



May 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 at least 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. Some data is collected more frequently. Figures with dollar values will be in the millions unless indicated otherwise. For sudden shocks, monthly totals may underrepresent dramatic changes but over time present the full change. **The purpose of this report is to provide an overview of different economic indicators that may affect Henrico County's ability to perform its services.** This report culminates in updated projections of Henrico County's financial status. Any forward-looking statements are offered for context of the specific indicator and should not be relied upon for investment decisions.

OMB Summary

General conditions continue to be mixed with conflicting signs of recovery in the economy while most Henrico Metrics, including highly elastic ones, remain strong. Economic activity from December 2020 - May 2021 present trends that continue to improve over the shock last year. Unemployment rates for both Virginia and Henrico County remain above pre-pandemic levels and have not improved significantly since October 2020. Initial unemployment claims, also above pre-pandemic levels, continue to have significant week to week change. Most measured tax revenues show improvement over previous months except for those related to leisure activities, such as travel and entertainment. Real and personal property taxes collections are stronger than last year's equivalent, especially as we move the comparison period into the hardest hit times last year.

Metrics Considered

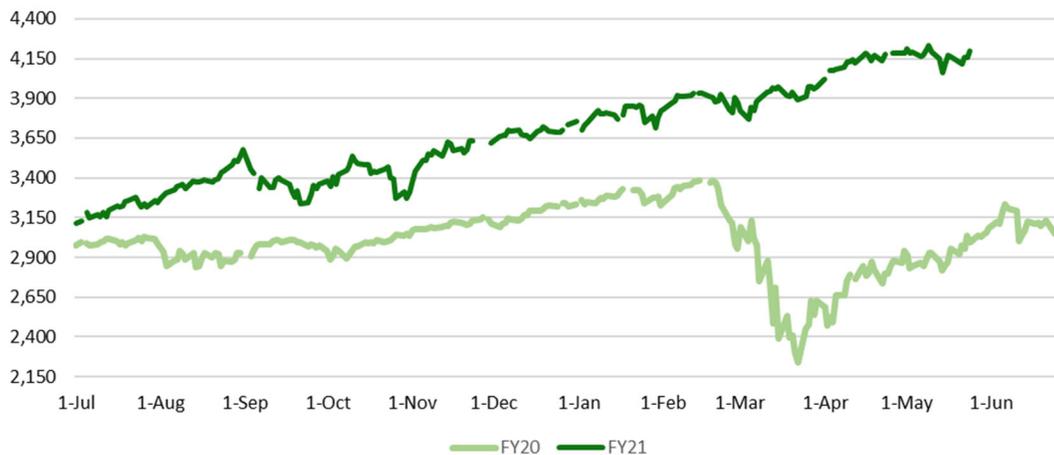
- **National:** S&P 500, Consumer Confidence Index, Weekly Economic Index, Consumer Price Index, Mortgage rate
- **Virginia:** Unemployment Rate, Initial Unemployment Claims
- **Henrico:** Continued Unemployment Claims, New Residential Construction, Vehicle Registrations, Property Taxes, Meals Tax, Occupancy 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

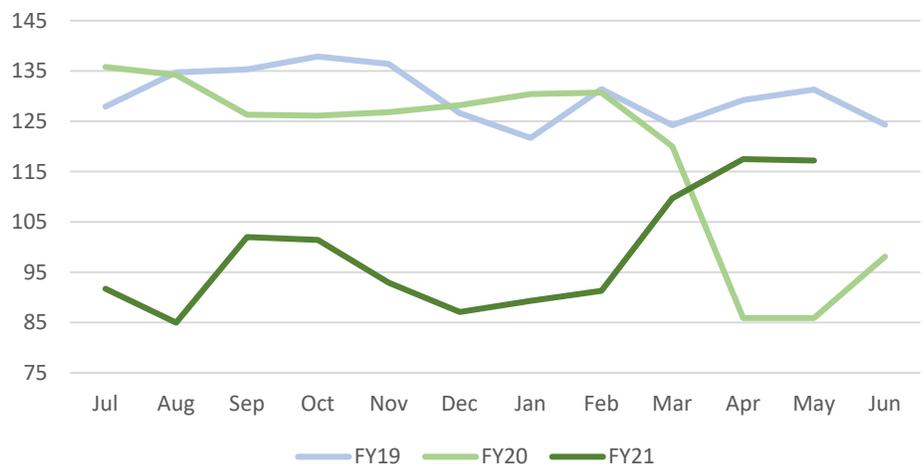


The S&P 500 is a stock market index measuring the performance of 500 large companies on stock exchanges in the United States and is considered one of the best representations of the U.S. stock market and the U.S. economy. **U.S. stock markets continue their upward**

trend suggesting growing investment and at a faster rate between July 20 to present than July 2019 to February 2020. Levels are well above the major trough experienced between March and May 2020 and are consistent with the general upward trend line experienced pre-pandemic.

