



March 1, 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 otherwise. 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 - February 2021 overall presents trends that continue to improve over the shock from 11 months ago. Excluding some elastic tax revenues, all other trends show a stable trajectory or remarkable improvement. Initial Unemployment Claims for Henrico show more improvement compared to Virginia. Continued claims for Henrico 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 taxes collections were in line with last year's equivalent. Further data will clarify the concerns these tax revenues may indicate.

Metrics Considered

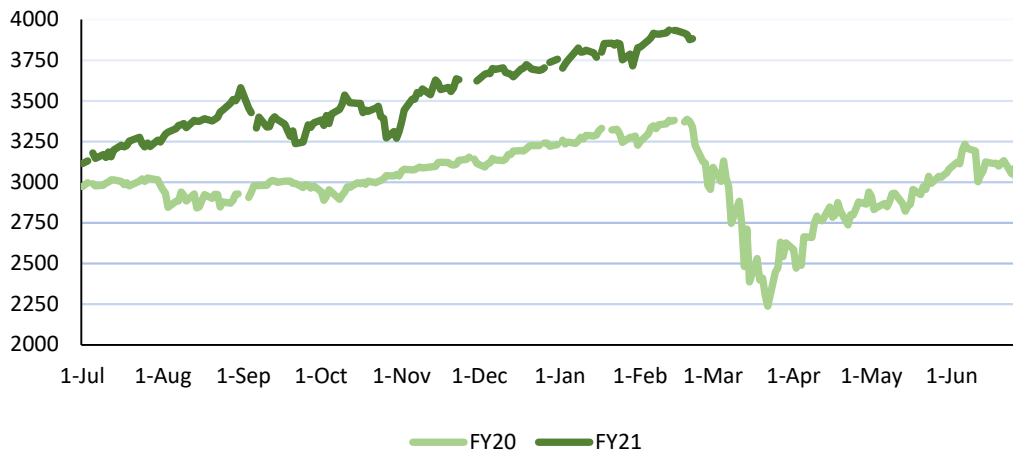
- **National:** S&P 500, Consumer Confidence Index, Weekly Economic Index
- **Virginia:** Unemployment Rate, Initial Unemployment Claims
- **Henrico:** Continued Unemployment Claims, New Residential Construction, Vehicle Registrations, Property Taxes, Meals Tax, Occupancy Tax, Real and Personal Property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

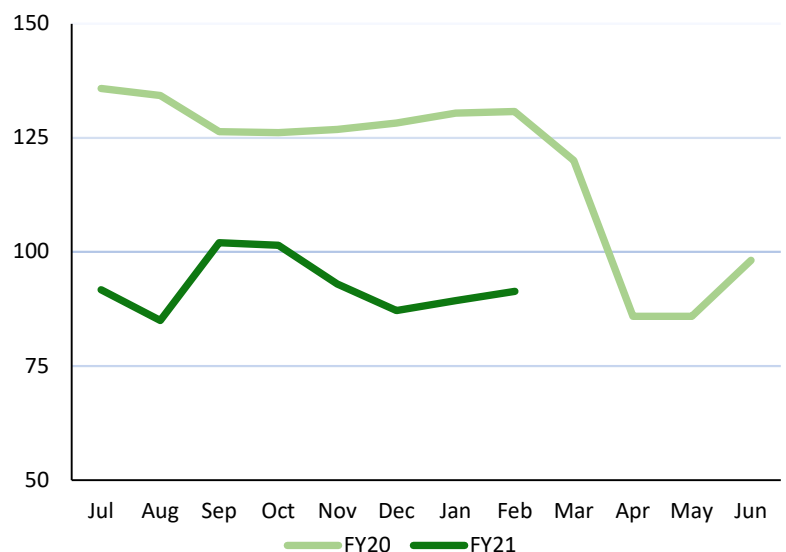


The S&P 500 is a stock market index measuring the performance of 500 large companies on stock exchanges in the United States and is considered one of the best representations of the U.S. stock market and of the U.S. economy. **U.S. stock markets continue their upward trend.** Levels are

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

The **Consumer Confidence Index** is a monthly survey given to 5,000 random households regarding 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 from 89 in December to 91 in February, 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 92 since April 2020 at the onset of the COVID-19 pandemic, reaching a low of 85 in August 2020. It is important to note, for comparison, that this index reached a low of about 25 during the Great Recession in 2008.

