate improvement for Virginia and Henrico. In this measure, workers who are unable to work due to temporary layoffs are included. Temporary layoffs include voluntary layoffs by firms as well as mandated closures during quarantines.



Virginia & Henrico Metrics



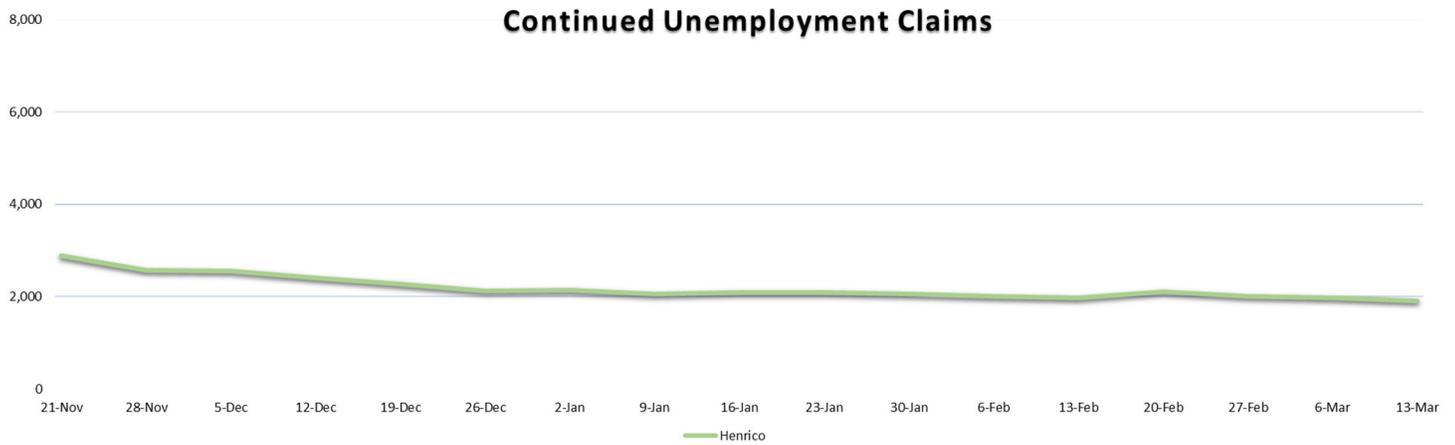
| | Henrico | Virginia |
|--------|---------|----------|
| 12-Dec | 456 | 14,509 |
| 19-Dec | 407 | 14,640 |
| 26-Dec | 335 | 11,890 |
| 2-Jan | 368 | 19,530 |
| 9-Jan | 587 | 28,227 |
| 16-Jan | 390 | 21,073 |
| 23-Jan | 337 | 18,312 |

| | Henrico | Virginia |
|--------|---------|----------|
| 30-Jan | 309 | 18,177 |
| 6-Feb | 270 | 14,203 |
| 13-Feb | 283 | 14,901 |
| 20-Feb | 212 | 11,944 |
| 27-Feb | 184 | 12,155 |
| 6-Mar | 281 | 13,736 |
| 13-Mar | 265 | 15,525 |

Virginia & Henrico’s Initial Unemployment Claims act as a measure of recent job loss. Claims remained steady prior to March of 2020 at under 100 for Henrico and under 3,000 for Virginia. Unlike the Great Recession, COVID-19’s effect on our local economy were immediately apparent and in-line with national figures. **Virginia’s Initial Unemployment Claims, that decreased from their high in early January, are trending up again from the low in mid February. As of the week ending March 13, initial claims of 15,525 were received at the state level. Henrico County also experienced a spike peaking the week of January 9, 2021 and has continued to follow the general trend of the state but with recent improvements. In the graph above, Henrico County’s general trend is a smoother version of the state’s trend.** Henrico’s Initial Unemployment Claims were 265 for the week ending March 13. Like previous reports, continued claims may provide a more substantive outlook on the nature of unemployment rather than recent job loss.