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 to 1985 (100) and best compared by reviewing month over month changes. **The index remained stable at 117.2 in May, down slightly from 117.5 in April, but still below May 2019 where the index stood at 131.**

Consumer Confidence Index





National Metrics



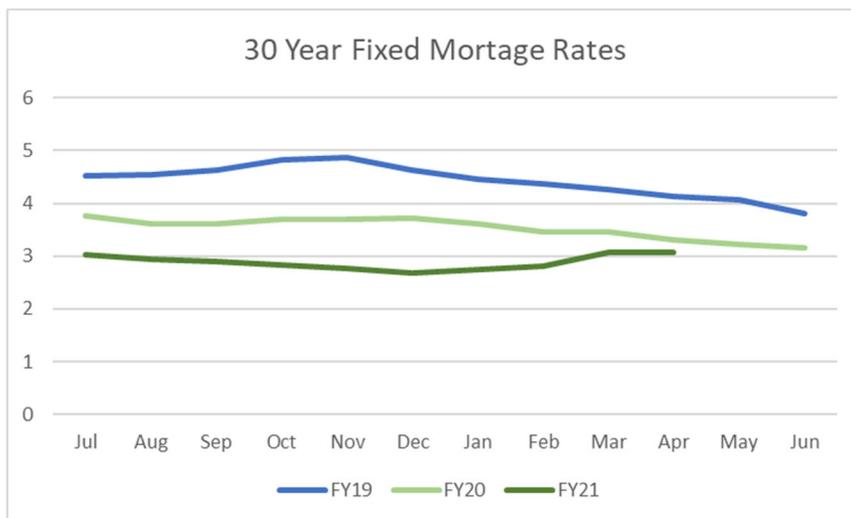
The Weekly Economic Index provides an indication of real economic activity on a weekly basis and was developed by an economist at the Federal Reserve Bank of New York. The index covers consumer behavior, the general labor market, and production. The index has averaged between 2 and 3 for much of the 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 and what seemed to be a new plateau below -1 gave way to record highs purely reflecting the impact of sharp deteriorations last year impacting the measure's 52-week period which has continued as the model works through the early pandemic weeks last year. **The underlying economic index still needs to gain between 2% and 3% to return to historic averages.** Political stability, continued vaccination efforts, and easing COVID restrictions may positively influence this measure.



National Metrics



The consumer price index (CPI) is a measure of the change in prices over time for a market basket of consumer goods and services and is used as a gauge of inflation. In April the CPI rose 0.8%, following a similar increase in March of 0.6%, either of which is the largest increase since well before the pandemic. **Prices have risen 2.1% since January 2020.** An annual increase of 1.1% is more typical.

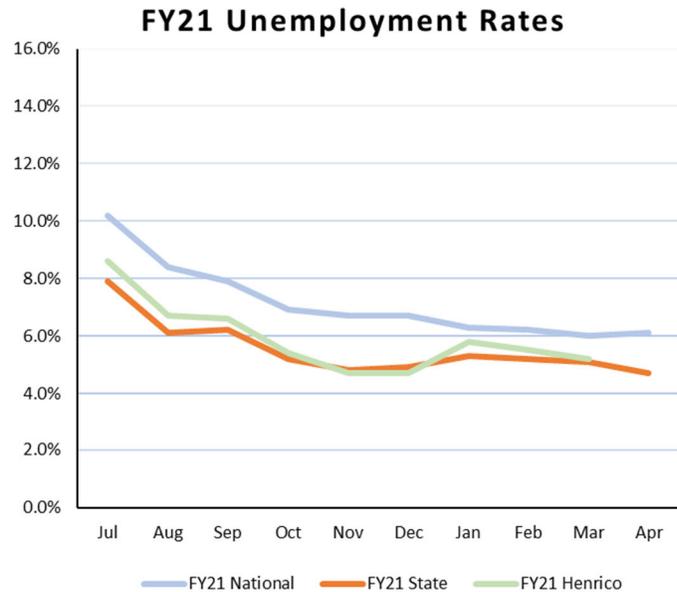
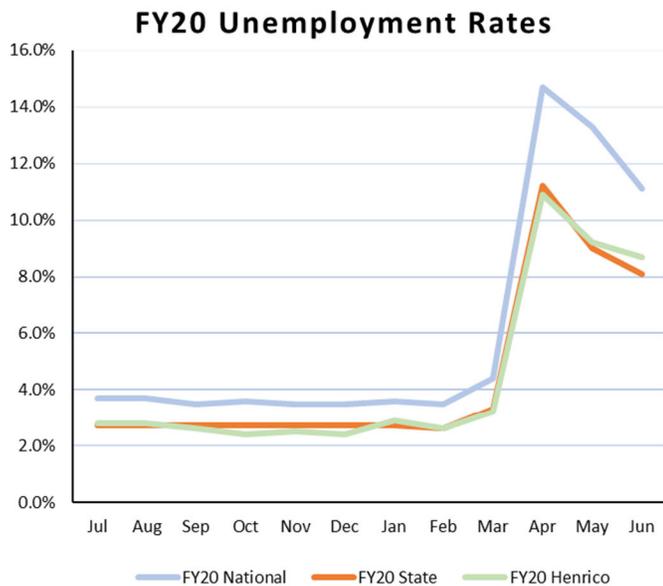


