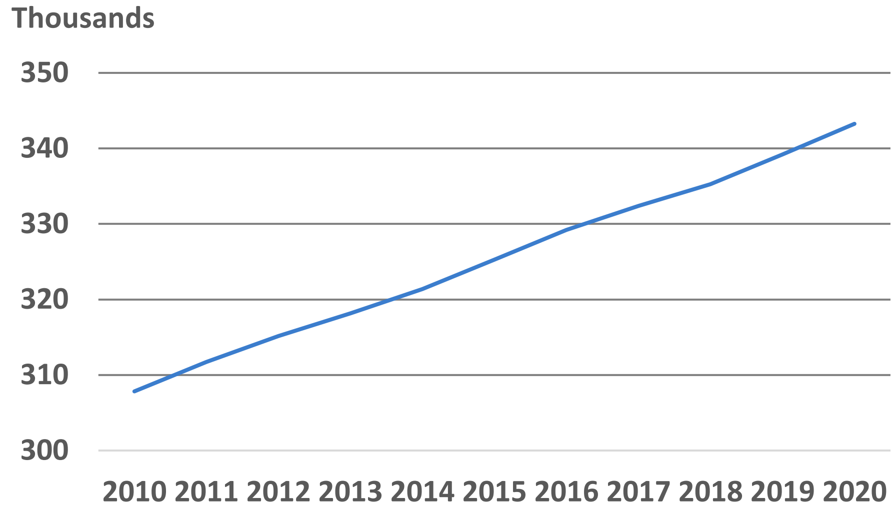
COMMUNITY NEEDS & RESOURCES INDICATORS

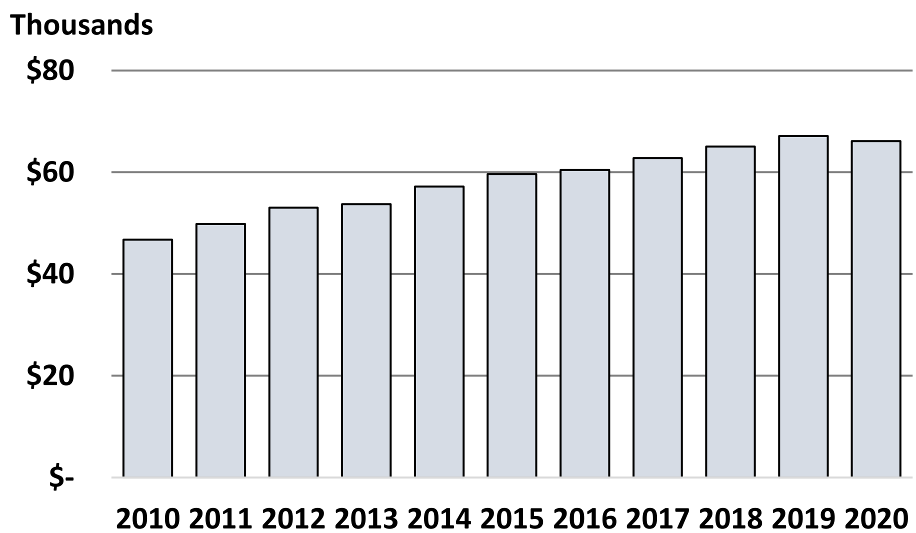
POPULATION



Empirical evidence indicates that changes in population can have a direct effect on a locality's revenue because of the impact upon related factors, such as employment, income, and property value. A sudden increase in population can create immediate pressures for new capital outlays, infrastructure and for higher levels of service, particularly in the areas of Education, and Recreation. A locality faced with a declining population is rarely able to reduce expenditures at the same rate as population loss as many expenditures such as debt service, government mandates, and salaries are fixed and cannot effectively be reduced in the short run.

Population growth remains healthy and in line with expectations based on growth in previous years. The United States 2020 Census will have more exact data and provide Henrico with a hard snapshot of the current population.

