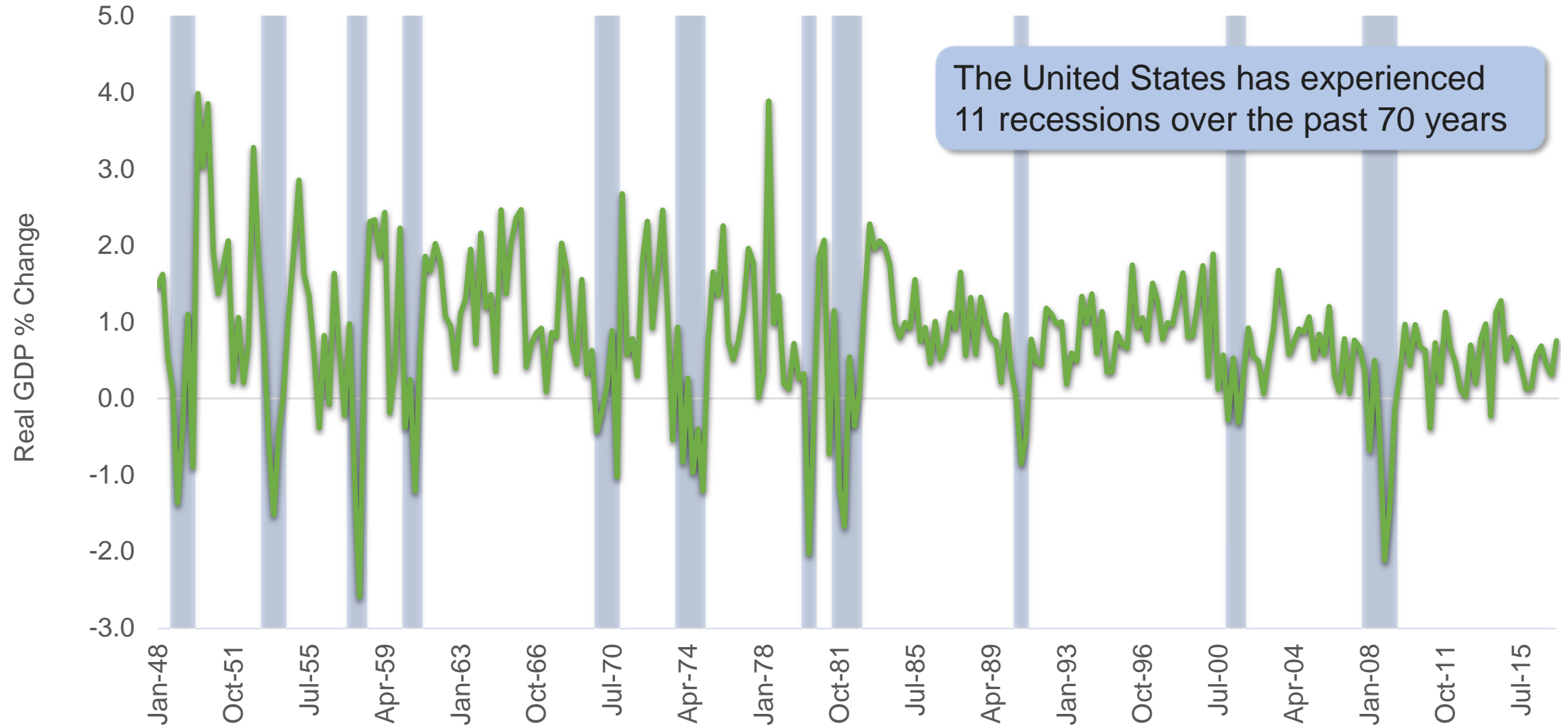




## A Macroeconomic Outlook



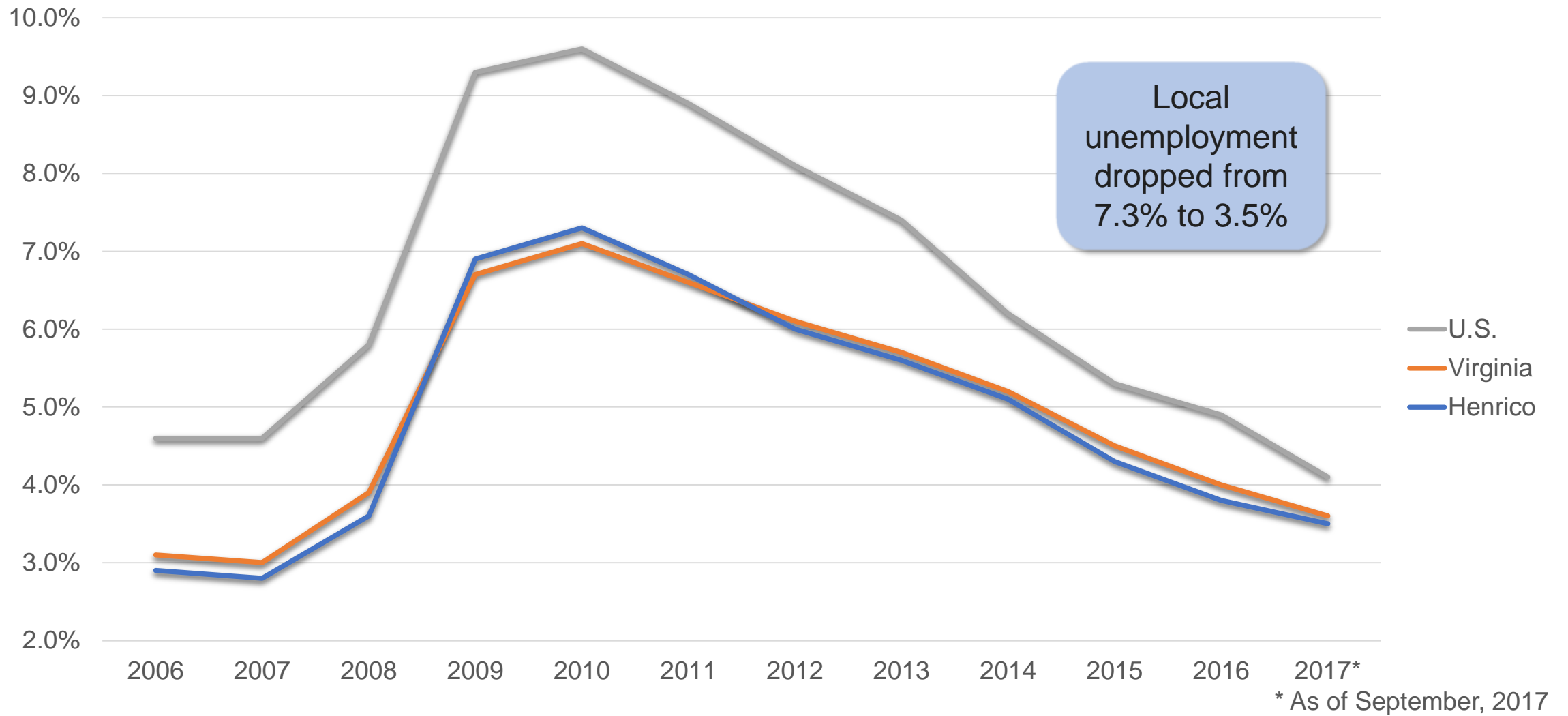
## Recession Concerns



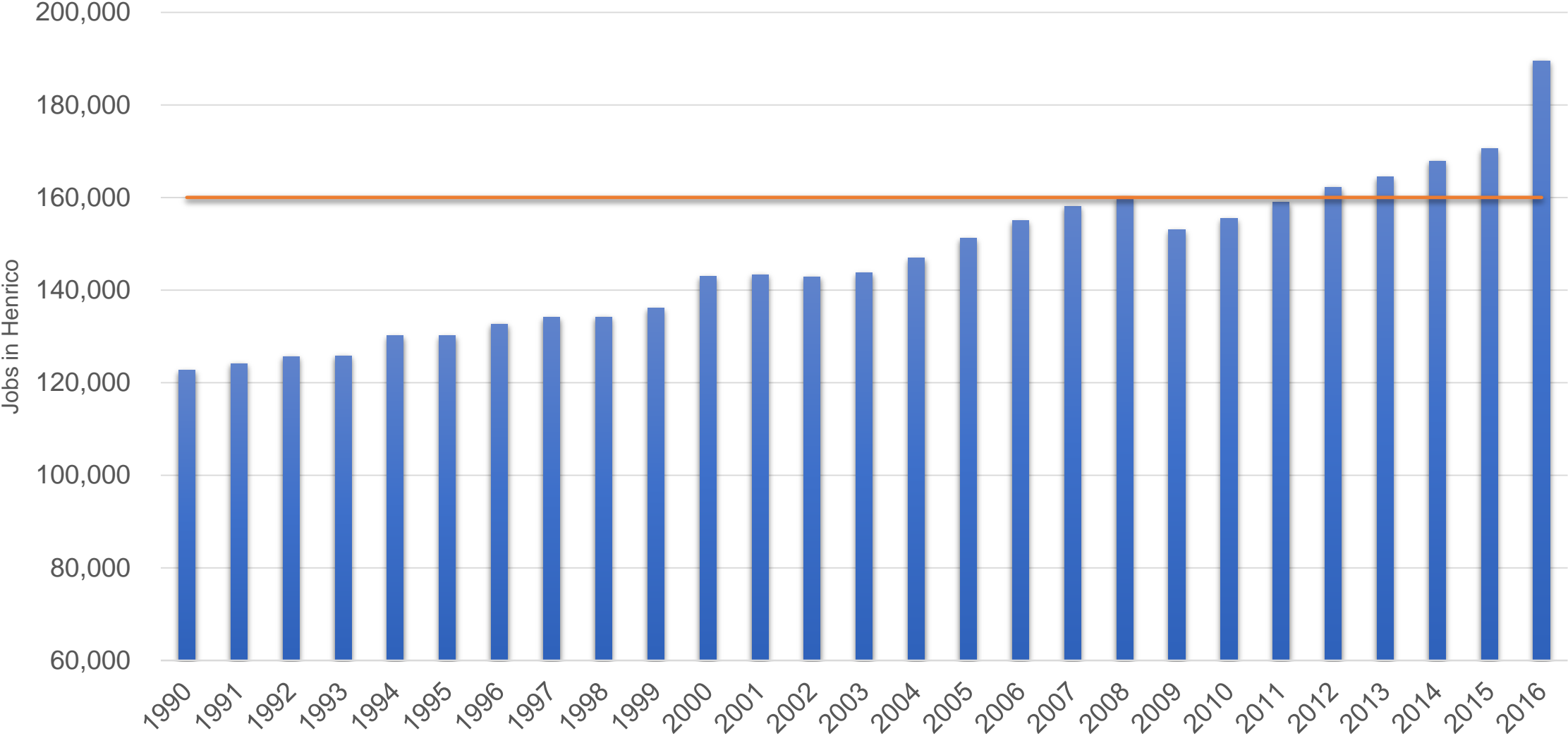


## The Labor Market

## National, State, and Local Unemployment



# Henrico Recovered Jobs Lost in Recession



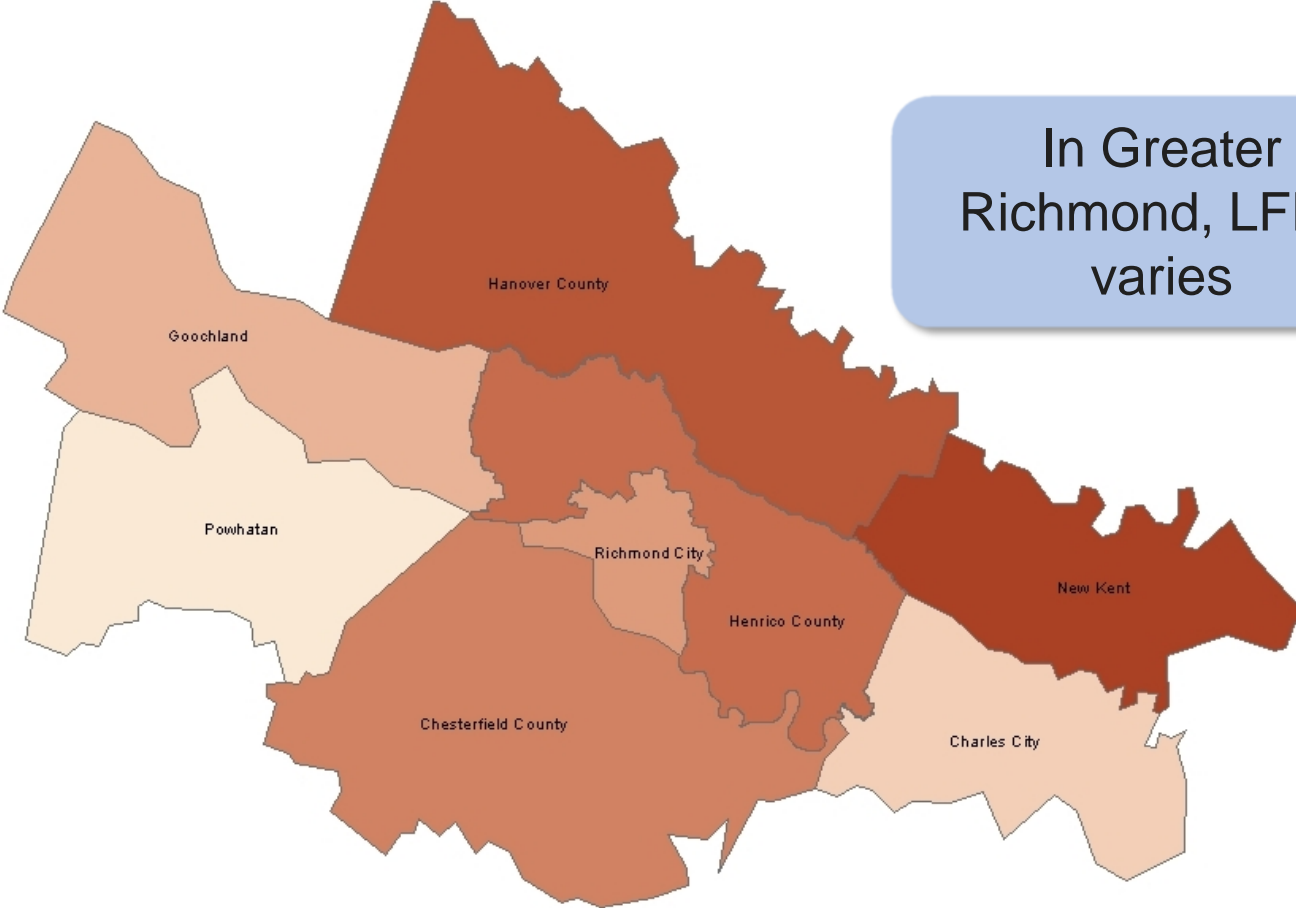
## U.S. Labor Force Participation Rate



# Greater Richmond Area- Labor Force Participation Rate










VA Average:  
62.0%  
U.S.  
Average:  
62.8%

In Greater  
Richmond, LFPR  
varies



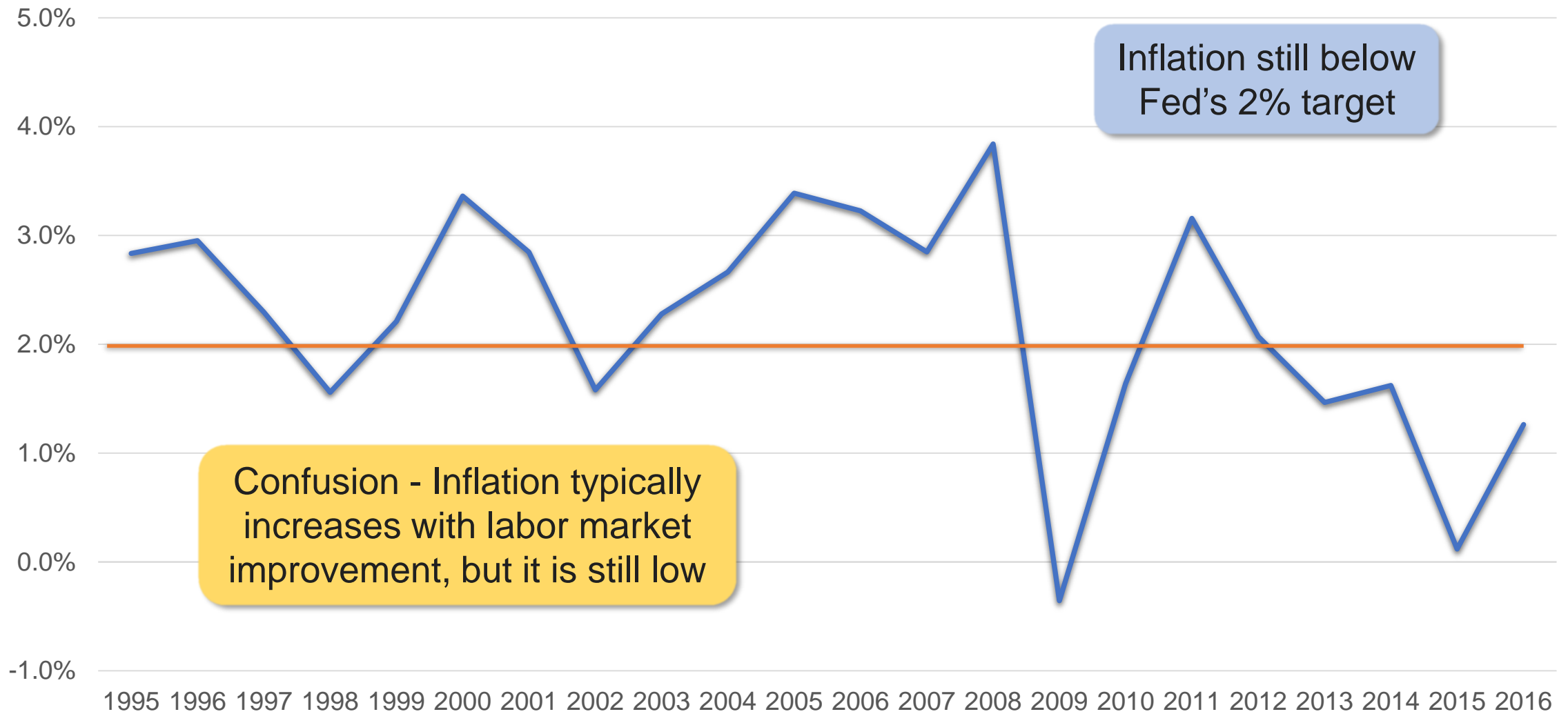
Legend

Labor Force Participation Rate

	Powhatan-61.20%		Goochland-62.60%		Henrico County-71.80%