The 30-year fixed rate mortgage is the most common financing mechanism used by residential home buyers. The interest rate represents the amount a qualified borrower will be charged by a lender for the use of assets over the loan term. The aptly named loans have a repayment period of 30 years with set payment amounts made monthly. The annual percentage rate of these loans includes interest, fees, and expenses associated with taking out the loans. **In April 2021**

the 30-year fixed mortgage interest rate fell to 3.06% from 3.08% in March, a rate above the average of the last 12 months that stood at 2.93%. Since interest rates are the cost to borrow money, the rate can be a useful gauge of confidence in the economy over the loan term. Ideally interest rates are stable and fueling economic growth.



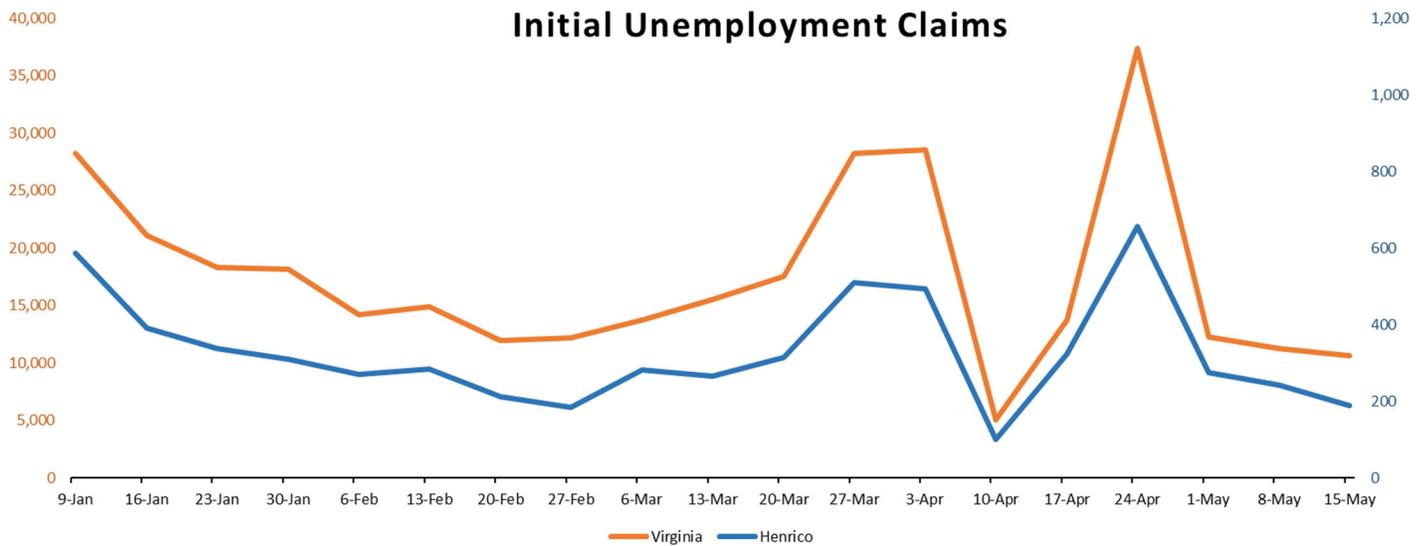
Combined Metrics



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. **For FY21, Virginia’s unemployment rate has hovered near 5% since October, decreasing slightly again to 4.7% in April. Henrico’s rate also decreased to 5.2% in March from 5.5% in February but still exceeding the 4.7% from November and December.** As shown above, in FY20, Henrico County and the Commonwealth of Virginia had largely equivalent unemployment rates, both below the national average. 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.