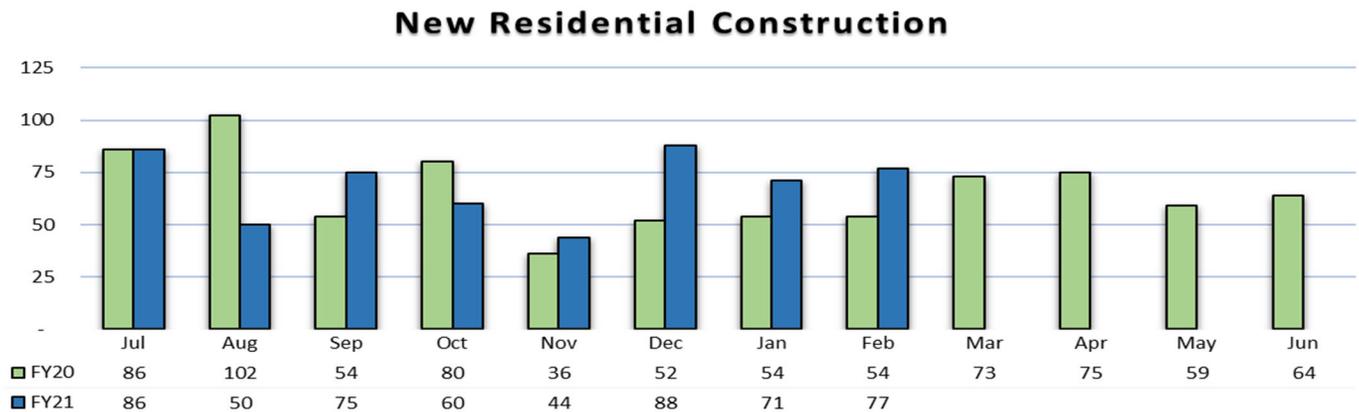


Henrico Metrics



Henrico’s Continued Unemployment Claims act as a measure of prolonged unemployment. Claims remained steady prior to March of 2020. Henrico’s Continued Claims peaked at 16,005 at the end of May 2020 and have continued in a downward trend since that time. **Continued Claims have leveled out at an average 2,000 per week since the week ending January 9, 2021 dipping to 1,902 in the most recently reported week of March 13th. Immediately prior to the COVID-19 pandemic, Continued Claims were just under 800 per week.** Note: Continued Claims only measure the number of individuals that have filed an initial claim and continue to file each week. It is the lower bound for an unemployment rate.

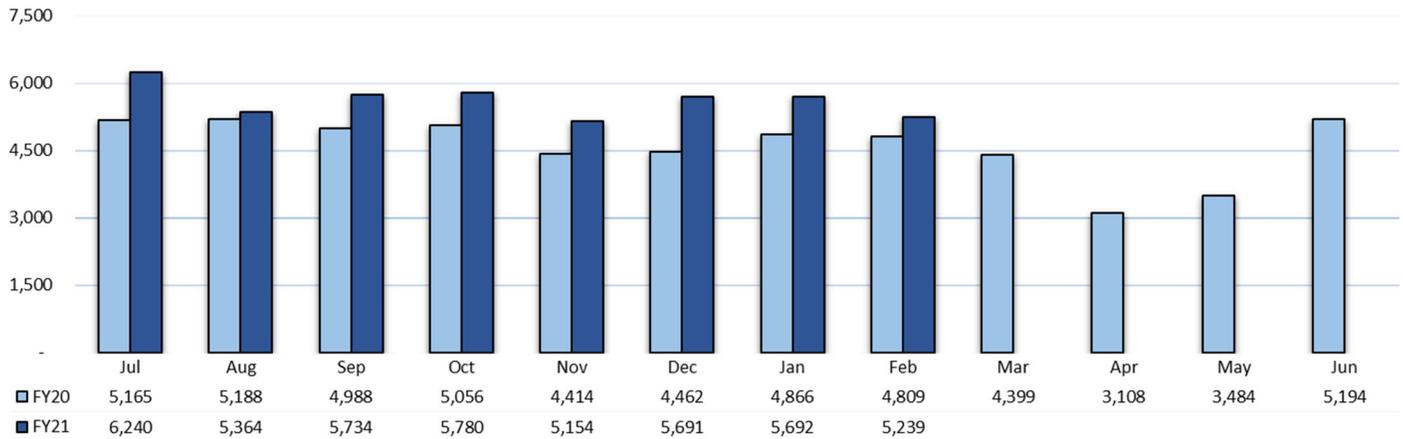
New Residential Construction is comprised of new single-family houses that were issued building permits. A slowdown may indicate worsening economic conditions, increased competition from neighboring localities, or lack of expansion capabilities. **The trend is showing sustained improvement with fiscal year to date containing 551 homes representing a 6.4% increase over FY20, despite including COVID impacted months.**