	Charles City-61.40%		Richmond City-69.50%		Hanover County-72.20%
			Chesterfield County-71.60%		New Kent-74.50%



## U.S. Inflation

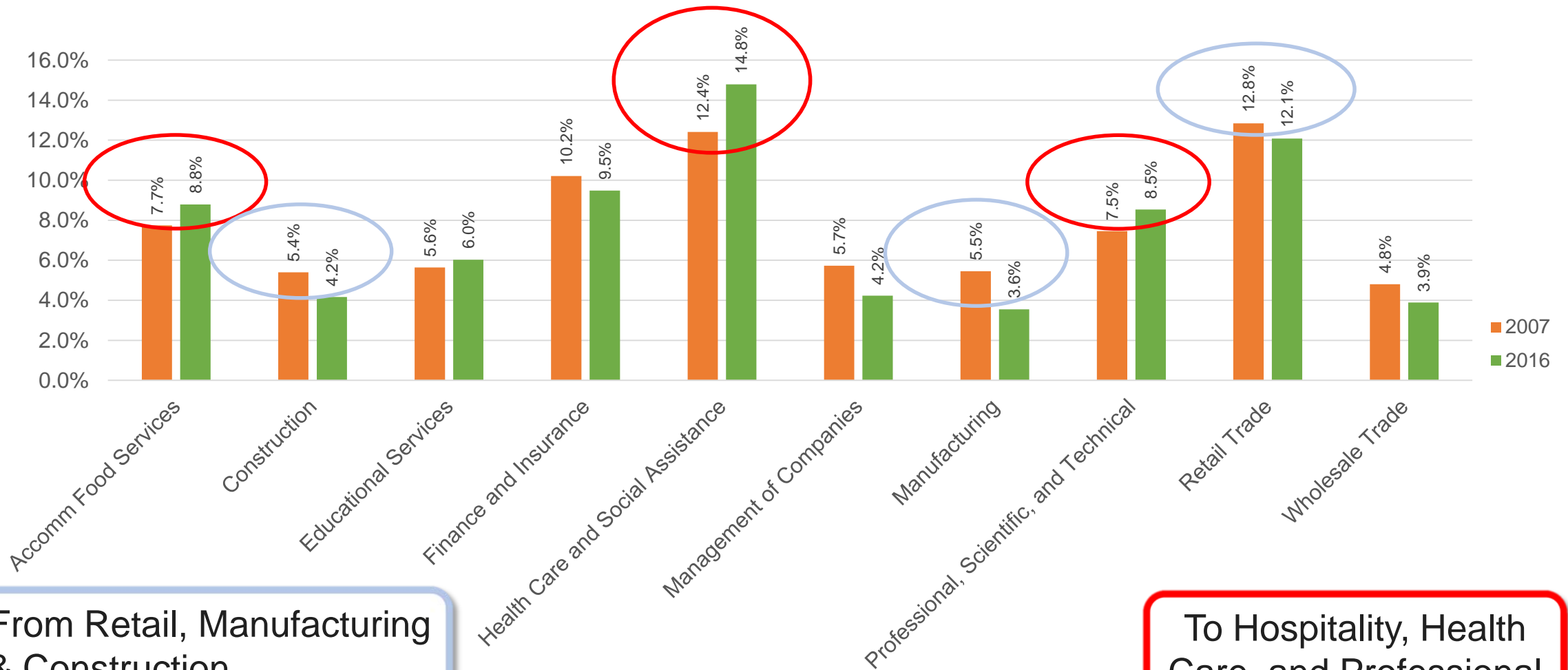




## U.S. and Virginia Wage Growth



# Henrico Industry Makeup



From Retail, Manufacturing  
& Construction

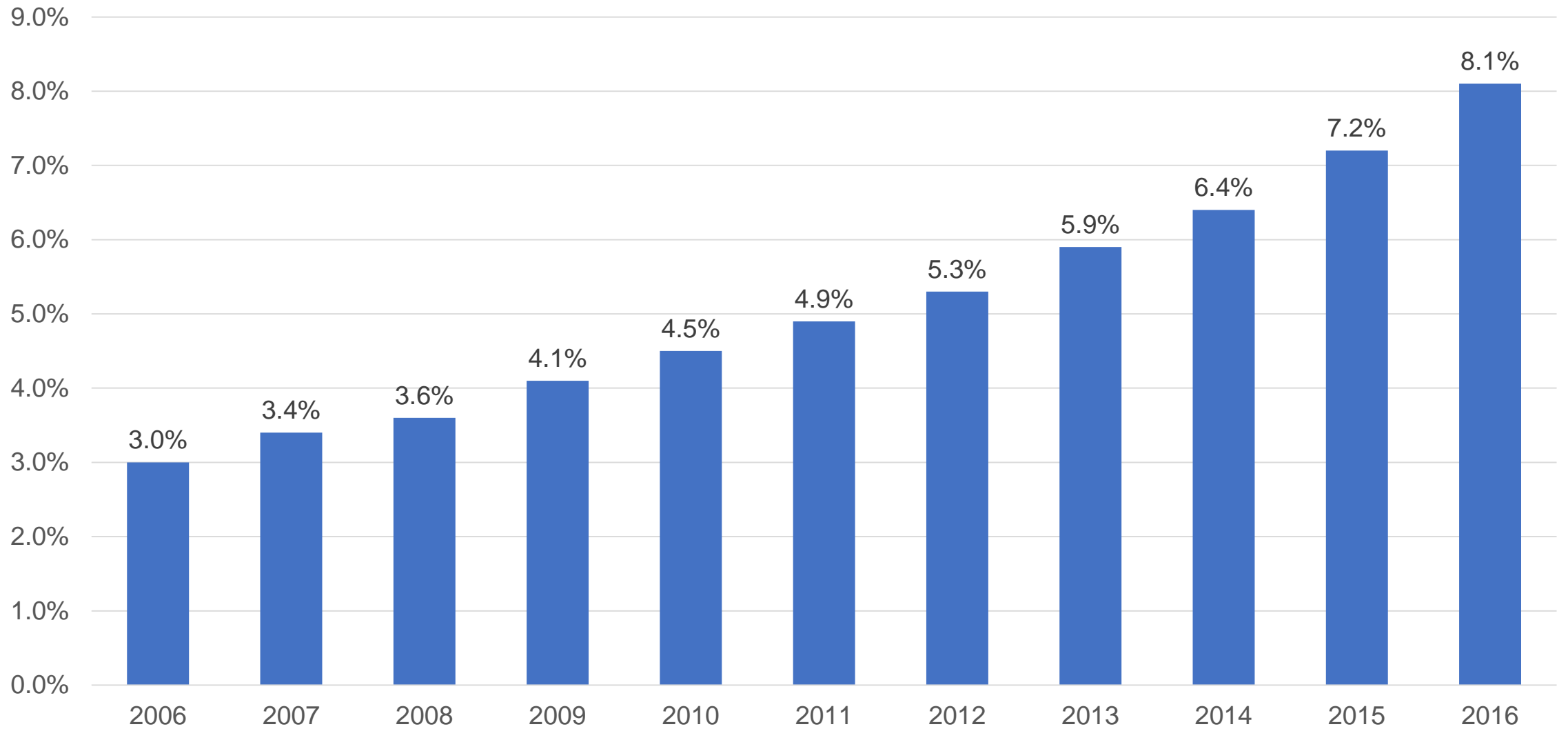
To Hospitality, Health  
Care, and Professional



## The Future of Retail



## U.S. Ecommerce as a % of Total Retail



## Malls Are Uniquely American

2015	Mall Retail Space (sq. ft., MM)	Population (MM)	Mall Retail Space Per Capita
U.S.	7,567	321	23.5
Canada	589	36	16.4
U.K.	299	65	4.6
France	254	66	3.8
Spain	157	46	3.4
Italy	169	61	2.8
Germany	191	81	2.4