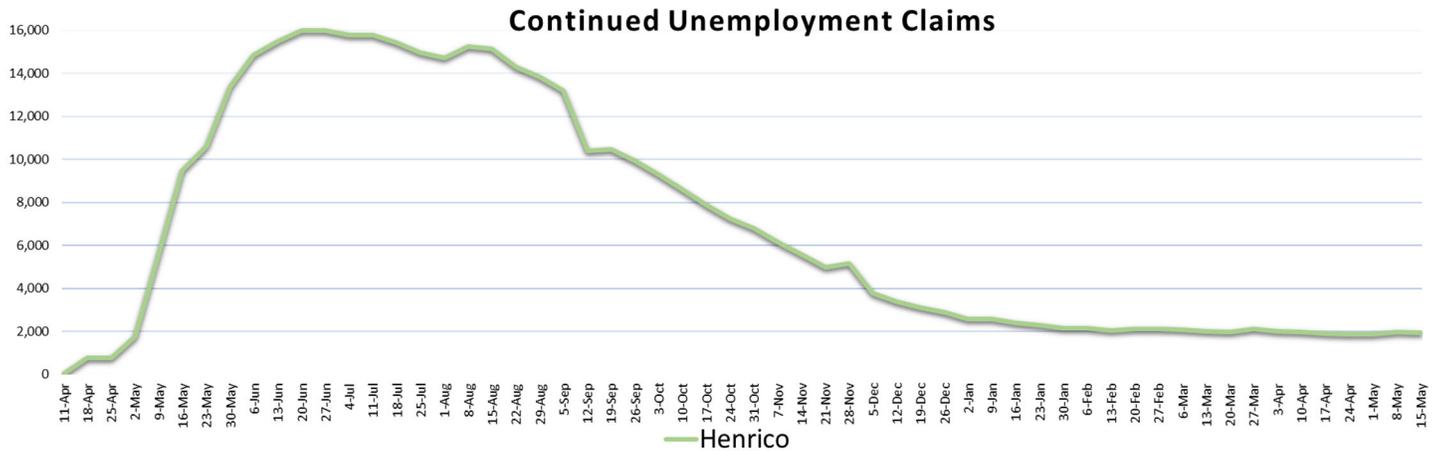
Virginia & Henrico Metrics



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 the local economy were immediately apparent and in-line with national figures. **Virginia and Henrico's Initial Unemployment Claims both seem to be trending together and are experiencing volatility within overall improving trends. As of the week ending May 15, state initial claims were 10,642 and Henrico's were 188.** Like previous reports, continued claims may provide a more substantive outlook on the nature of unemployment rather than recent job loss.