PER CAPITA INCOME

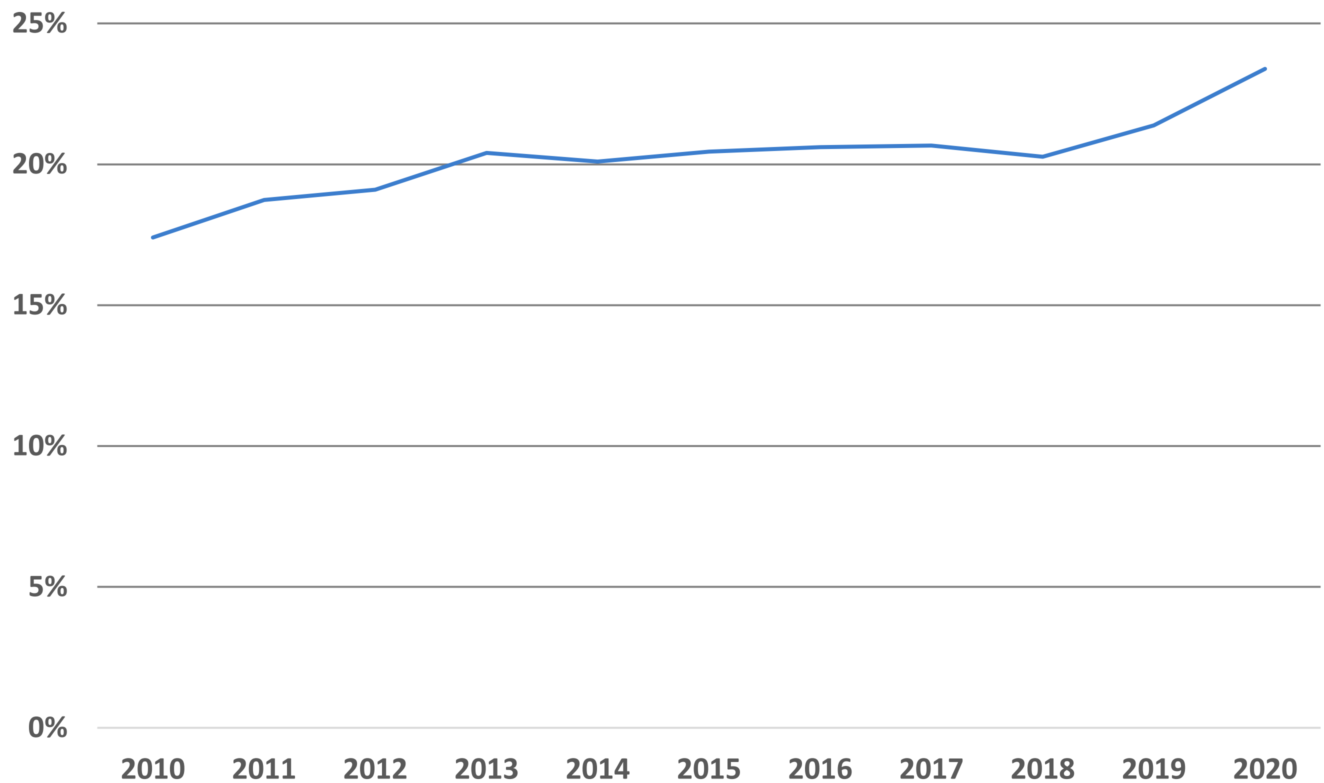


Per capita income is a measure of a community's wealth. Credit rating agencies use per capita income as an important measure of a local government's ability to repay debt. A decline in per capita income may result in a drop in consumer purchasing power and can provide advance notice that businesses, will suffer a decline that can ripple through the rest of the local economy. Changes in per capita income are especially important for communities that have little commercial or industrial tax base because personal income is the primary source from which taxes can be paid.

Per capita income in FY2020 has decreased from $67,128 per person to $66,152, which is a 1.5 percent decrease. The last decrease recorded by the FTMS was from FY2008 to FY2009 during the Great Recession. The current decrease is likely 2020's drop is attributable to the large job loss experienced in the latter half of 2020 due to the COVID-19 pandemic.

PUBLIC ASSISTANCE RECIPIENTS

(As a % of Total Population)