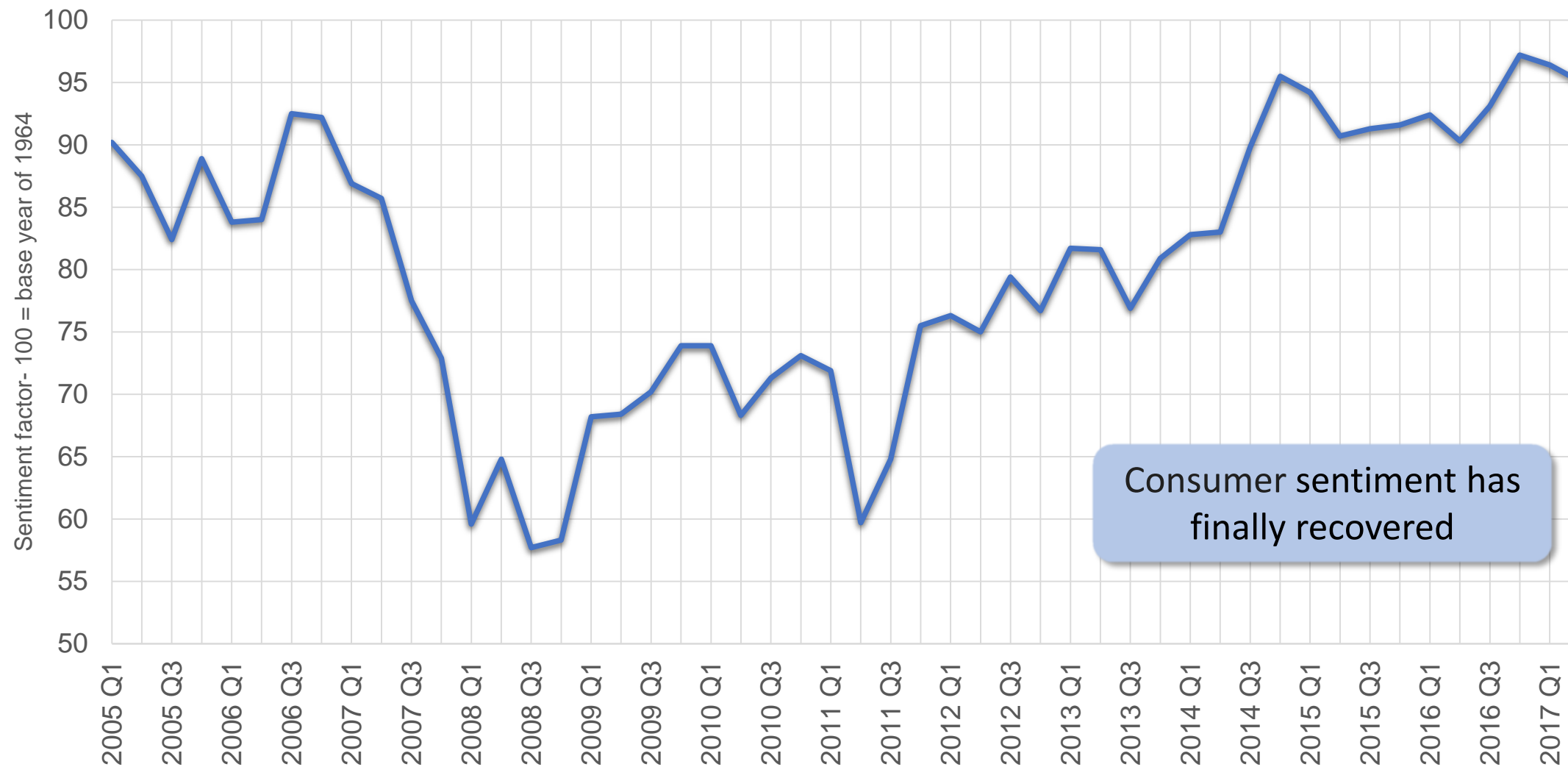
# RETAILTAINMENT



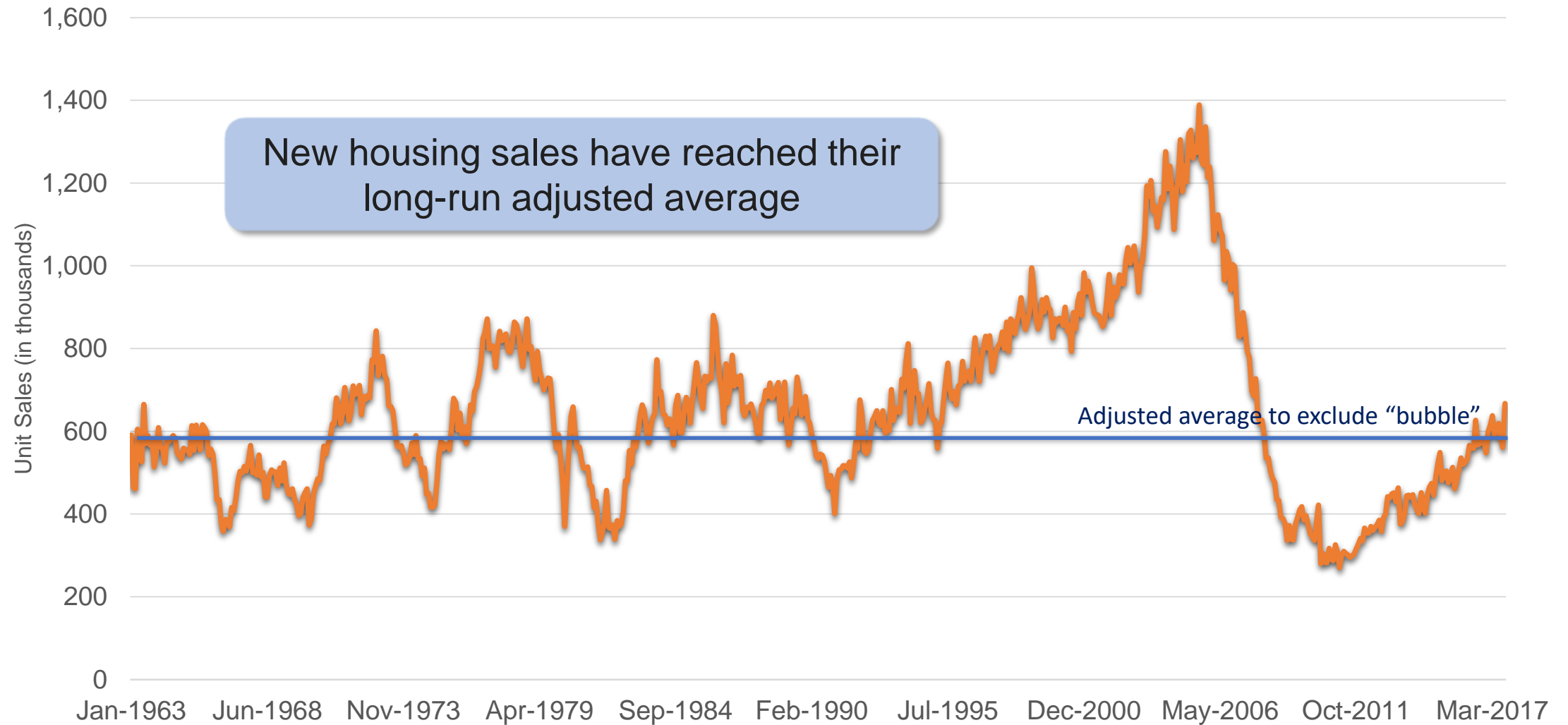
A woman with long brown hair, wearing a white top and a light grey trench coat, is standing in a supermarket aisle. She is holding a blue plastic bottle in her left hand and a blue shopping basket in her right hand. She is looking down at the bottle with a slight smile. The background shows shelves stocked with various products, and the lighting is bright and even.