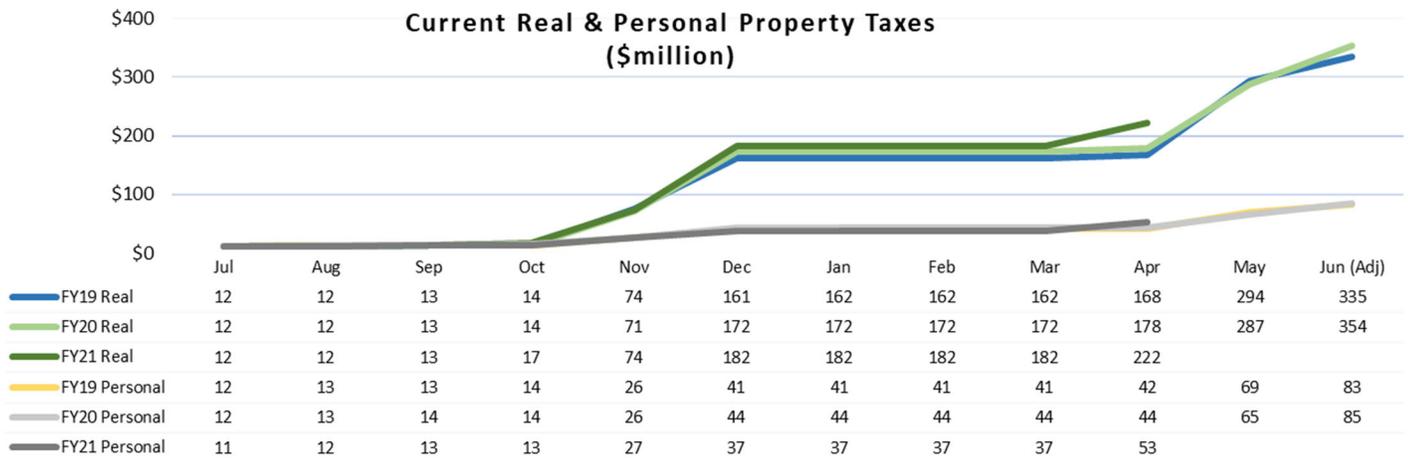


Henrico Metrics



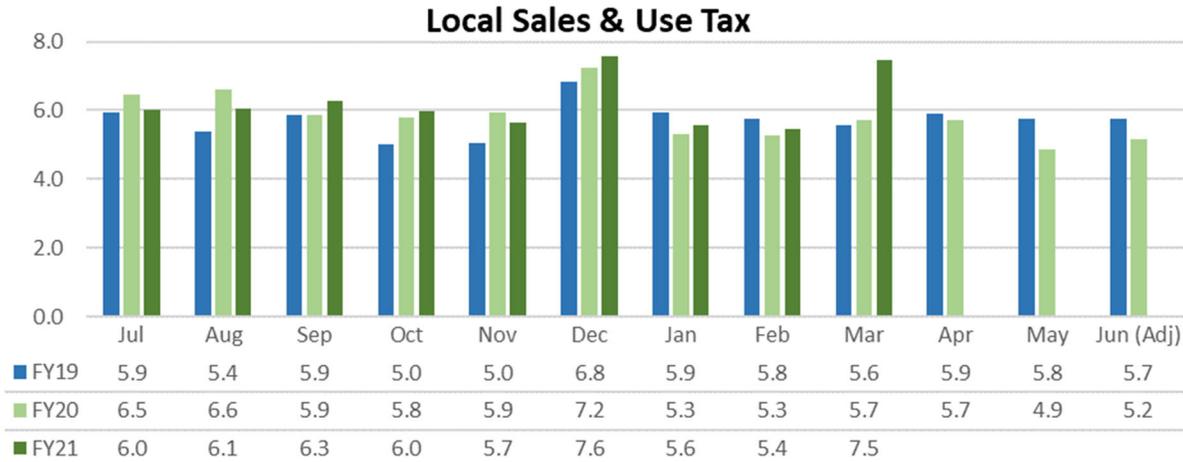
Henrico’s Continued Unemployment Claims reflects the number of individuals that have continued to file a claim after their initial claim. It reflects the lower bound for an unemployment rate. **Claims remained steady prior to March of 2020 at about 800 per week, peaked at 16,005 at the end of May 2020 and have continued improving to about 2,000 per week since that point.**

Current Property Taxes include total tax collection for both Real Property and Personal Property. Collections occur twice a year, in December and June. **Property Tax collections for FY21 are trending above both FY20 and FY19.**





Henrico Metrics



Henrico’s **Local Sales & Use Tax** amounts to 6.0% on each purchase. Of this amount, 1.0% is remitted back to Henrico County from the state. **With March collections second only to December 2020, fiscal year to date sales tax collections are 4.0% higher than FY20 and 9.2% higher than FY19.**

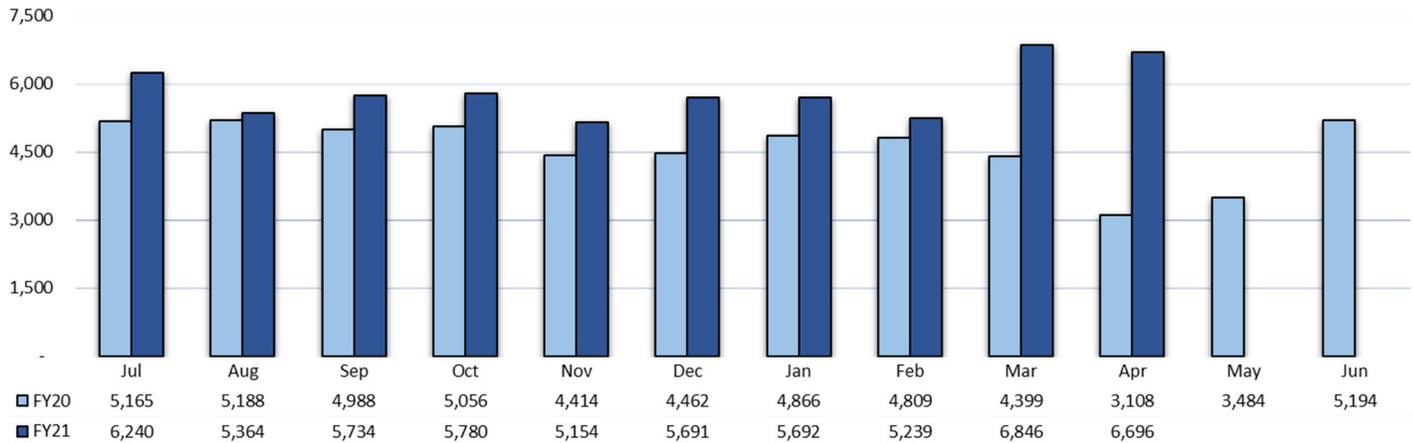


Henrico’s Meals Tax provides a 4% tax revenue on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. Collections this March improved when compared to last year but still lagged March 2019 levels. **Fiscal year to date collections lag FY20 by 13.0% and FY19 by 14.4% suggesting local restaurants are still working toward their recovery.** Local businesses may generate more revenue as restrictions end.