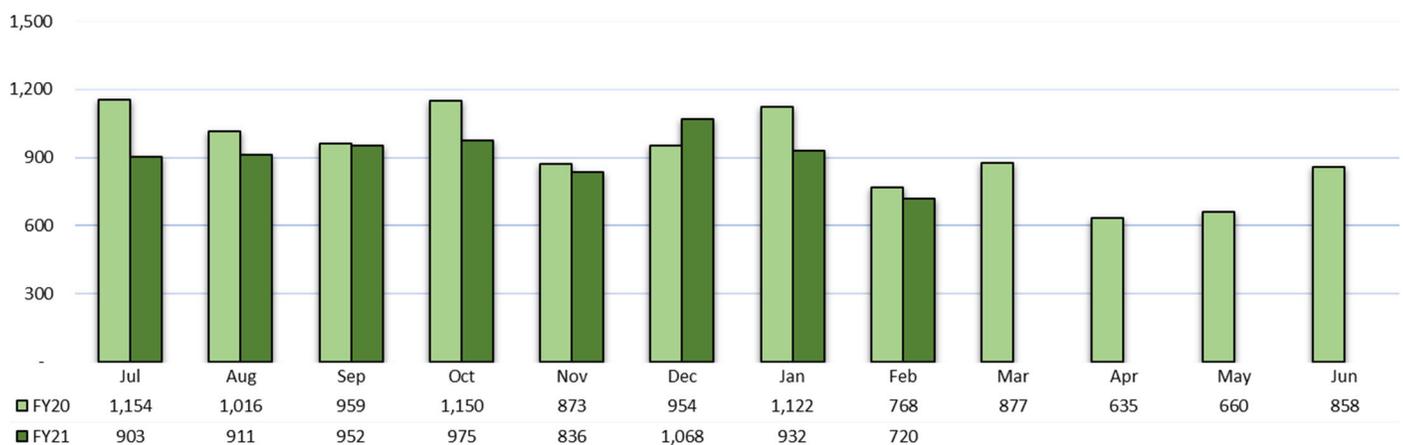


Henrico Metrics

Used Car Registration



New Car Registration



Vehicle Registration data is acquired from the Virginia Department of Transportation and is comprised of both new and used vehicles. **Car registration data remain healthy with fiscal year to date used new car registrations growing 15% while new car registrations decreased 8.7%. These trends are in line with the overall message of an economy working toward recovery.**