The Consumer

## U.S. Consumer Sentiment



## New Housing Sales - Nationwide





## U.S. Monthly Quits - Willingness to Change Jobs



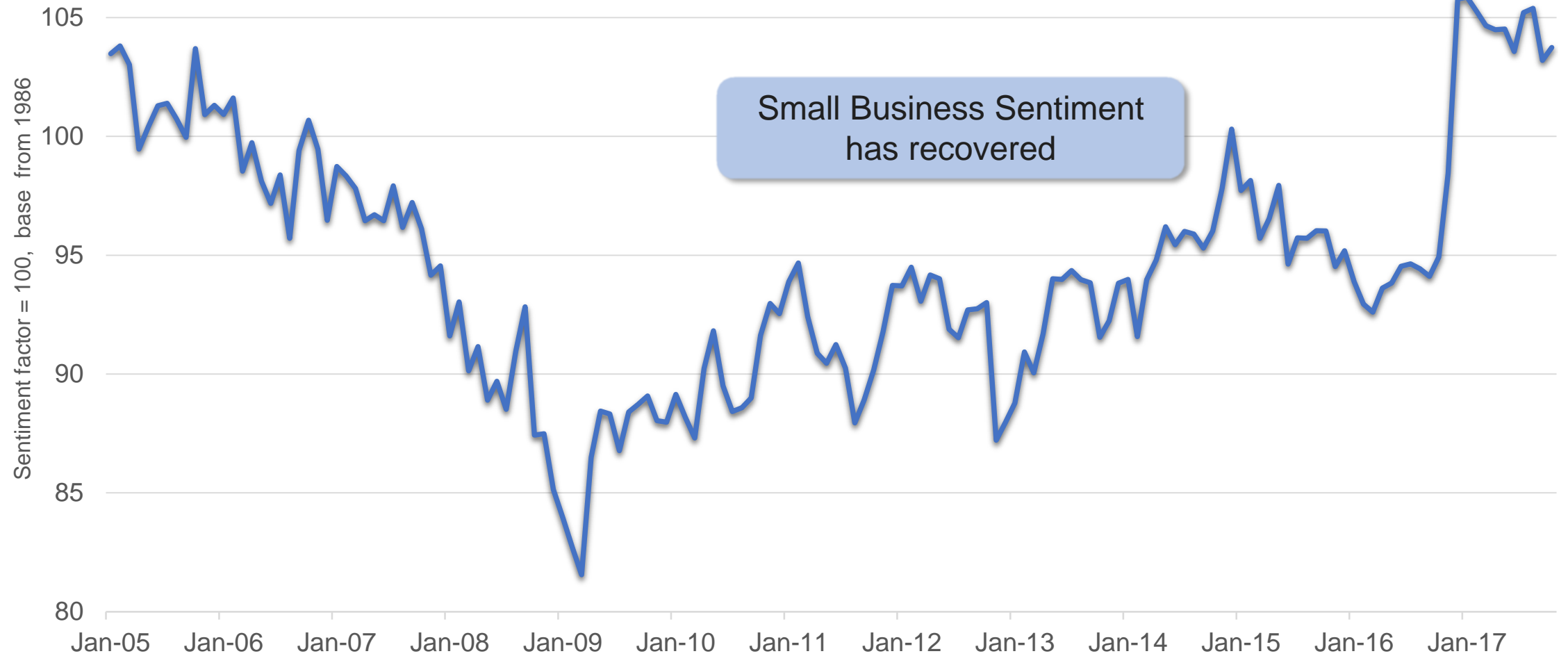




The Business

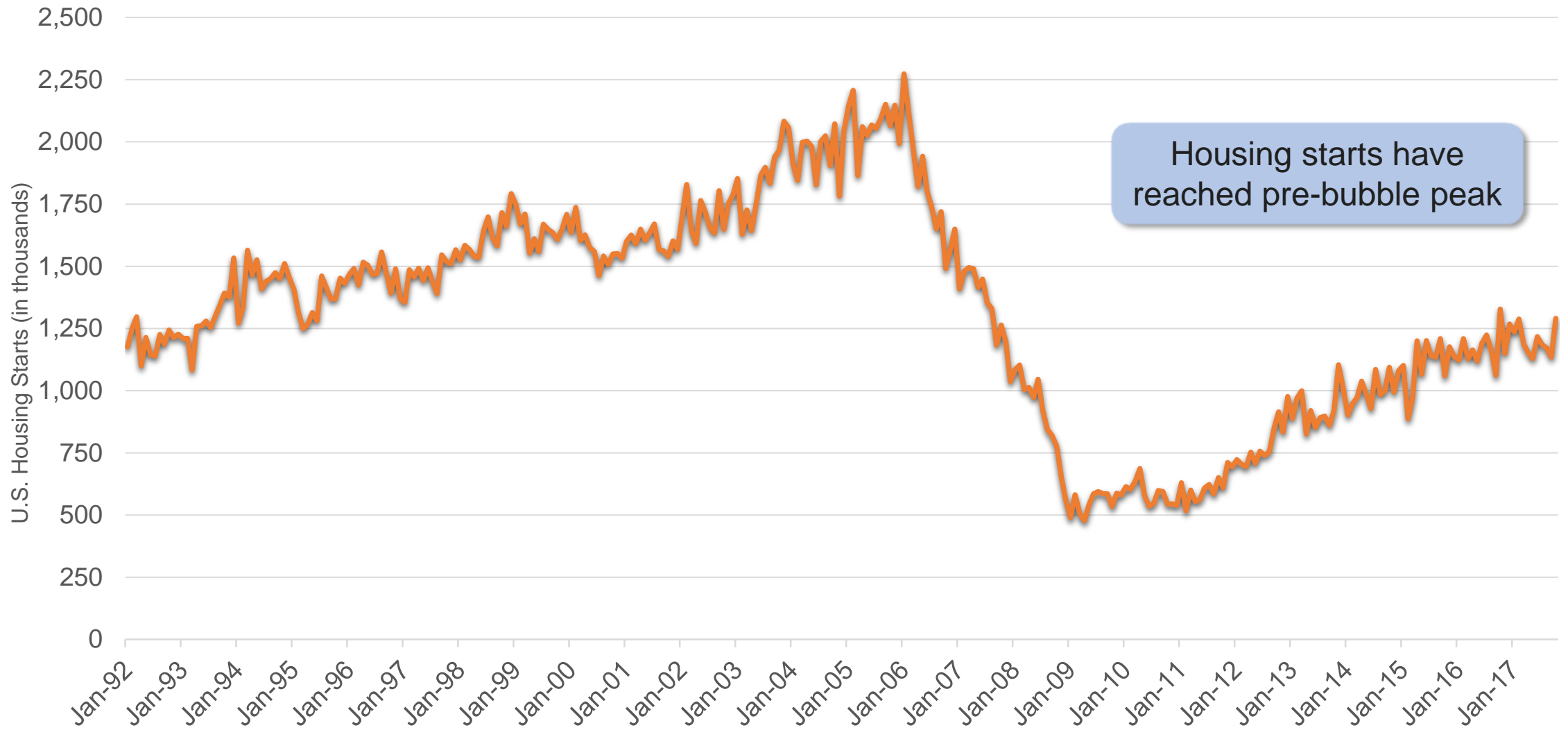


## U.S. Monthly Small Business Optimism Index



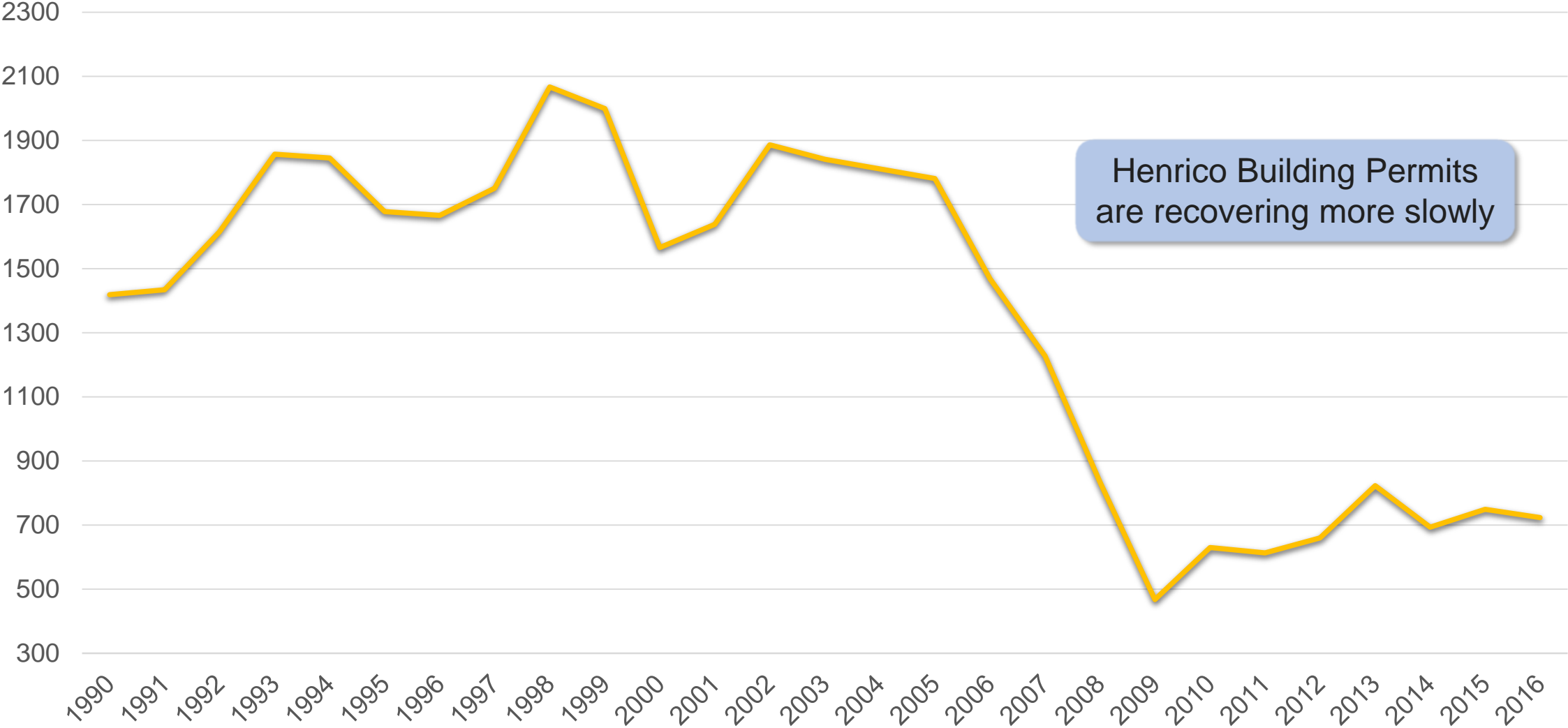


## U.S. Monthly Housing Starts



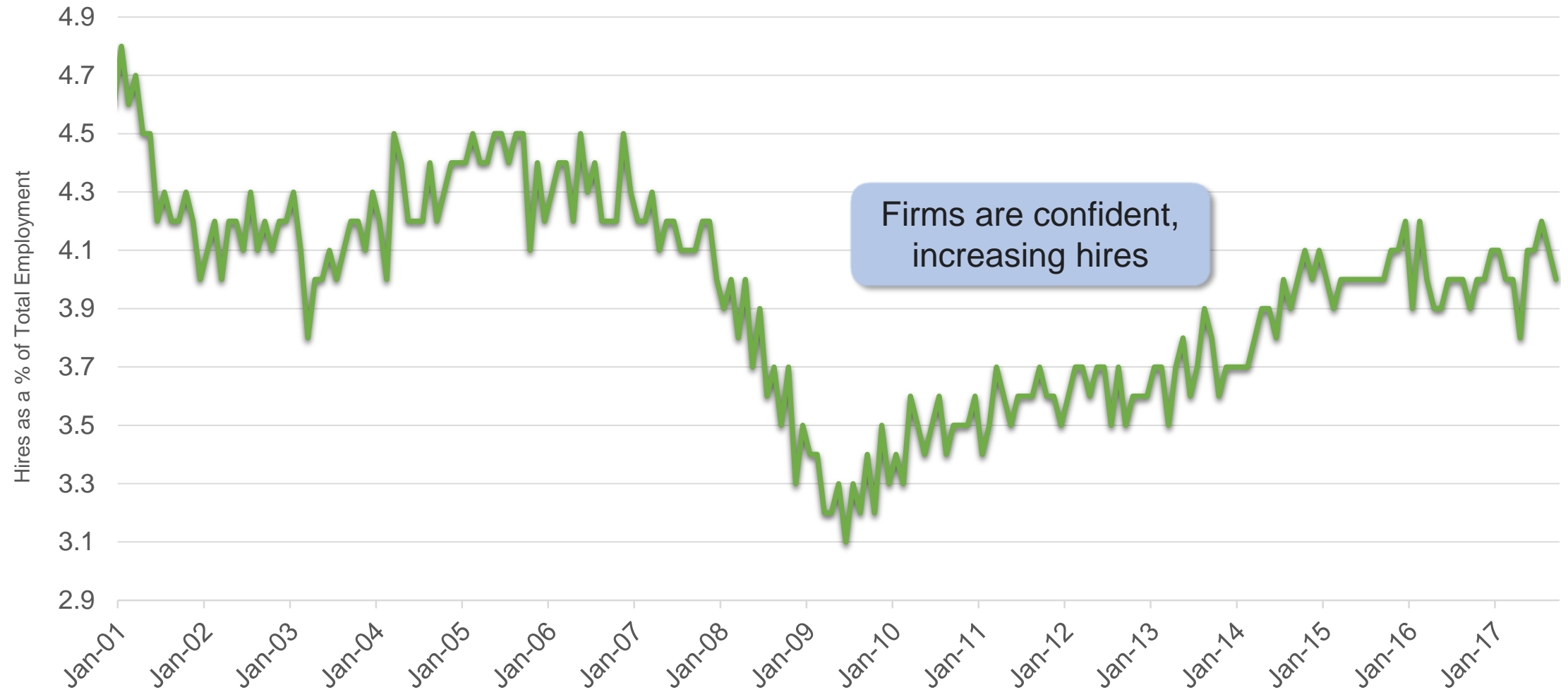
Housing starts have reached pre-bubble peak

# Henrico Annual Single-Family Building Permits



Henrico Building Permits  
are recovering more slowly

## U.S Monthly Private Hires





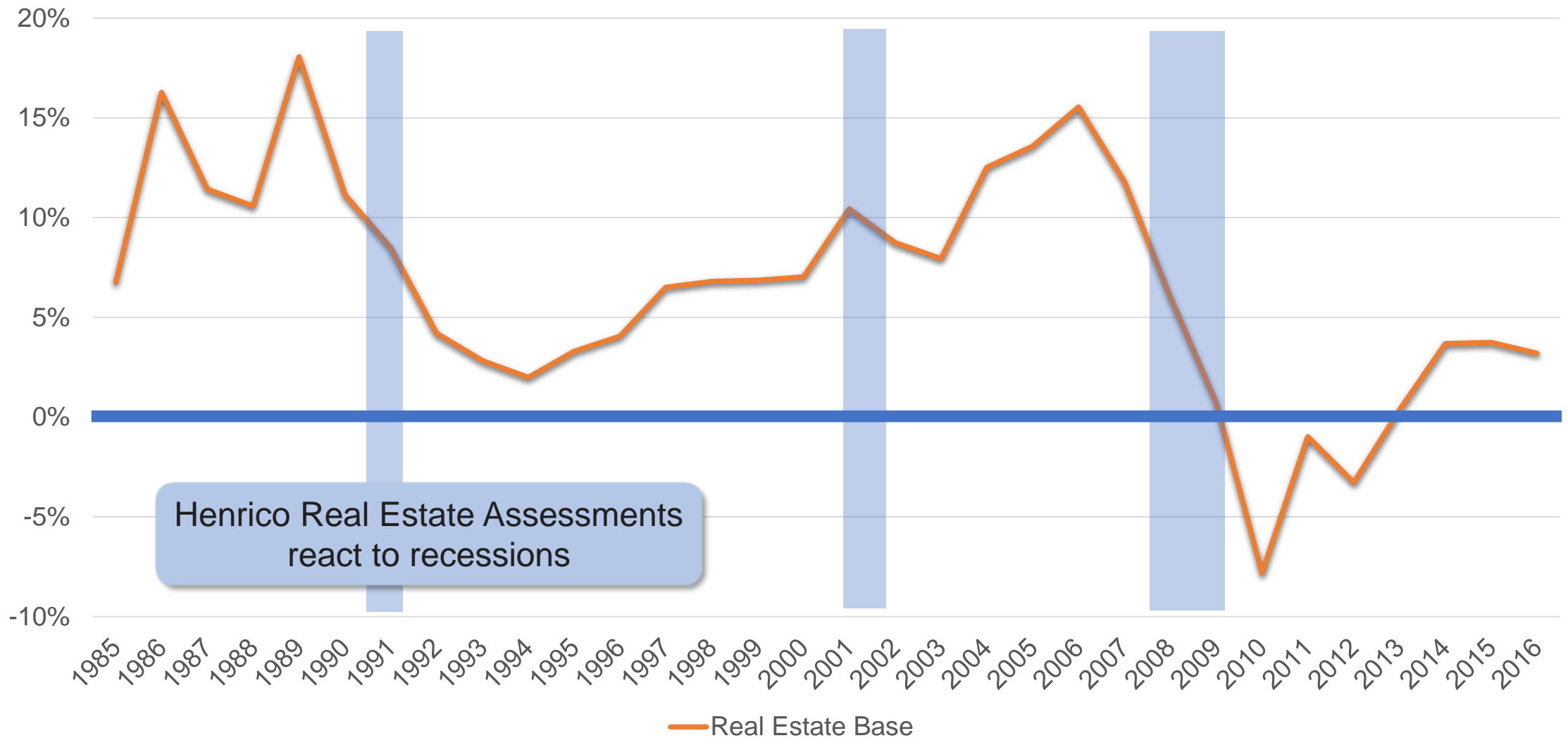
# Interesting Facts



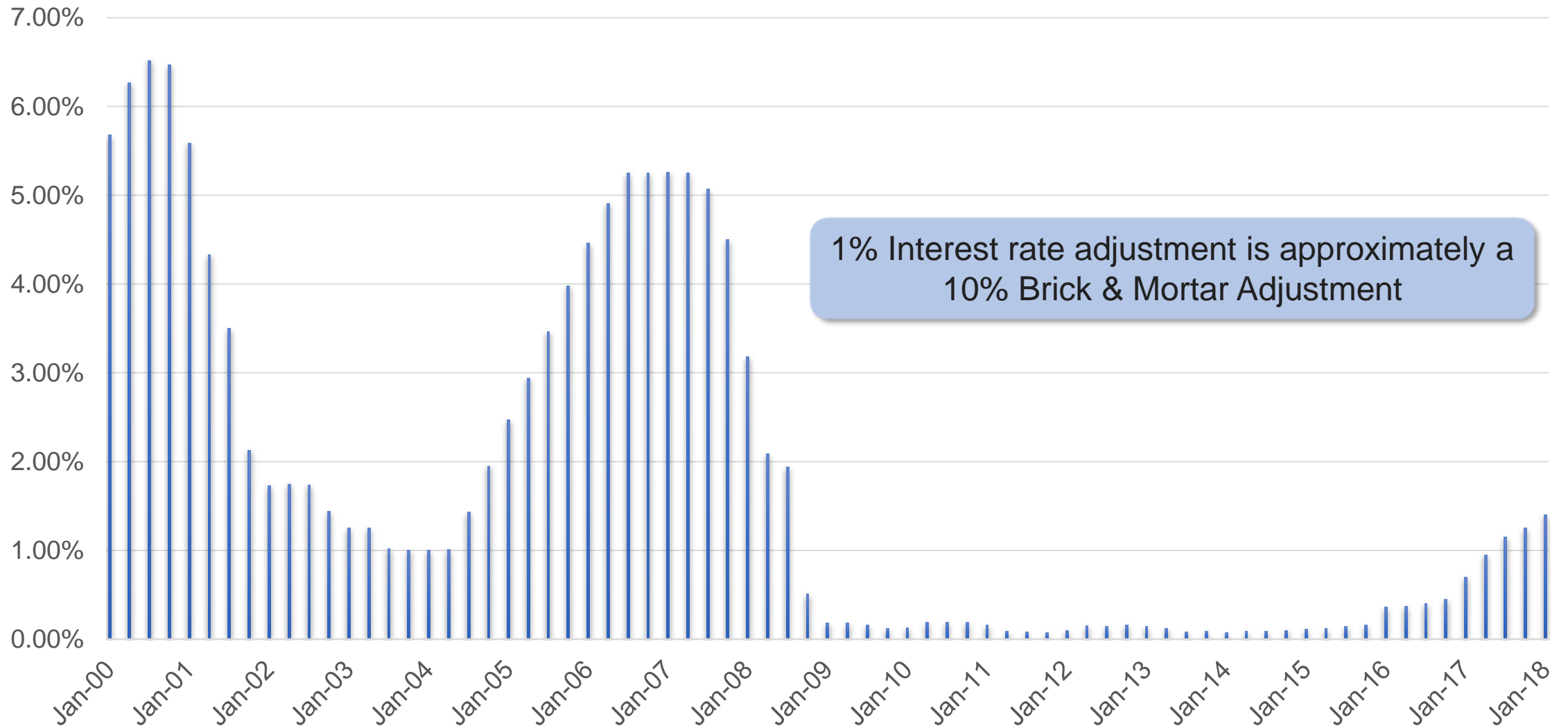
## National and Henrico Healthcare Premium Increases