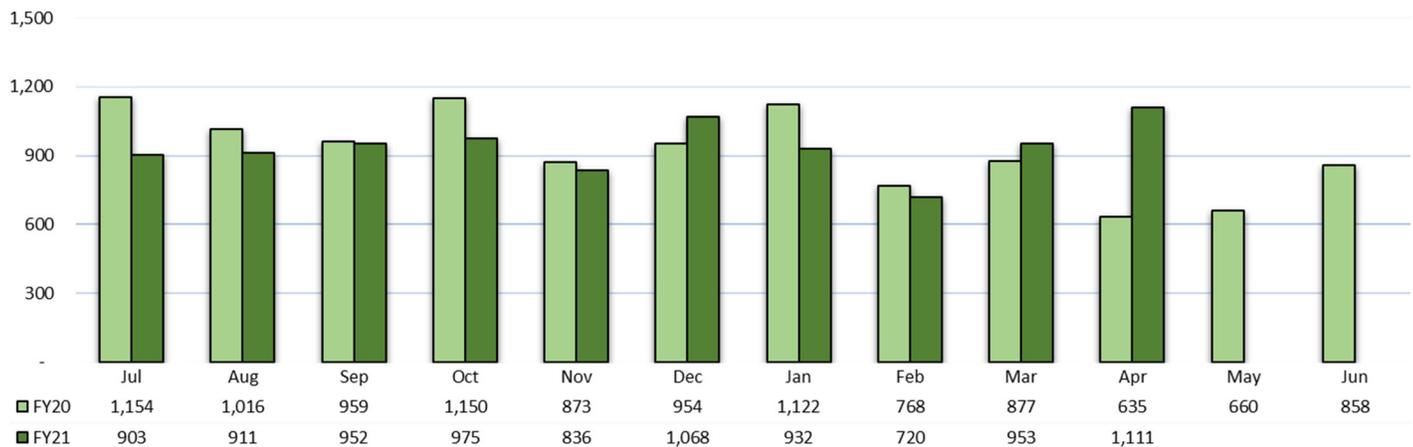


Henrico Metrics

Used Car Registration



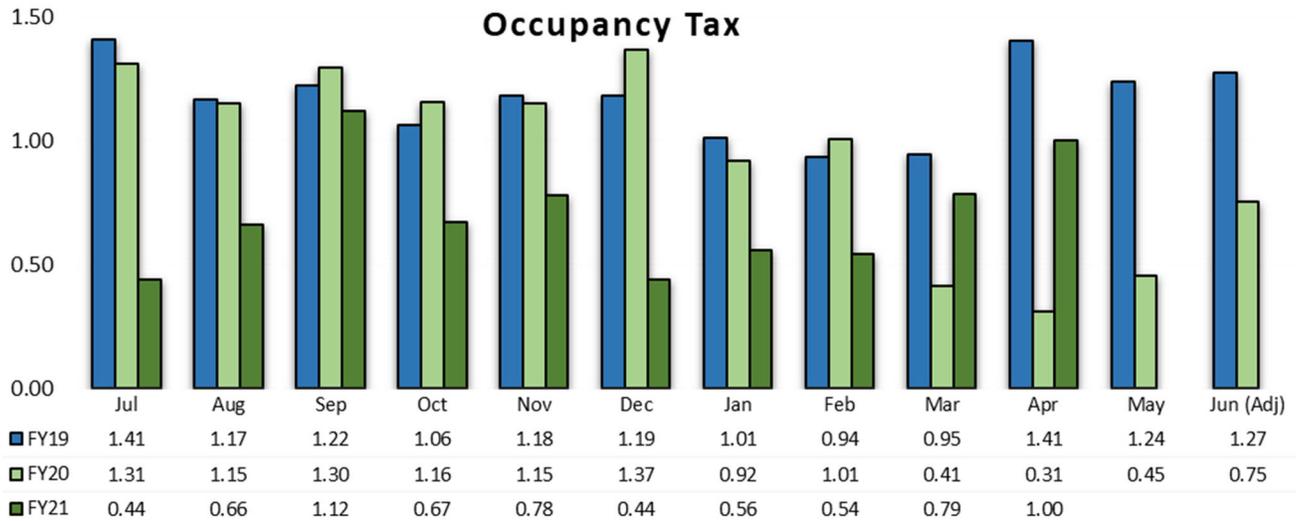
New Car Registration



Vehicle Registration data is acquired from the Virginia Department of Transportation and is comprised of both new and used vehicles, the metric strongly correlates to vehicle sales. **Fiscal year to date used car registrations have grown 25.8% while new car registrations, which were down 7% last month, have narrowed the gap to being down by just 1.5% for the year — helped by April delivering the highest number of new registrations since January 2020.**