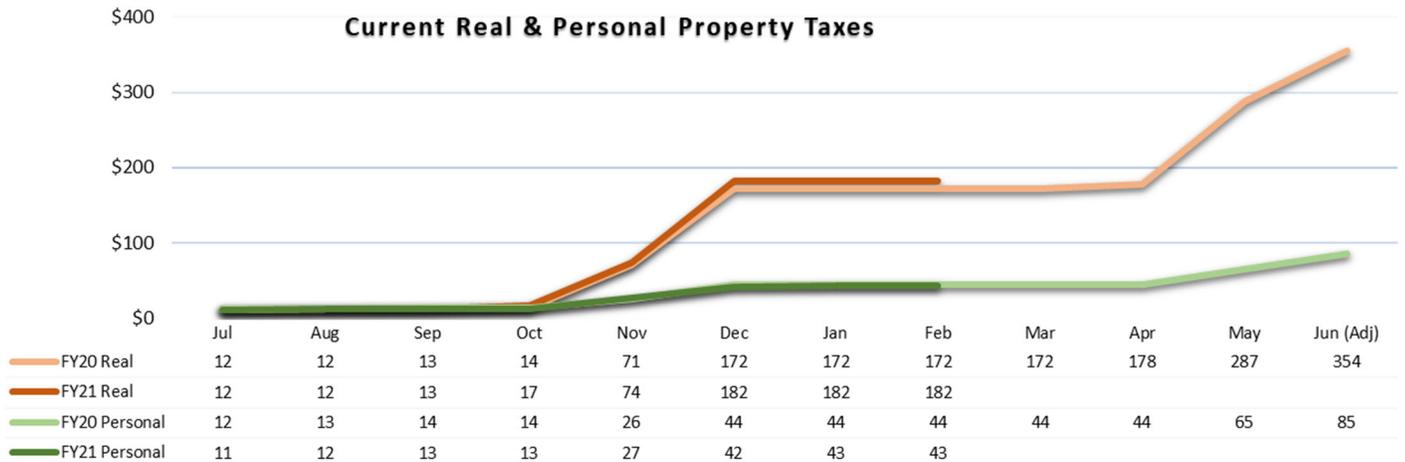


Henrico Metrics



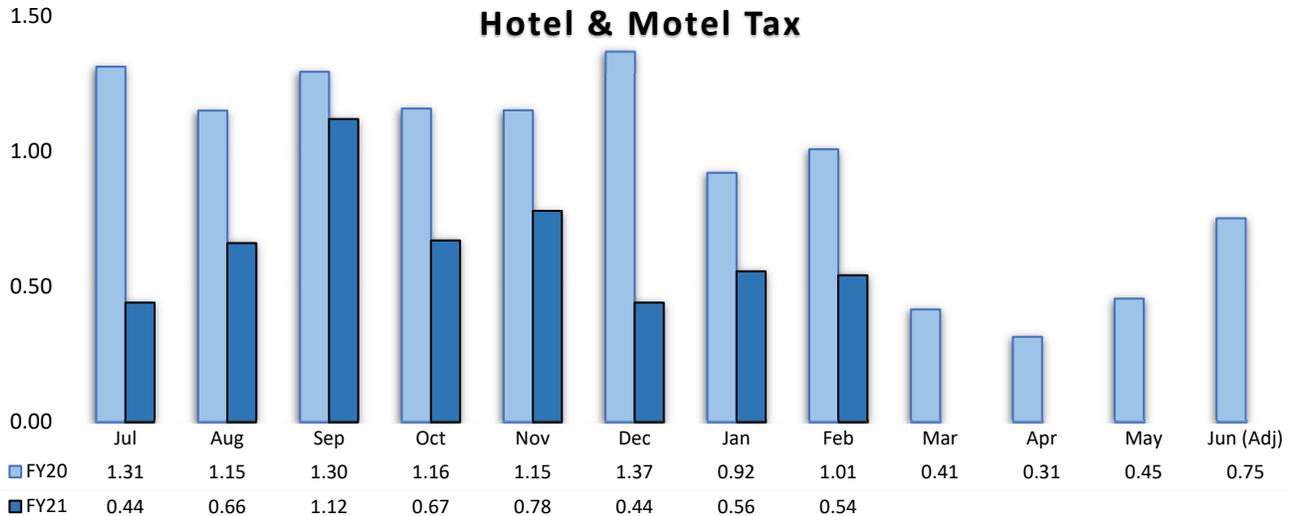
Henrico’s **Meals Tax** provides a 4 percent tax revenue on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **Collections remain low in January compared to FY20 and establish a recent low.**

These **Current Property Taxes** include total tax collection for both Real Property and Personal Property. Collections occur twice each year, in December and June. Penalties and interest were set to zero through August 2020 to help local citizens deal with COVID-19’s effect on their financial conditions. **FY21 collections are in line with or exceed last year’s equivalent.**