Calendar Year	National Increase	Compounded Increase	Henrico's Increase	Compounded Increase	Est. \$ Saved
2008	3.0%	N/A	3.0%	N/A	N/A
2009	10.0%	10.0%	7.5%	7.5%	\$1.5 million
2010	10.0%	21.0%	7.2%	15.2%	\$1.7 million
2011	10.5%	33.7%	6.8%	23.0%	\$2.9 million
2012	10.4%	47.6%	6.7%	31.2%	\$2.6 million
2013	9.5%	61.6%	5.5%	38.4%	\$3.4 million
2014	8.0%	74.5%	1.7%	40.8%	\$4.4 million
2015	8.5%	89.3%	2.9%	44.9%	\$3.9 million
2016	8.7%	105.8%	4.7%	51.7%	\$3.3 million
2017	9.0%	124.3%	4.1%	57.9%	\$4.3 million

## Taxable Sales and Real Estate Base Growth



## Effective Federal Funds Rate







# *Henrico's Long-Term Financial Outlook*

Henrico County Board of Supervisors Retreat  
January 12, 2018

# Funding Priorities

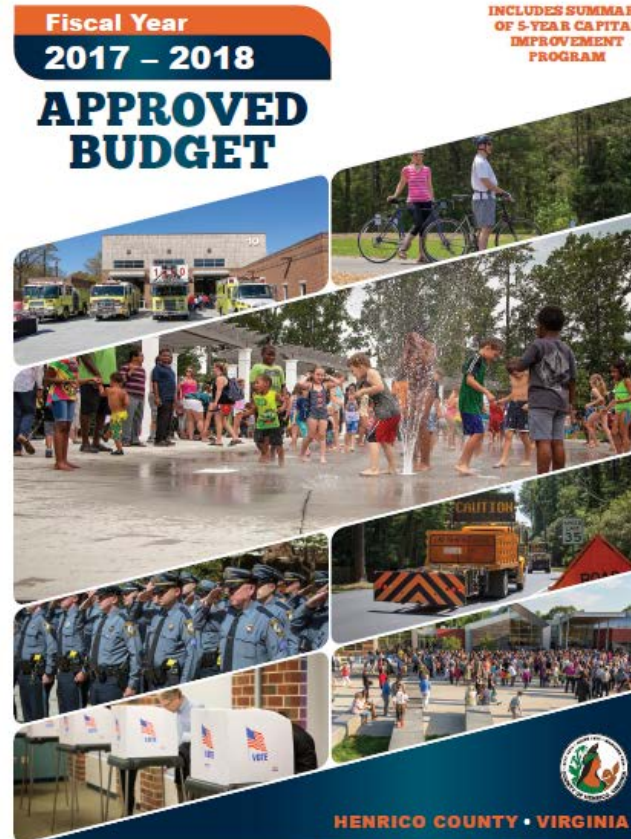
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- Honor prior commitments
- Economic development
- Continued allocation to core services
- Competitive compensation and benefits
- Maintain fiscal structure

# Henrico's Financial Successes Attributed to Examining Past, Present, and Future



PAST



PRESENT

ALWAYS LOOKING  
AHEAD AS EVERY  
FINANCIAL  
DECISION MADE  
YESTERDAY AND  
TODAY HAS AN  
IMPACT ON FUTURE  
FINANCIAL  
DECISIONS

FUTURE



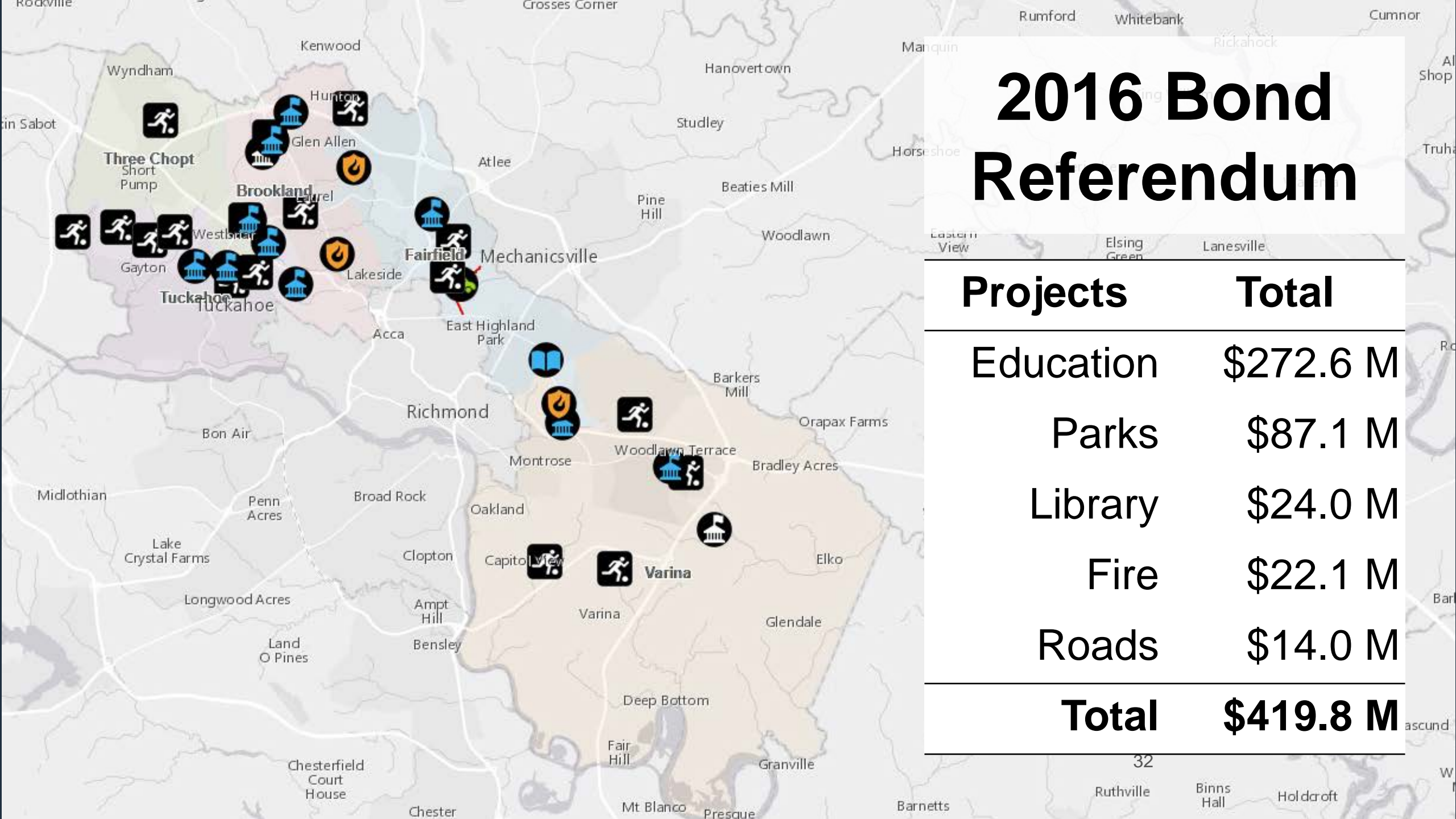
# Past Decisions

## Voter

- **2005** - Approved Bond Referendum
- **2013** - Approved Meals Tax Referendum
- **2016** - Approved Bond Referendum

## Government

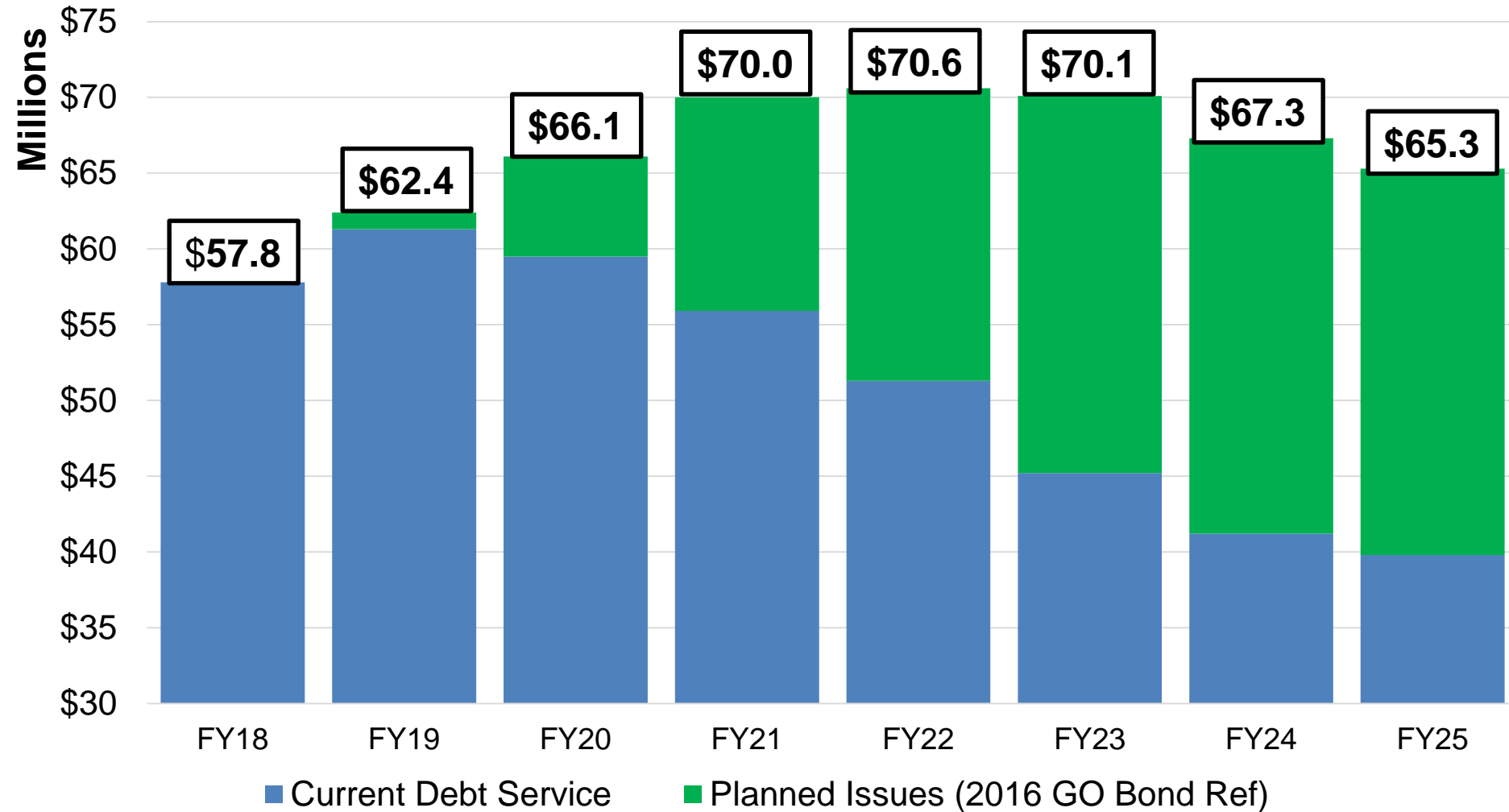
- **1978** – Last time the real estate tax rate was raised
- **2002** – Board of Supervisors (BOS) capped expenses
- **2008** – BOS approves structural budget reductions
- **2014** – BOS codifies Meals Tax funds to HCPS
- **2015** – BOS reduces Machinery & Tools tax rate
- **2016** – BOS reduces aircraft personal property tax rate
- **2017** – BOS reduces data center personal property tax rate and increases BPOL tax exemption