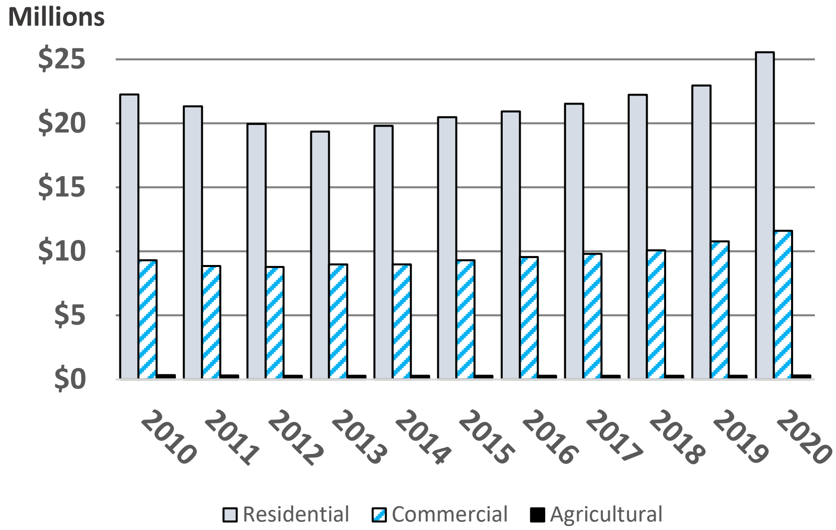


This trend is closely associated with a decline in personal income. The indicator measures the number of public assistance recipients against the number of residential households in the County. An increase in the number of public assistance recipients can signal a future increase in expenditures because of the relatively higher needs of low-income residents combined with their relative lack of personal wealth.

Public assistance recipients were at its highest levels in FY2020, reaching a rate of 23.4 percent, representing a 2 percent increase from FY2019. Rates increased in FY2010 in response to the Great Recession and then remained relatively stable at approximately 20 percent from FY2012 through FY2018. Economists predicted a recession in the near future as expansions and recessions in the economy are part of natural business cycles. With a U.S. economy already slowing down, the COVID-19 pandemic exacerbated market conditions which may have led many to seek public assistance with the government implementing many different assistance programs through stimulus funding. Further, recent Medicaid expansion has approved additional subsets of applicants, creating a wider pool of people eligible for public assistance. **Public assistance recipients are not expected to decrease to levels seen in FY2018 until FY2022 or later and should continue to be monitored. This constitutes a warning trend.**

REAL PROPERTY VALUES

(In Constant Dollars)

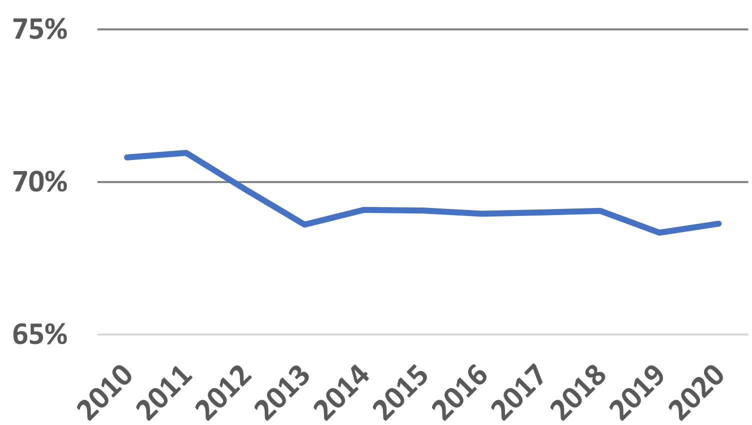


Changes in real property values are important as property taxes tend to be a large source of revenue for localities. If a locality has a stable tax rate, the tax revenues will increase with property values. Localities experiencing rapid population and economic growth are likely to experience growth in property values in the short-run. This is because the supply of housing is fixed short-term and the increase in demand due to growth will force prices up. The extent to which declining real property values affect a locality's revenues will depend on the locality's reliance on property tax revenue and other related revenues.

Real property values continue to increase and are currently exceeding FY2009 levels. Despite the COVID-19 pandemic, record low mortgage rates have increased demand for homes with higher-than-average transactions. Population growth has provided a positive push for real property values. **Real property taxes are a fairly inelastic revenue source which indicates healthy revenues in the future.**