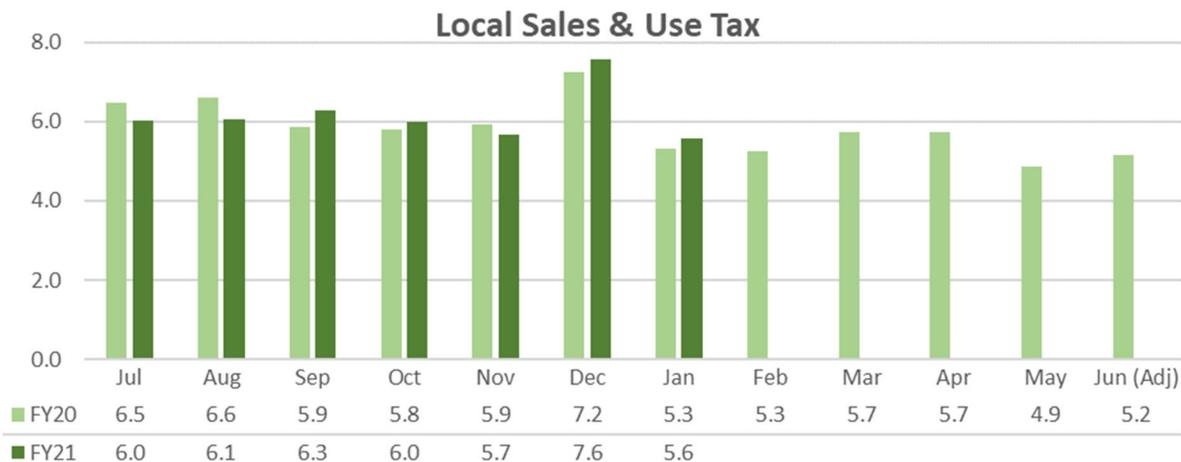




Henrico Metrics



Henrico’s **Hotel & Motel Tax** is a levy on lodging for overnight stays. Henrico’s decision to defer penalties and interest until August combined with a lower-than-average occupancy level accounts for the decreasing collections for the period between February to April of FY20. FY21 has continued to have lower than average occupancy, with public data indicating a 30% drop nationally. **In September, Henrico County’s deferral ended and many deferred payments were collected, resulting in a large gain for the month. The Hotel & Motel Tax collections continue to be significantly lower than FY20 values following the September adjustment.** With the beginning of vaccine distribution, it is likely that travel will begin to increase and these tax revenues will follow.

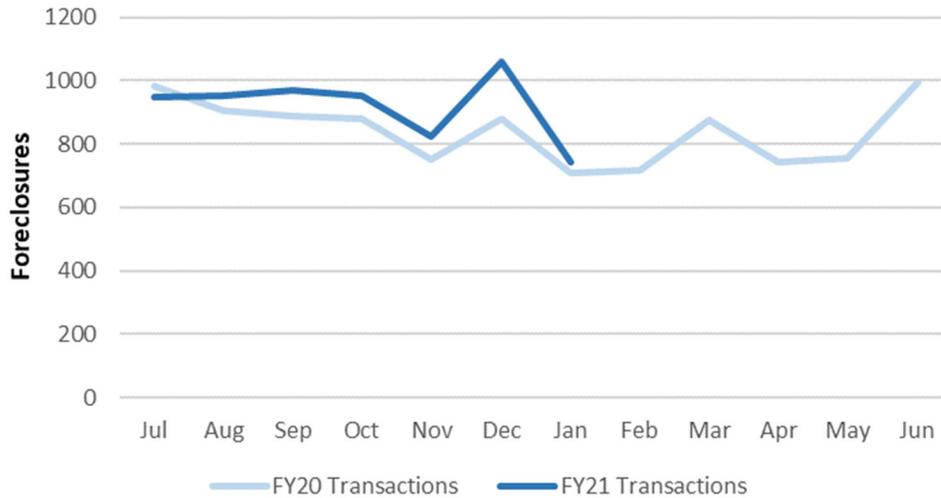


Henrico’s **Local Sales & Use Tax** amounts to 6.0 percent on each purchase. Of this amount, 1.0 percent is remitted back to Henrico County from the state. **Sales tax collections have remained relatively stable and have not seen the significant impact from the pandemic that was anticipated. Fiscal year to date sales tax collections are 1% higher than in FY20.**



Henrico Metrics

Residential Transactions



Foreclosures & Transactions data represents Henrico’s completed residential sales and reports residential foreclosures. These provide a snapshot of Henrico’s housing market. Consistency or increases in transactions represent a healthy and/or growing market. Consistency or decline in foreclosures also represents stable and improving market.

After a three year high in December, January shows a

much more modest transaction level of just 743, the lowest number since last April. As shown in the graph above, a decrease from December to January is normal, but fiscal year 2021 follows fiscal year 2020 trends.

There was another slight increase in foreclosures in January from 5 to 7. This is also a normal occurrence as the FY20 data shows. Total foreclosures remain low due to the current mortgage foreclosure freeze which was extended through the end of 2020. This freeze applies to Fannie Mae, Freddie Mac, and FHA loans that account for about half of mortgage loans in the United States.