# 2016 Bond Referendum

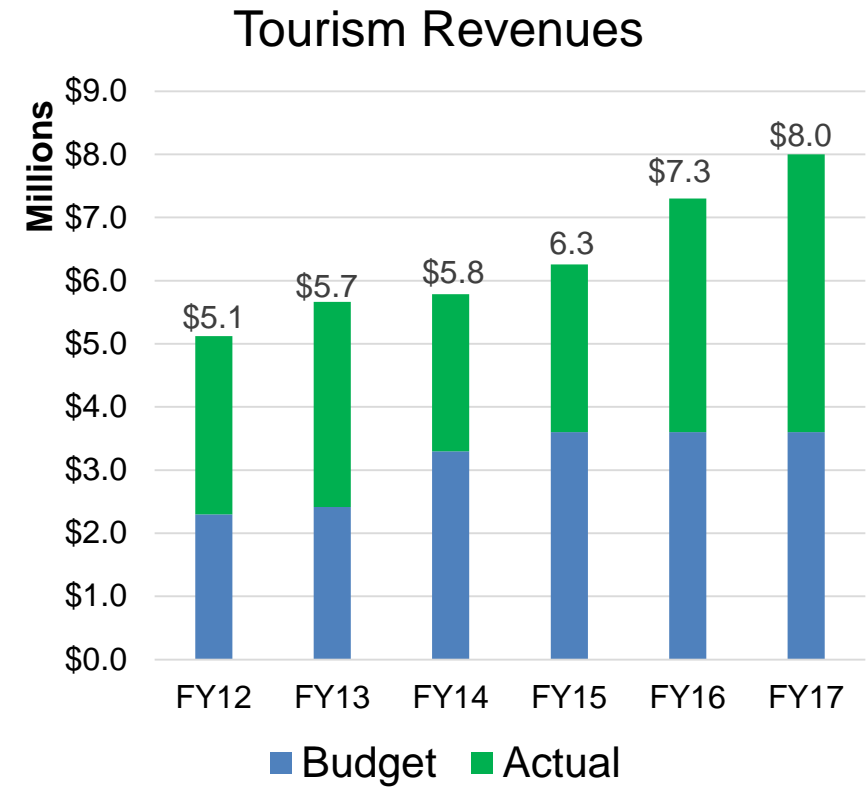
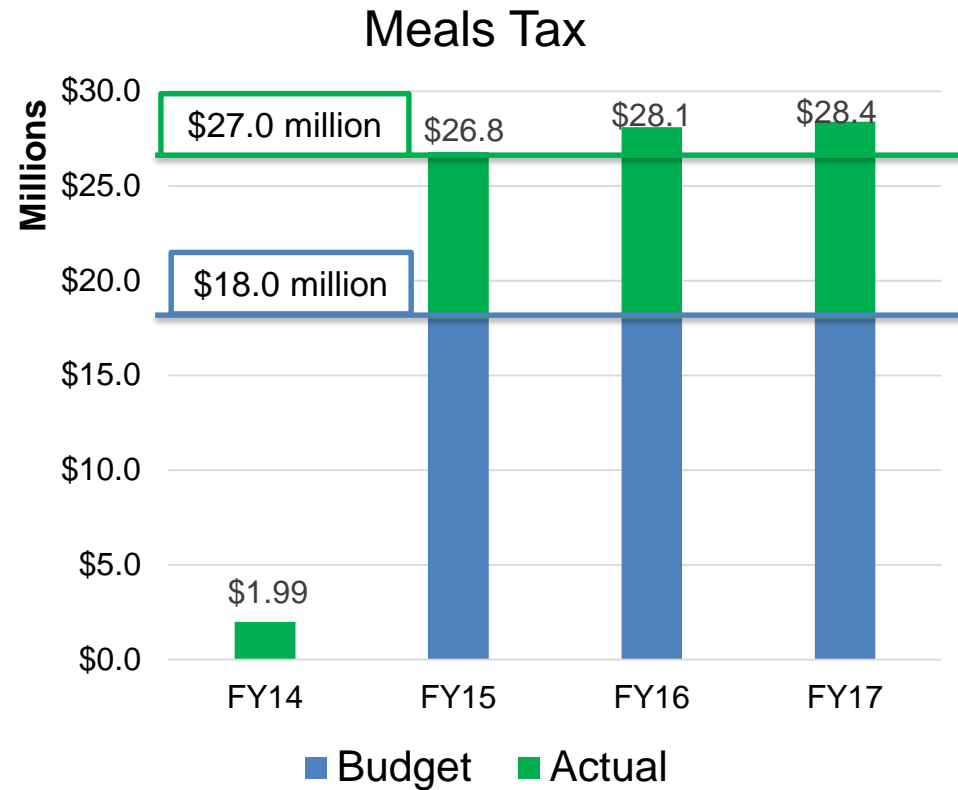
Projects	Total
Education	\$272.6 M
Parks	\$87.1 M
Library	\$24.0 M
Fire	\$22.1 M
Roads	\$14.0 M
<b>Total</b>	<b>\$419.8 M</b>

# Debt Service Projections





# Funding Sources for G.O. Bond Referendum



# Salary and Benefit Increases Schools and General Government (in millions)

Fiscal Year	Salary Inc. (2.4%)*	Healthcare Inc. (6.0%)	VRS Increase (5% every 2 yrs)	Total
FY19	\$13.8	\$4.1	\$3.4	\$21.3
FY20	\$14.1	\$4.4		\$18.5
FY21	\$14.4	\$4.6	\$3.5	\$22.5
FY22	\$14.8	\$4.9		\$19.7
FY23	\$15.1	\$5.2	\$3.7	\$24.0
FY24	\$15.5	\$5.5		\$21.0
FY25	\$15.8	\$5.8	\$3.9	\$25.5
<b>TOTAL FY19 - FY25</b>	<b>\$103.5</b>	<b>\$34.5</b>	<b>\$14.5</b>	<b>\$152.5</b>

\*Does not include any new positions

# Known Education Operating Costs Through FY2025

(in millions)

Achievable Dream Academy (through Grade 5)	\$0.5
Code RVA Regional HS (Years 2 & 3)	\$0.4
Glen Allen ES Classroom Addition	\$0.9
New Brookland Area ES	\$5.4
East Area Technical (ACE) Center	\$4.8
Glen Allen Technical (ACE) Center	\$4.4
Children's Services Act (CSA) Local Costs	\$2.0
School Bus Replacement	\$1.5
Instructional Assistants (budgetary recognition)	\$0.2
<b>TOTAL KNOWN EDUCATION COSTS</b>	<b>\$20.1</b>







# Known Public Safety Operating Costs Through FY2025 (in millions)

Communication System	\$1.5
Police, Fire, Sheriff Overtime & Sheriff Medical Costs	\$4.5
Fire Vehicle Repair	\$0.3
Fire Training Center	\$0.1
New Firefighter Positions (Year 3 of 3)	\$0.2
Sheriff (Female Housing Agreement w/ Chesterfield)	\$0.9
Fire Apparatus and Police Vehicle Replacement	\$1.6
EMS Non-Acute Responses	\$1.5
New Staples Mill FS and Eastgate FS	\$3.8
TOTAL KNOWN PUBLIC SAFETY COSTS	\$14.4



# Known Recreation & Parks Operating Costs Through FY2025

(in millions)

Greenwood Park Phases I and II	\$1.1
High School Field Renovations	\$0.5
Dorey Park Improvements	\$0.2
Deep Run Park Improvements	\$0.1
Tuckahoe Creek Park	\$0.1
Taylor Park	\$0.7
Tuckahoe Park	\$0.3
TOTAL KNOWN RECREATION COSTS	\$3.0

The background of the slide features a modern, dark-colored building with large windows, situated behind a green lawn. In the foreground, a green sedan is parked on a light-colored paved area. The sky is blue with some white clouds.

# Other Known Operating Costs Through FY2025

(in millions)

Risk Management	\$4.0
Technology Replacement Fund	\$0.8
Fairfield Library Operating Costs	\$2.2
<b>TOTAL OTHER KNOWN COSTS</b>	<b>\$7.0</b>



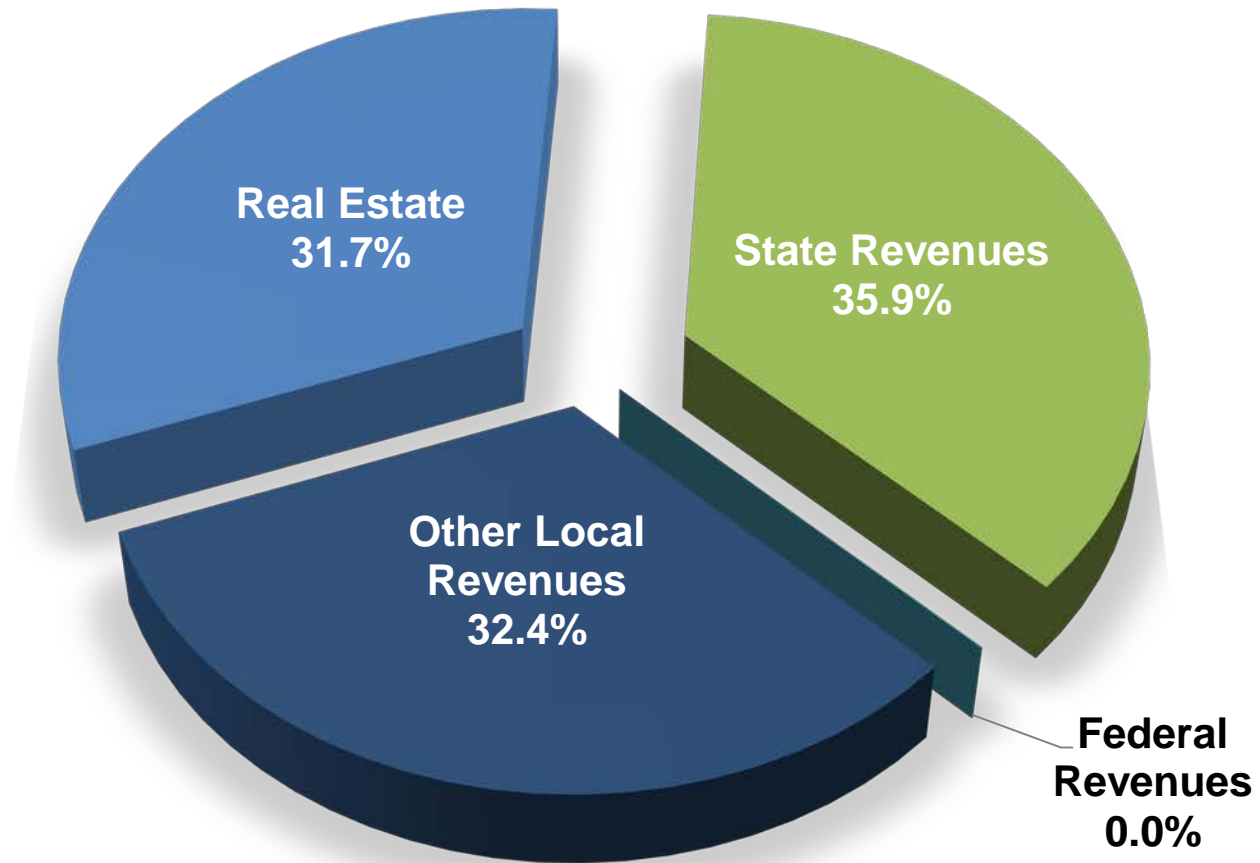
# Long-Term Expenses Summary

## FY2018-19 through FY2024-25

Area	Seven Year Cost (in millions)
Debt Service Increase (to FY22 Peak)	\$12.8
Salary and Benefit Costs	\$152.6
Schools	\$20.1
Public Safety	\$14.4
Recreation & Parks	\$3.0
Other Known Operating Costs	\$7.0
<b>Total Projected Costs Over Seven Years</b>	<b>\$209.9</b>



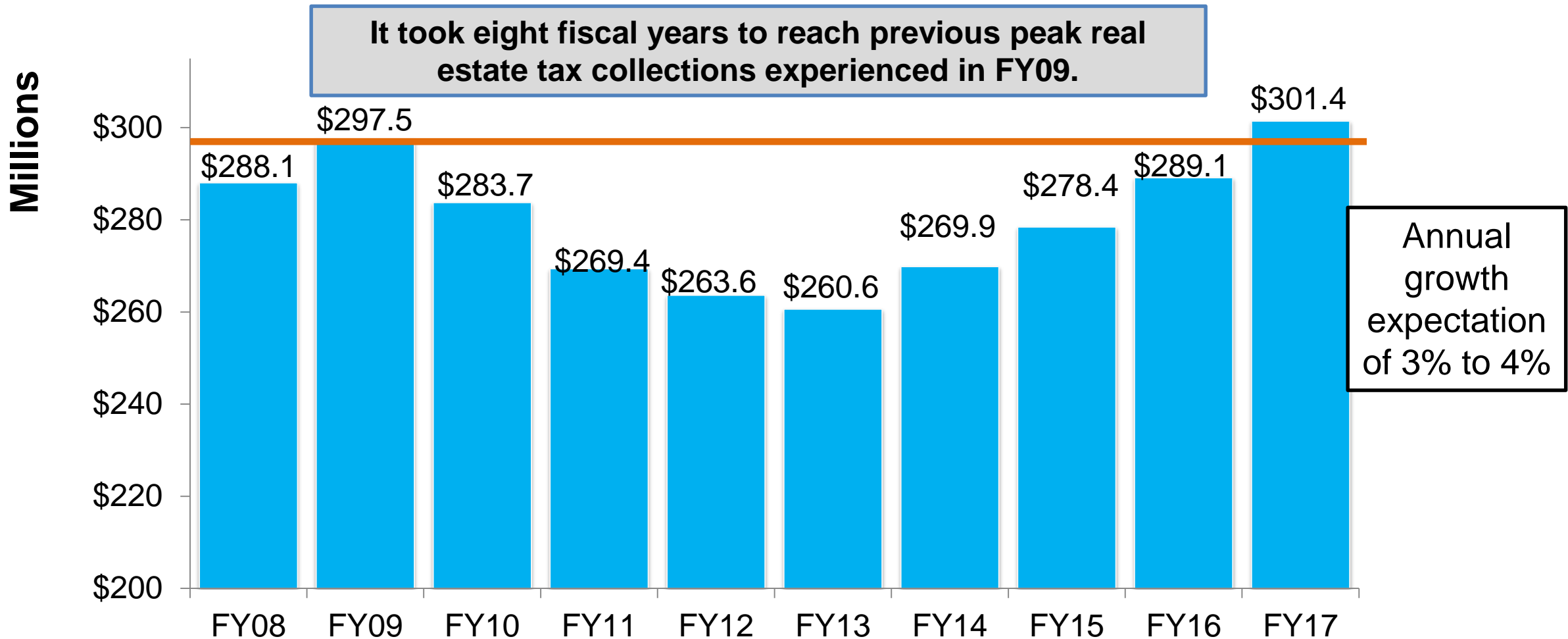
# FY18 Budgeted General Fund Revenues



# Still Recovering from the Great Recession

Revenue Source	Pre-Recession Peak	Return to Peak (Real Dollars)	Return to Peak (Inflation Adjusted)
Real Estate	FY2008-09	FY2016-17	FY2022-23
Other Local	FY2007-08	FY2014-15	FY2016-17
State Aid For Education	FY2008-09	FY2015-16	FY2024-25
<b>Total General Fund Revenues</b>	<b>FY2008-09</b>	<b>FY2014-15</b>	<b>FY2021-22</b>