RESIDENTIAL DEVELOPMENT

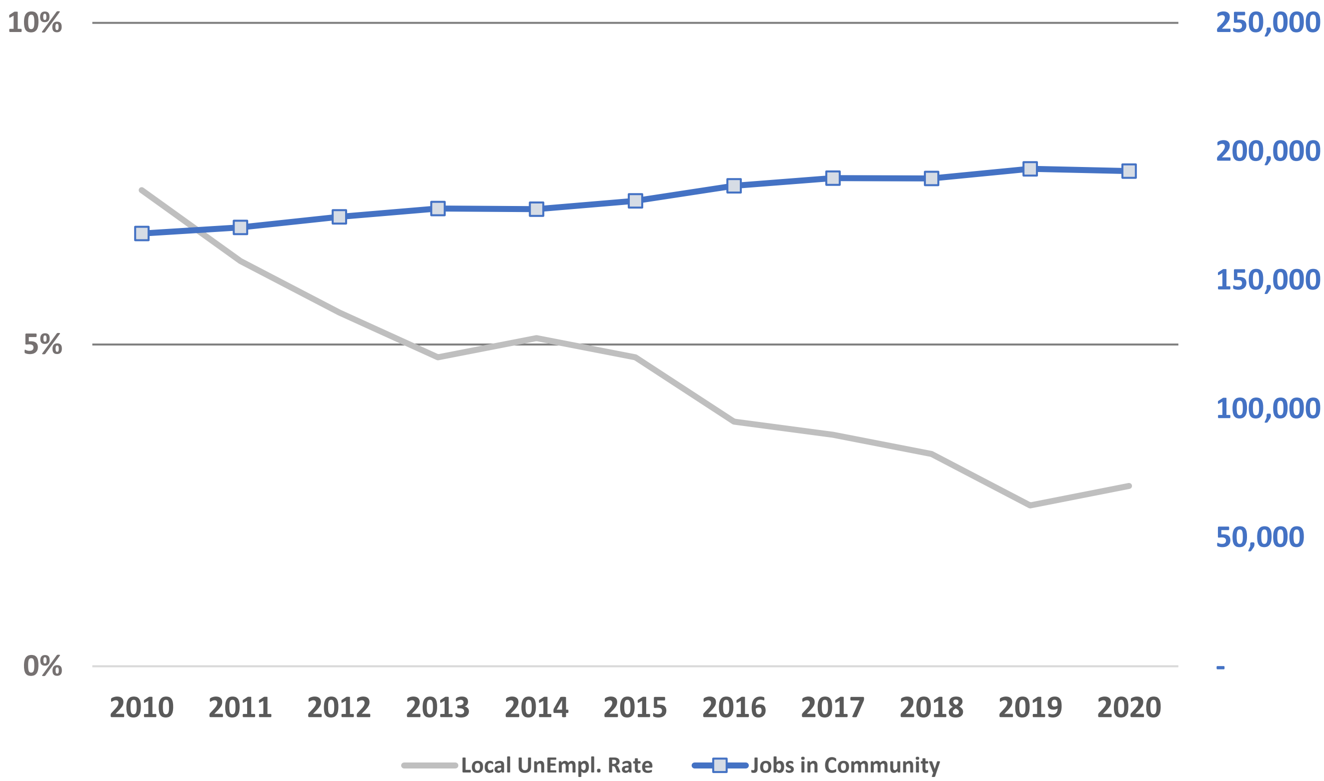
(As a % of Total Property)



The net cost of servicing residential development is generally higher than the net cost of servicing commercial or industrial development due to the related demands for public services such as Public Safety, Public Utilities, and Education. This demand also impacts the location of new residential development as houses built outside of current service areas can impose greater initial costs to localities than houses built within developed areas. The extent to which new residential development affects the financial condition of a community will depend on the community's economy, tax structure, and expenditure profile. A locality must balance development type with current zoning and availability of public services to maintain fiscal viability. Henrico County has determined that a 70.0 percent level of residential valuation is optimal.

Residential development in FY2020 increased slightly to 69.0 percent, but levels have been relatively stable since FY2012 with slight variances year to year. Preliminary data post-FY2020 has indicated a large increase in residential development, suggesting that **there may be an increase in development levels in upcoming fiscal years.**

EMPLOYMENT BASE



Employment base considers the unemployment rate and the total number of jobs within the locality. This indicator is significant because it is directly related to the levels of business activity and personal income. The two trend lines tend to move in opposite directions. Changes in the number of jobs provided by the community are a measure of business activity and changes in the rate of employment of the community's residents is related to fluctuations in personal income and, thus, is a measure of the community's ability to support its local business sector. A change in employment base can provide preliminary information on business sector changes and provide notification if further research is warranted.