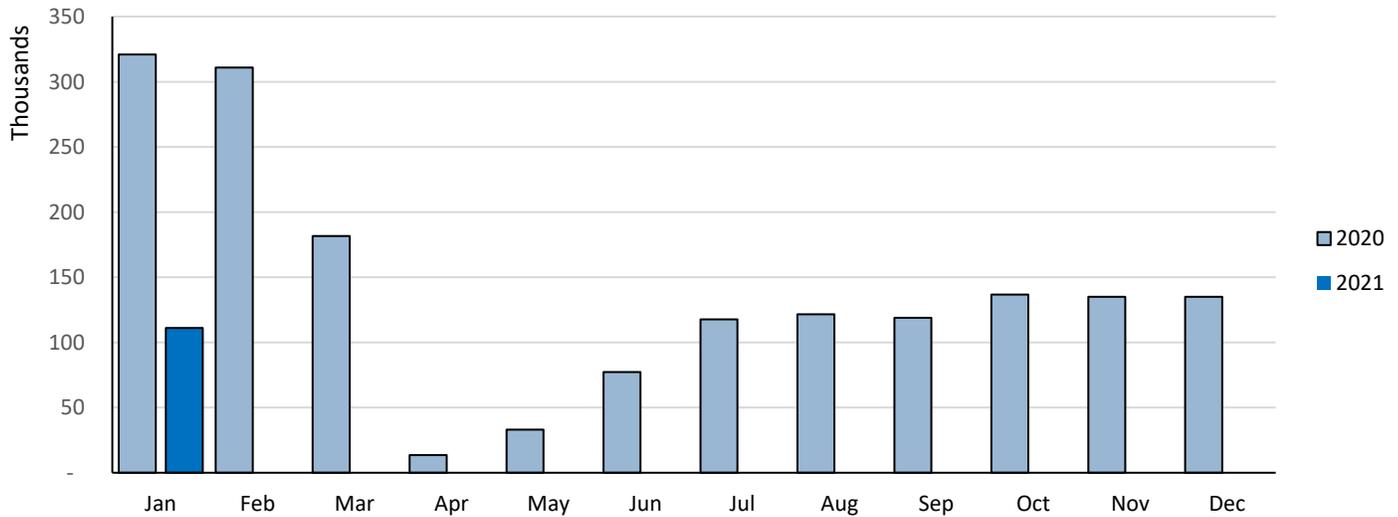
Residential Foreclosures





Area Metric

Richmond Aviation Activity



Richmond Aviation Activity represent passenger activity in and out of the Richmond International Airport. The value is the combination of enplaned (Departing) and deplaned (Arriving) passengers. This provides traffic activity as it relates to flights around Henrico. Air travel can provide a benchmark for imported economic activity and is correlated to Hotel & Motel Tax collections. COVID-19 has severely affected air travel around the country both domestically and internationally. Many countries, including the United States, have restricted air travel. **From February to April 2020, the Richmond International Airport (RIC) saw a decrease from 310,913 in February to just 13,560 in April, or a drop of 95.6%. Air travel recovered some of those losses in the following months with the period from April to July increasing 10-fold to 116,185. From July 2020 onward, trends have flattened. January 2021 brought a decrease from the previously flattened trend, recording total activity at 111,151 down from 135,006.** This measure is heavily dependent on COVID-19 related issues. Constraints and changes to regional, national, and international policies will continue to impact travel.



Summary of Financials

Period Ended February 28, 2021

| | <u>FY21 Approved Budget</u> | <u>FY21 Revised Budget</u> | <u>FY21 YTD Actuals</u> | <u>FY21 Projection Amounts</u> | <u>Projected FY21 Actual</u> | <u>Over (Under) Budget</u> |
|--|-----------------------------|----------------------------|-------------------------|--------------------------------|------------------------------|---|
| Local Revenues | 661,130,700 | 679,630,700 | 354,436,197 | 354,741,918 | 709,178,115 | 29,547,415 |
| State Revenues | 356,022,941 | 362,678,880 | 237,131,163 | 153,640,206 | 390,771,369 | 28,092,489 |
| Federal Revenues | 360,000 | 25,980,515 | 25,854,904 | 210,000 | 26,064,904 | 84,389 |
| Total General Fund Revenues | 1,017,513,641 | 1,068,290,095 | 617,422,265 | 508,592,124 | 1,126,014,388 | 57,724,293 |
| General Government Expenditures | 389,195,385 | 425,238,448 | 248,445,689 | 172,983,608 | 421,429,297 | 3,809,151 |
| Education Expenditures | 509,905,768 | 521,001,575 | 267,146,784 | 241,153,215 | 508,299,999 | 12,701,576 |
| Total General Fund Expenditures | 899,101,153 | 946,240,023 | 515,592,473 | 414,136,823 | 929,729,296 | 16,510,727 |
| Net before Transfers | 118,412,488 | 122,050,072 | 101,829,792 | 94,455,301 | 196,285,092 | 74,235,020 |
| Less: Interfund Transfers | 121,427,247 | 121,546,570 | 123,021,037 | 5,000,000 | 128,021,037 | |
| | | | | | | Projected Addition To (Use of) Fund Balance 68,264,055 |

This **Summary of Financials, Period Ended February 28, 2021**, provides an overview of projected and actual revenues and expenditures for FY2020-21. **Note: This revenue and expenditure includes CARES Act funding.** Towards the bottom of this summary is the **projected addition of Fund Balance equaling \$68,264,055.**