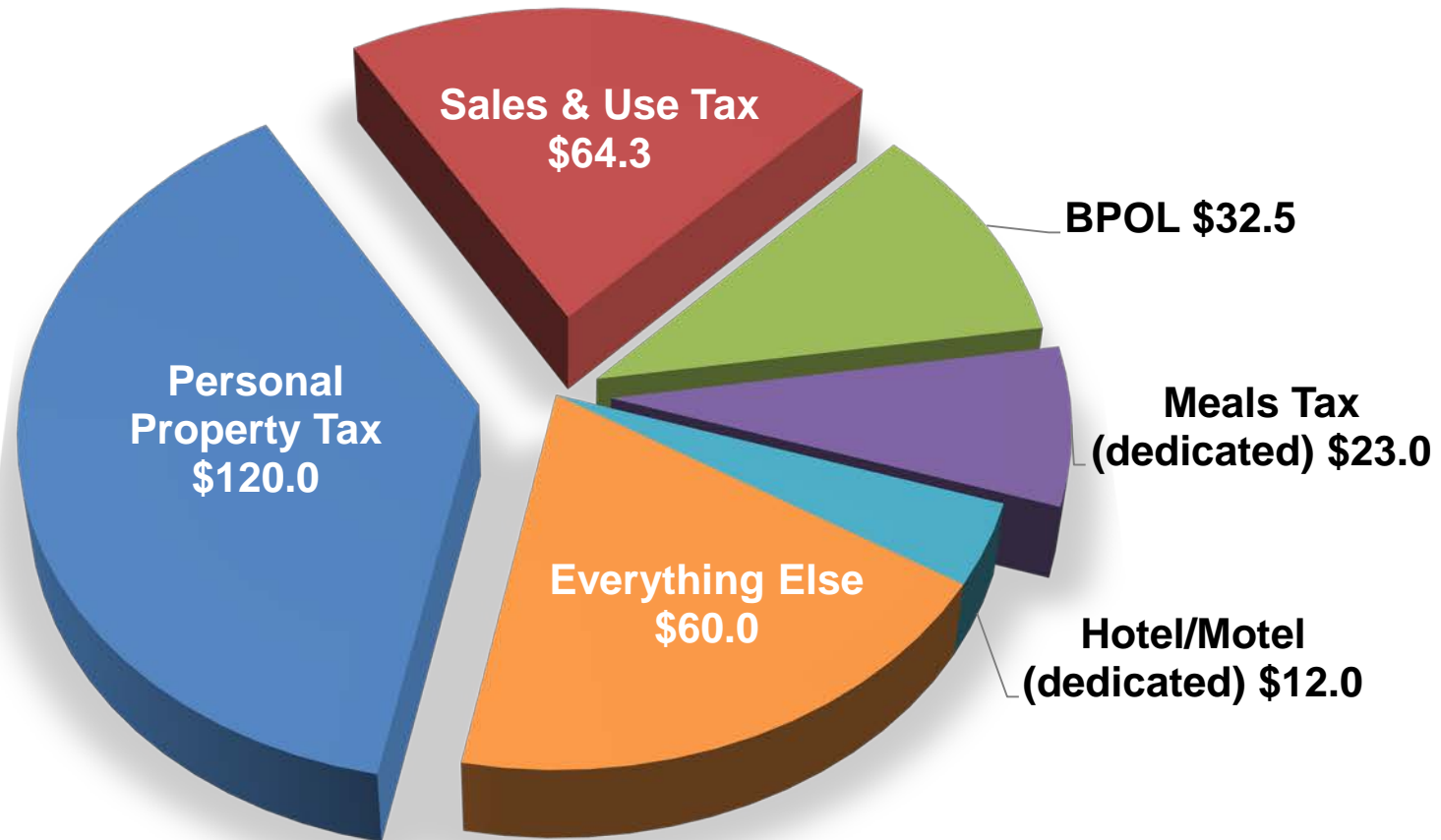
# Real Estate Tax Revenue



Note: Figures reflect actual collections

# Other Local General Fund Revenues FY18 Budget (in millions)

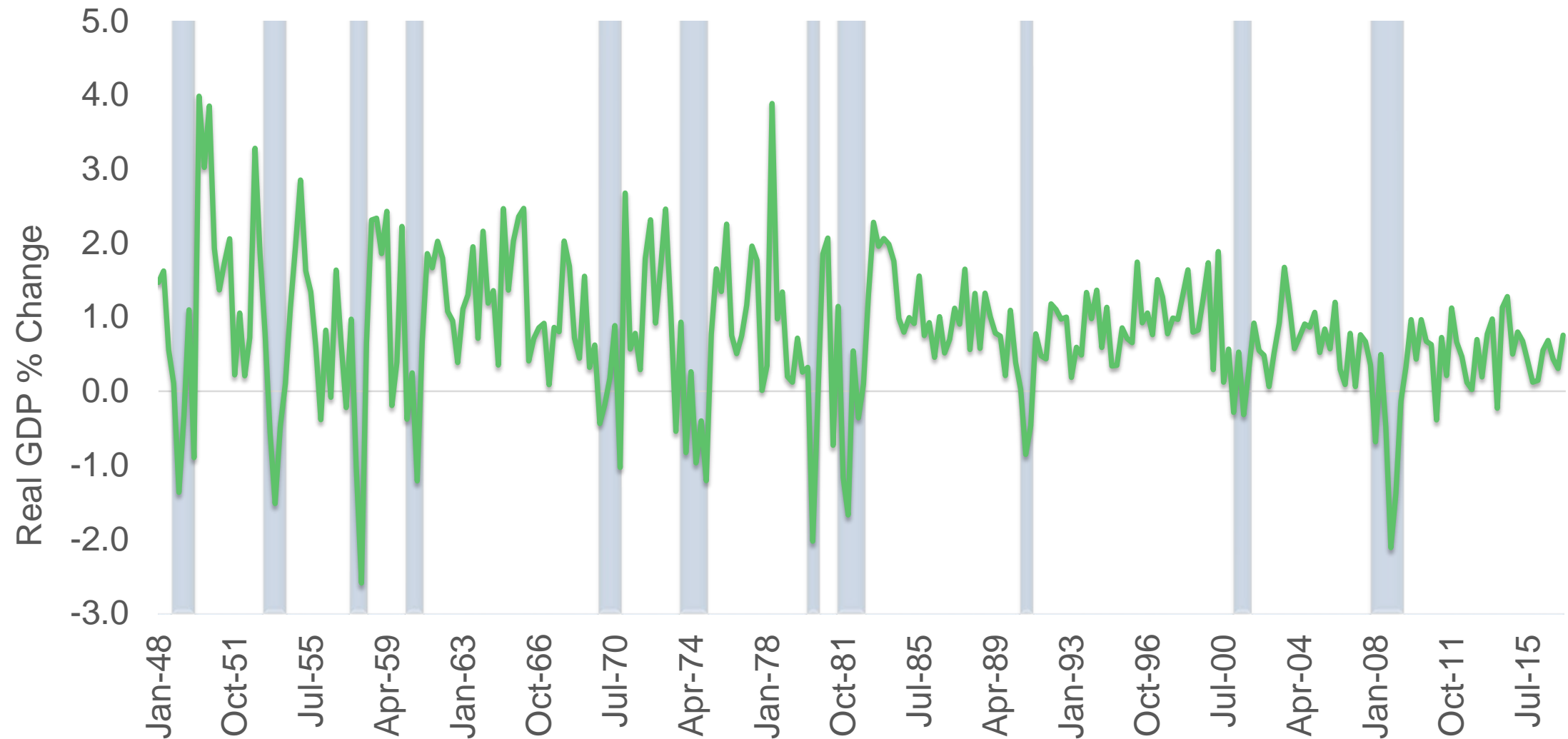
Annual growth expectation of 2% to 3% assuming current pace of economic activity (large portion of these revenue sources are highly elastic)



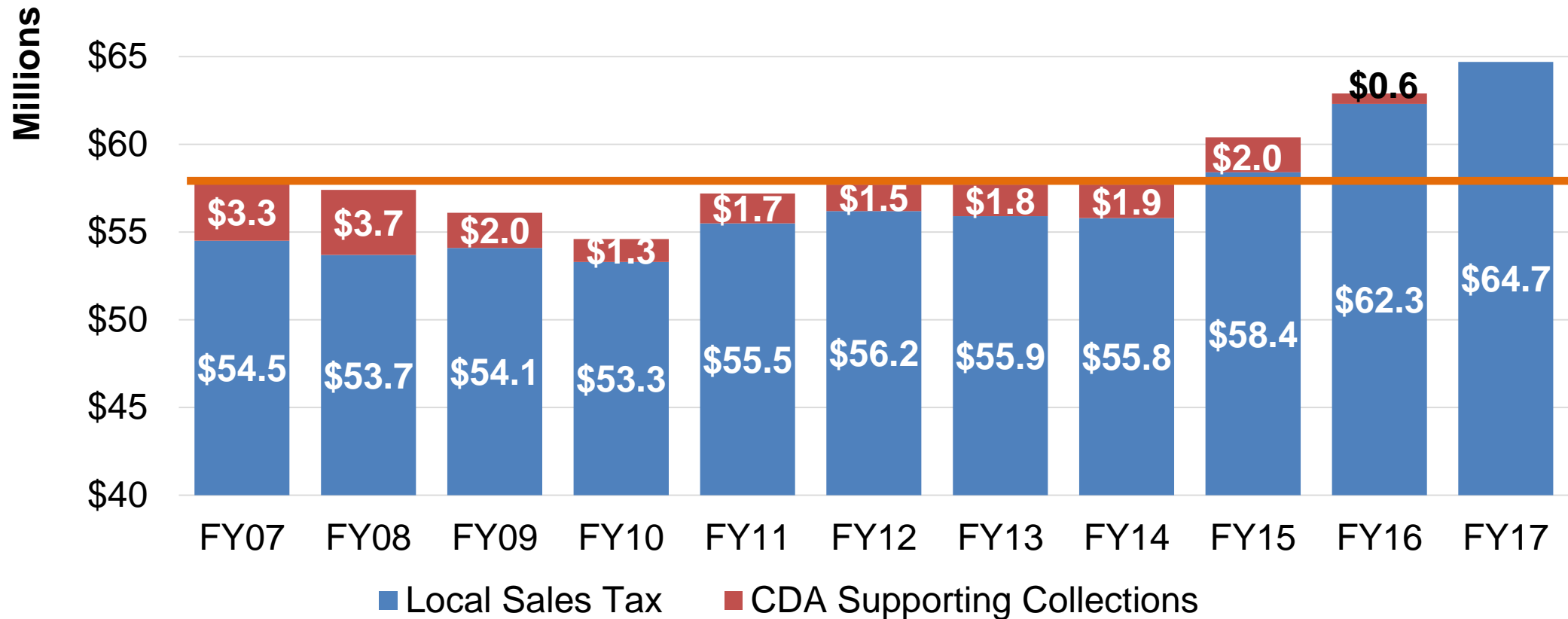
Total Other Local Revenues in FY18 GF Budget: \$312.0 M



# National Recession Every Five Years on Average Since World War II

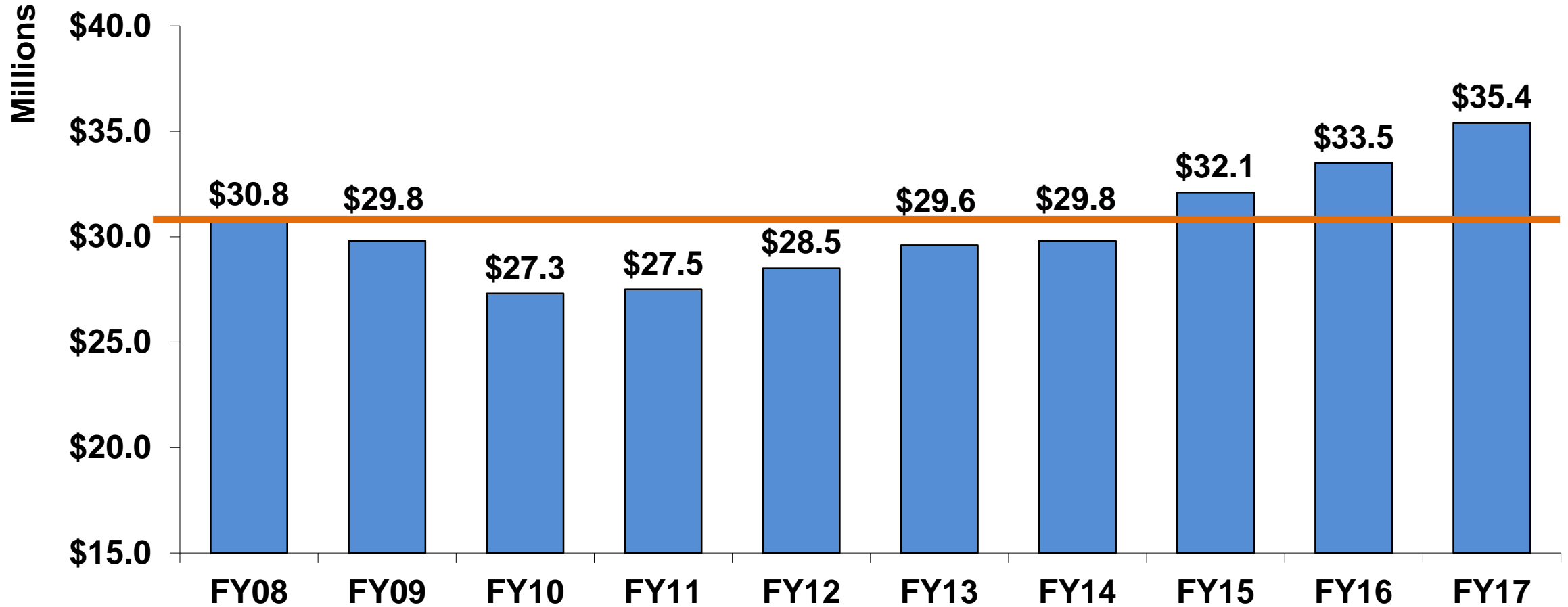


# Local Sales Tax Receipts



Short Pump Town Center reflected in FY08 & FY09  
White Oak Shopping Center reflected in FY09 through FY16