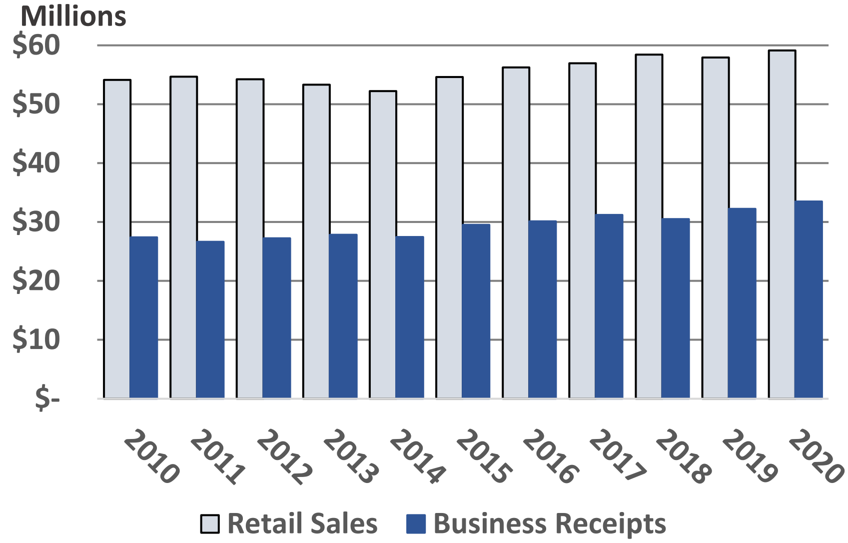
Total jobs in the community decreased and the local unemployment rate increased in FY2020. This is likely attributable to the economic impacts from the COVID-19 pandemic. FY2020 only captured the beginning of the pandemic from March 2020 to June 2020. **Preliminary data post-FY2020 indicates that this downturn will likely improve as stay-at-home orders related to the pandemic are lifted and vaccines become widely available.**

LOCAL RETAIL SALES & BUSINESS RECEIPTS

(In Constant Dollars)

The level of business activity can provide information about a locality's financial condition in two ways:

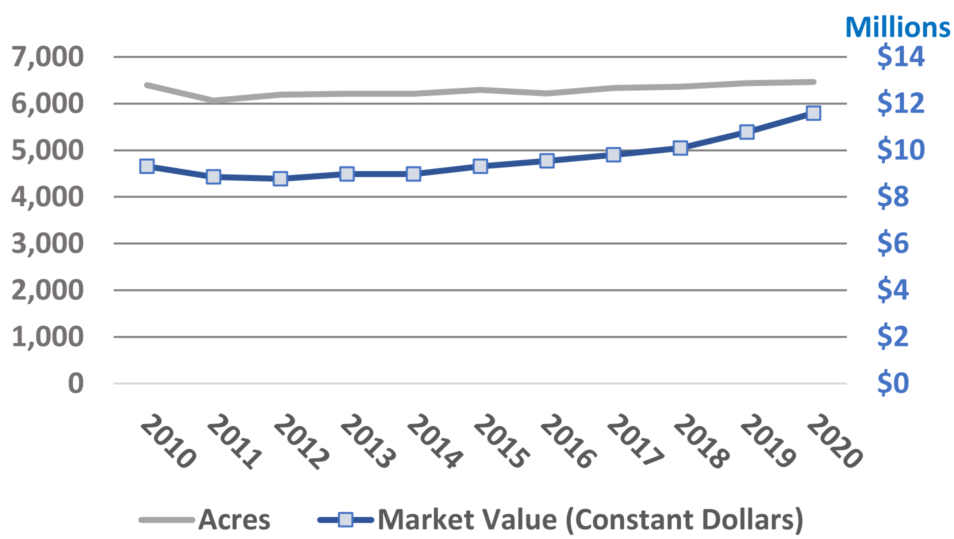
1. It directly affects revenue yields of sales taxes and gross receipts taxes as these are direct products of business activity.
2. There is an indirect effect on other demographic and economic areas such as employment base, personal income, or property values. A decline in business activity will tend to have a negative impact on employment base, personal income and/or commercial property values.



Retail sales and business receipts both trended upwards in FY2020, reaching all-time highest levels in the FTMS. Preliminary data post-FY2020 indicates that business activity is declining in response to the COVID-19 pandemic.

COMMERCIAL ACRES & MARKET VALUE OF BUSINESS PROPERTY

Another measurement of business activity is the Commercial Acres & Market Value of Business Property indicator. As previously noted, there must be balance of land uses in a locality to ensure that the higher costs of residential areas are off-set by lower-cost commercial and industrial areas, which are monitored through Commercial Acreage. Similarly, the value of business property can be indicative of the overall health of a business as it is common practice to determine fair market value of a commercial property through use of a business' Net Operating Income.



The market value of business property has relatively trended upwards since FY2010 and **FY2020 represents the highest level of market value to date**. Commercial acres has trended upwards since FY2011 after a severe cut to the commercial sector during the Great Recession. Total commercial acreage returned to FY2010 levels in FY2019 and the **commercial sector has continued to grow from there with FY2020 levels of commercial acreage representing an all-time high**.