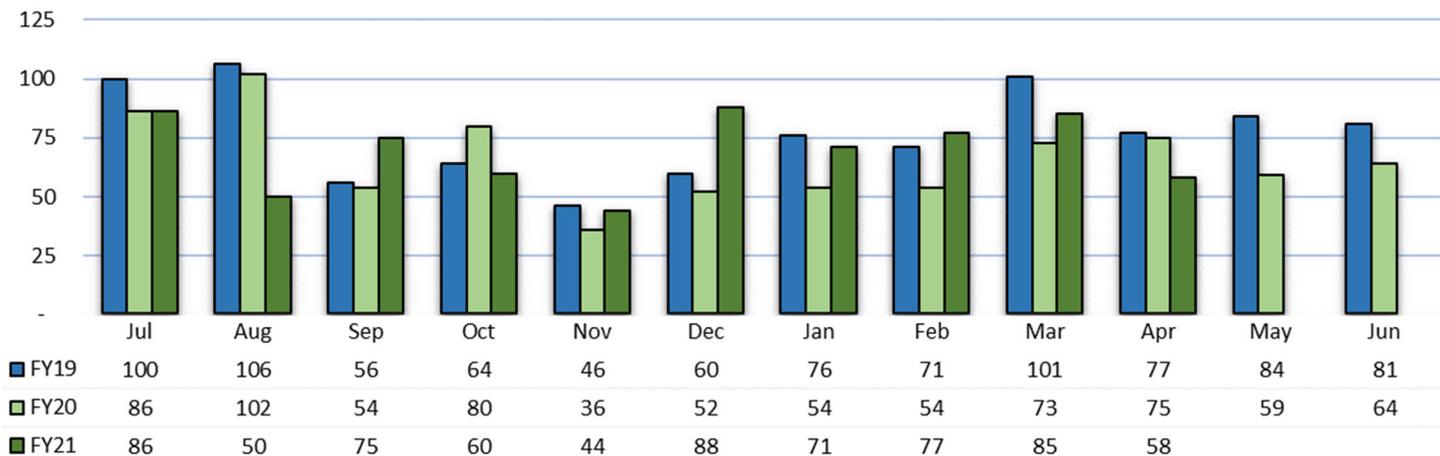
Henrico Metrics



Henrico’s **Occupancy Tax** is collected on lodging for overnight stays. The Occupancy Tax collections in April were the best since September 2020 and significantly better than collections from FY20. **Fiscal year to date collections are 60% of those in FY2019 and 70% of FY2020.** As vaccinations continue to increase so will travel, and these revenues will follow.

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. **Despite improvement against last year, new residential construction is still lagging 2019 with fiscal year to date permits for 694 homes representing a 4.2% increase over FY20, but an 8.3% decrease from FY19.**

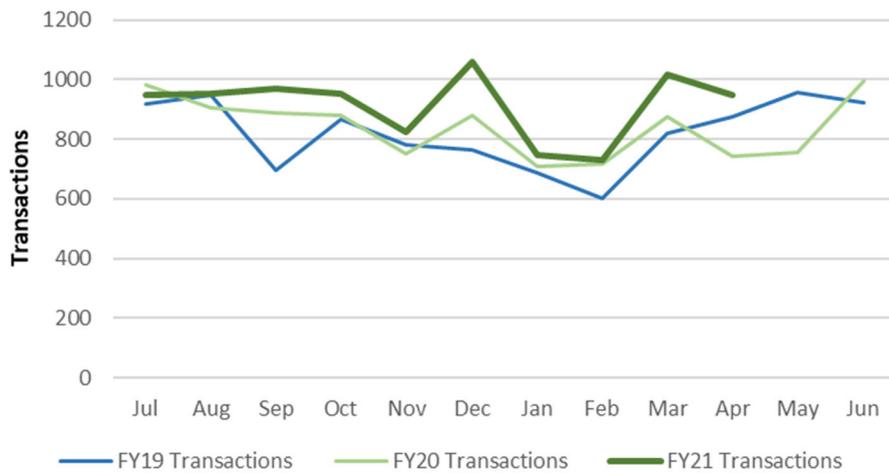
New Residential Construction





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 growing market. Consistency or decline in foreclosures also represents stable and improving market. **Fiscal year to date residential sales exceed FY20 by 10.0 percent and FY19 by 14.9 percent.**

FY21 Foreclosure numbers remain stable, again at approximately 5 per month. **Total foreclosures remain low due in part to the current mortgage foreclosure freeze which was extended through June 30, 2021.** The freeze applies to Fannie Mae, Freddie Mac, and FHA loans that account for about half of mortgage loans in the United States.