# BPOL Receipts



# Revenues Summary - Local

## FY2019 through FY2025

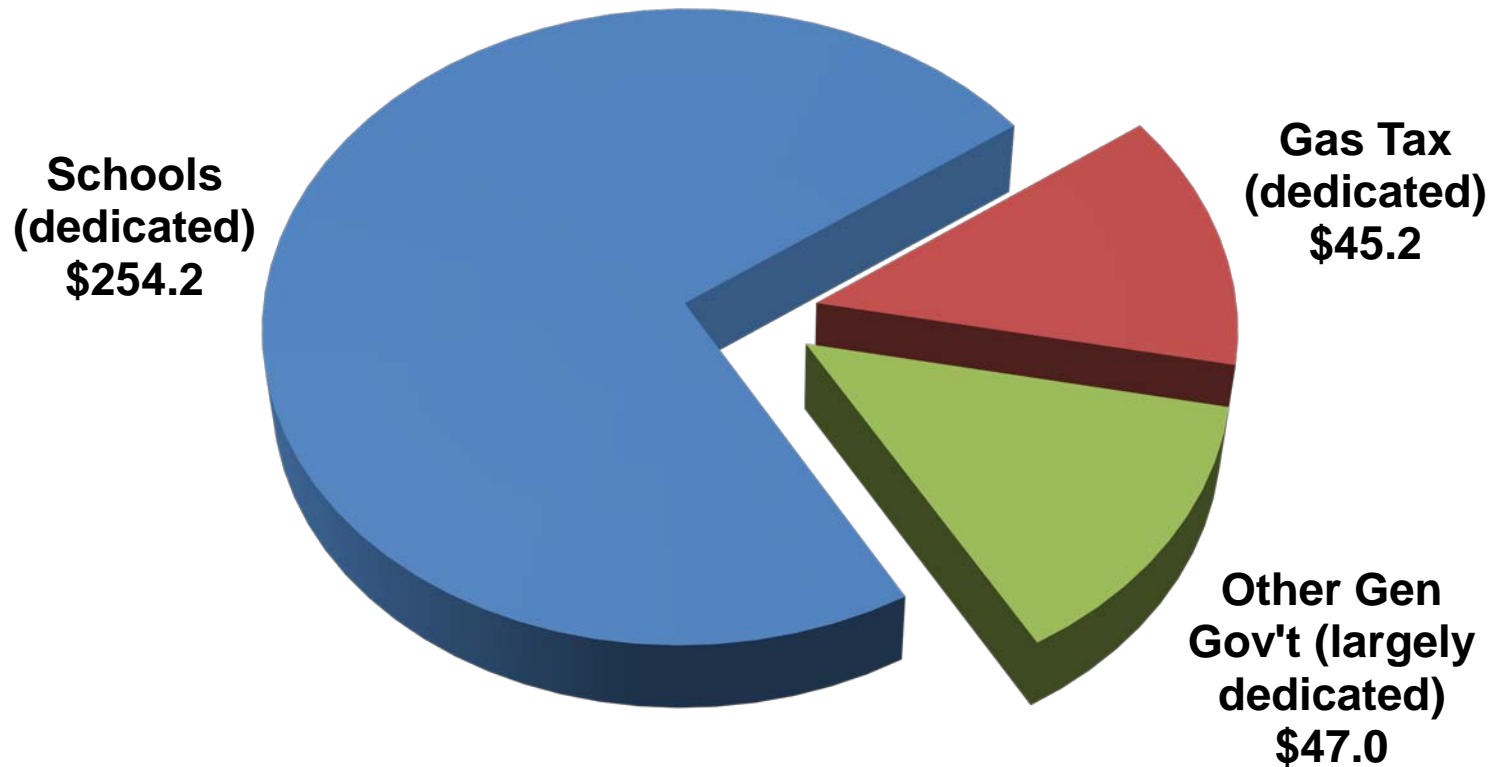
(in millions)

Revenue Category	\$ Projected Growth
Real Estate Taxes (4% per year)	\$96.5
Personal Property Taxes (3% per year)	\$19.1
Sales Tax (3% per year)	\$14.8
BPOL (3% per year)	\$5.2
Meals Tax (FY19 to \$27 M for debt service – rest to capital projects)	\$4.0
Tourism Revenues (supporting tourism bond projects)	\$4.7
Other Local Revenues (flat to 1%)	\$1.1
<b>Total Local Revenues</b>	<b>\$145.4</b>



# Schools accounts for nearly $\frac{3}{4}$ of State aid in the General Fund

State Funding by Area (in millions)  
FY18 Budget

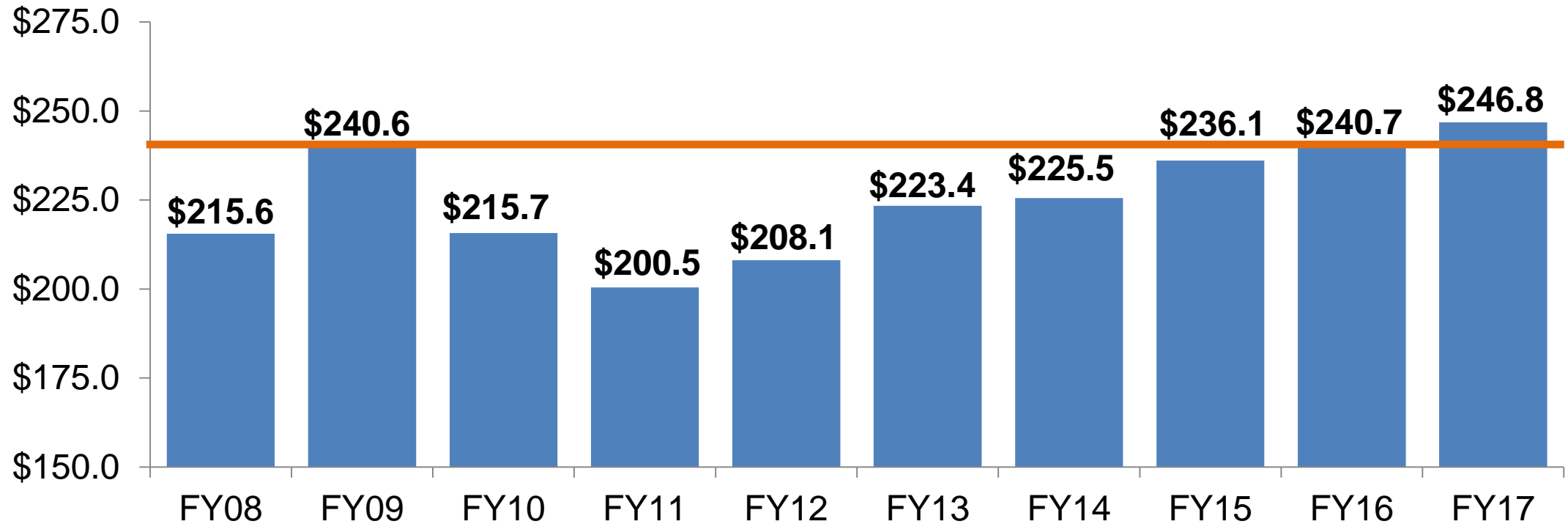


Annual growth expectation of 2% to 3% but mostly concentrated in additional funding for Schools

Total State Aid in General Fund = \$346.4 million

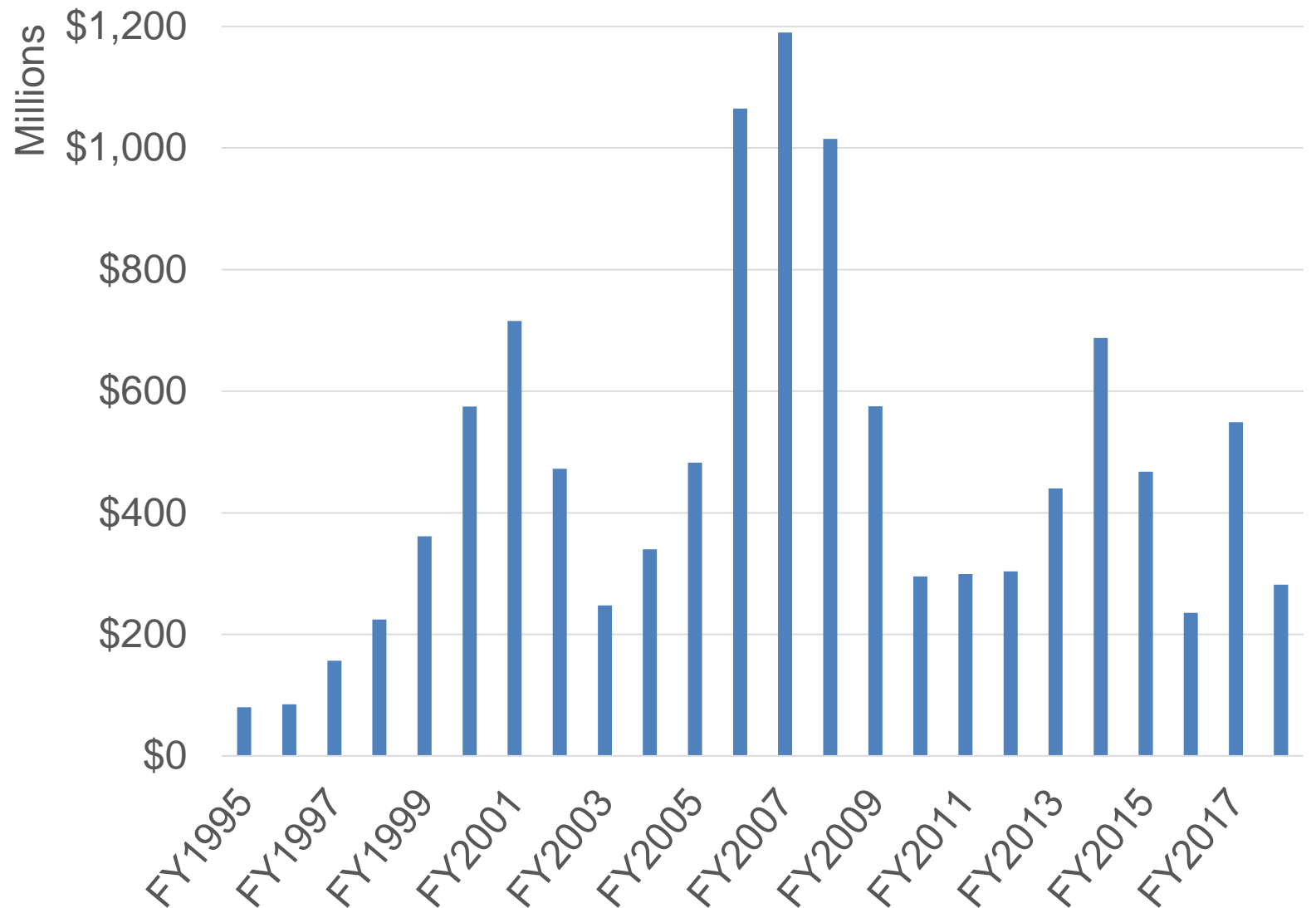
# State Aid for Education

Millions



S&P has retained negative outlook for Virginia – Says Virginia could return to a stable outlook for state budget revenues if it builds its reserves and stops tapping its rainy day fund in sunny weather

Virginia Revenue Stabilization Fund - June 30 Balance  
FY1995-2017 Actual and FY2018 Forecast



# State Revenues and Need for Continued Caution

- Economic difficulties historically impact State finances immediately, with the State typically inclined to cut aid to localities as a first resort
- Further, the State has a history of stretching its revenue estimates - the slightest economic decline will yield budget “gaps”
- Must remain cautious and conservative with estimates of State revenues



# Revenues Summary - State

## FY2019 through FY2025 (in millions)

Revenue Category	\$ Projected Growth
State Aid for Education (3% per year)	\$58.4
Gasoline Tax for Road Maintenance (2% per year)	\$6.7
Everything Else (Flat or 1% 1 <sup>st</sup> Year of Biennium)	\$0.6
<b>Total State Revenues</b>	<b>\$65.7</b>
<b>Total Local Revenues</b>	<b>\$145.4</b>
<b>Total Projected Revenue Growth</b>	<b>\$211.1</b>

# Expenses vs. Revenues Summary

## FY2018-19 through FY2024-25

(in millions)

Expense Category	Projected Cost
Debt Service	\$12.8
Salary & Benefits	\$152.6
Education	\$20.1
Public Safety	\$14.4
Recreation & Parks	\$3.0
Other Known Operating Costs	\$7.1
<b>Total Expenses</b>	<b>\$209.9</b>

Revenue Category	Projected Growth
Real EstateTax	\$96.5
Personal Property Tax	\$19.1
Sales Tax	\$14.8
Other Local Revenues	\$15.0
State Aid for Education	\$58.4
Other State Aid	\$7.3
<b>Total Revenues</b>	<b>\$211.1</b>

# Summary

- Estimated revenues sufficient to cover known expenses for the foreseeable future, depending on the strength of the economy, but with very little “wiggle room”
- The State has its own fiscal concerns going forward, and revenues from the State will be particularly responsive to economic conditions, so continued caution is required
- Reserves reestablished within the county’s Fund Balance to “lessen the blow” should we need it