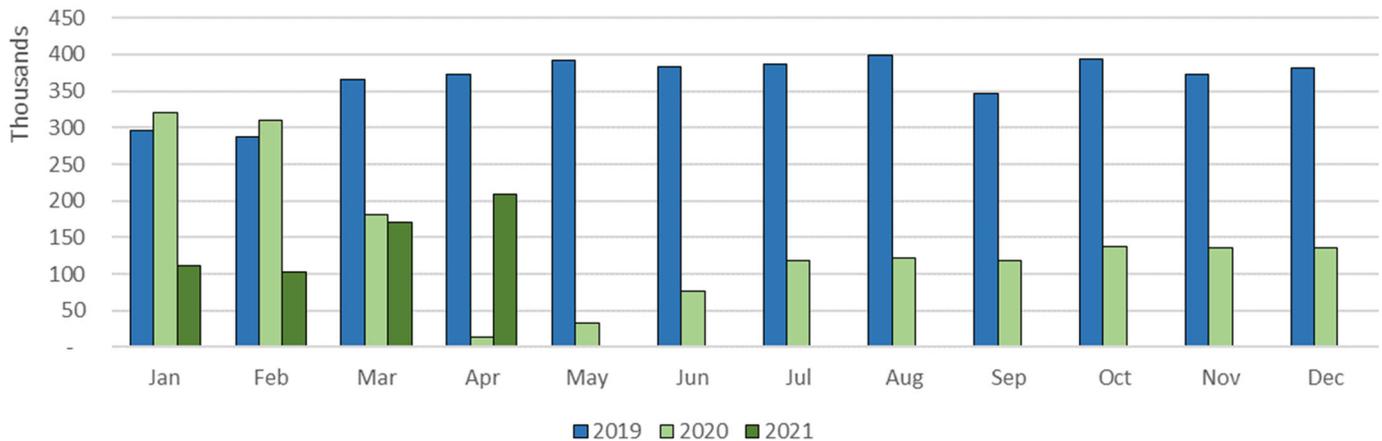
Residential Foreclosures





Area Metric

Richmond Aviation Activity



Richmond Aviation Activity represents 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 Occupancy 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 from a dismal 2Q20 increasing to about one third of the prior volume. From July 2020 onward, trends flattened until April 2021 brought a second strong increase recording total activity at 209,416 up from 170,370 in March, a 23% increase. **Despite these gains air travel volume is still only two-thirds of pre-pandemic levels.** This measure is heavily dependent on COVID-19 related issues and constraints and changes to regional, national, and international policies will continue to impact travel.



Summary of Financials Period Ended April 30, 2021

| | FY21 Approved Budget | FY21 Revised Budget | FY21 YTD Actuals | FY21 Projected Amounts | Projected FY21 Actual | Over (Under) Budget |
|--|-------------------------|-------------------------|-----------------------|--|-------------------------|----------------------|
| Local Revenues | \$ 661,130,700 | \$ 679,630,700 | \$ 435,176,935 | \$ 282,365,530 | \$ 717,542,465 | \$ 37,911,765 |
| State Revenues | 356,022,941 | 362,678,880 | 310,692,454 | 82,581,246 | 393,273,700 | 30,594,820 |
| Federal Revenues | 360,000 | 25,980,515 | 25,915,530 | 70,000 | 25,985,530 | 5,015 |
| Total General Fund Revenues | \$ 1,017,513,641 | \$ 1,068,290,095 | \$ 771,784,920 | \$ 365,016,775 | \$ 1,136,801,695 | \$ 68,511,600 |
| General Government Expenditures | \$ 389,195,385 | \$ 427,018,871 | \$ 325,025,225 | \$ 92,154,761 | \$ 417,179,986 | \$ 9,838,885 |
| Education Expenditures | 509,905,768 | 520,224,038 | 367,592,030 | 147,297,416 | 514,889,446 | 5,334,592 |
| Total General Fund Expenditures | \$ 899,101,153 | \$ 947,242,909 | \$ 692,617,255 | \$ 239,452,177 | \$ 932,069,432 | \$ 15,173,477 |
| Net before Transfers | \$ 118,412,488 | \$ 121,047,186 | \$ 79,167,665 | \$ 125,564,599 | \$ 204,732,263 | \$ 83,685,077 |
| Less Interfund Transfers | (121,427,247) | (124,221,570) | (124,221,570) | (12,975,567) | (137,197,137) | |
| | | | | Projected Addition To (Use of) Fund Balance | \$ 67,535,126 | |

This **Summary of Financials, Period Ended April 30, 2021**, provides an overview of projected and actual revenues and expenditures for FY2020-21. **Note: This revenue and expenditure includes CARES Act funding.** Expense projections increased 1.9% due to updated estimates related to the salary increase provided in April 2021. The summary results in the **projected addition of Fund Balance equaling \$67,535,126.**