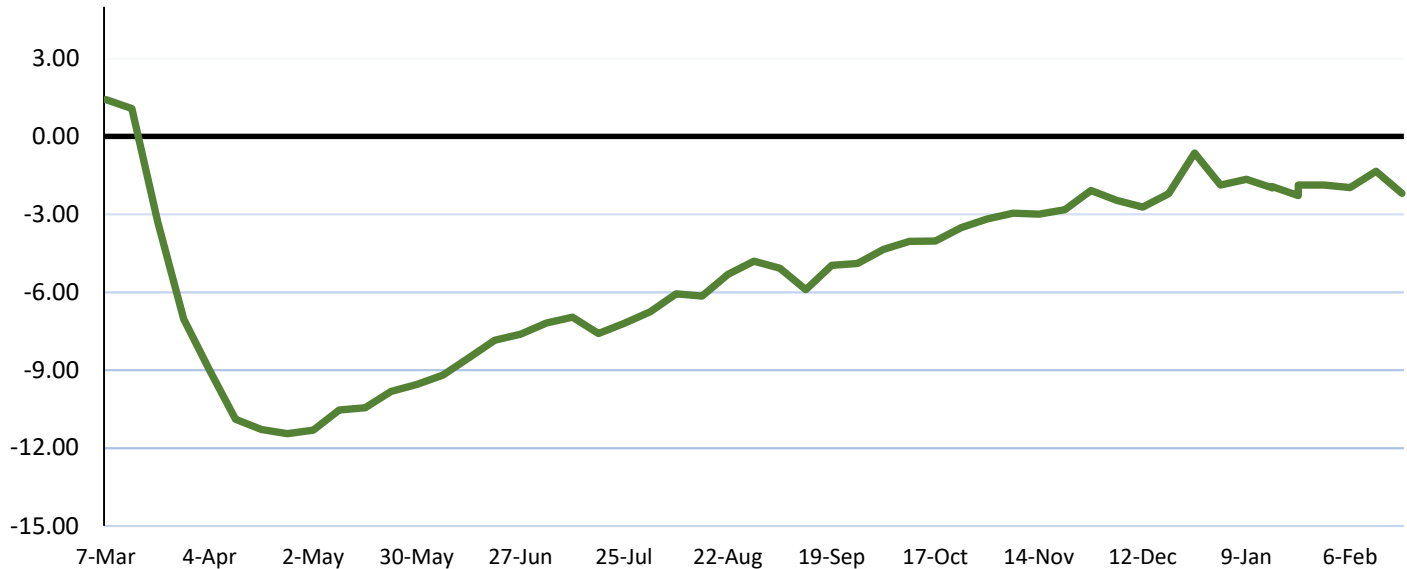
Consumer Confidence Index





National Metrics

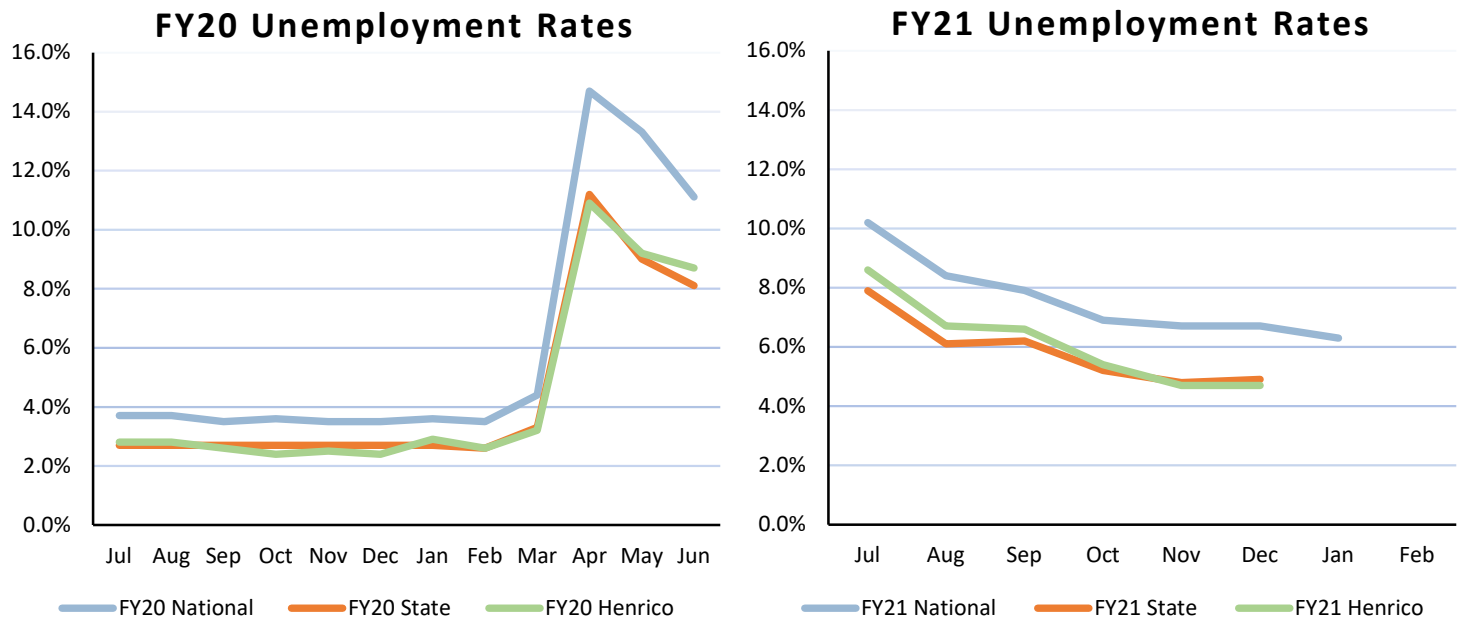
Weekly Economic Index



The Weekly Economic Index (WEI) provides an indication of real economic activity on a weekly basis and was developed by an economist at the 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% in between the week beginning March 14 and the following week, beginning March 21, 2020. The index reached a low of -11.45 for the week of April 25, 2020 before starting to recover and begin ascending. This figure generally trended upwards since that bottom **but has been decreasing again since the week of December 26, 2020, which is common after the economic activity related to the holiday season.** Confirmation on stimulus and continued vaccination efforts may positively influence this measure.



Combined Metrics

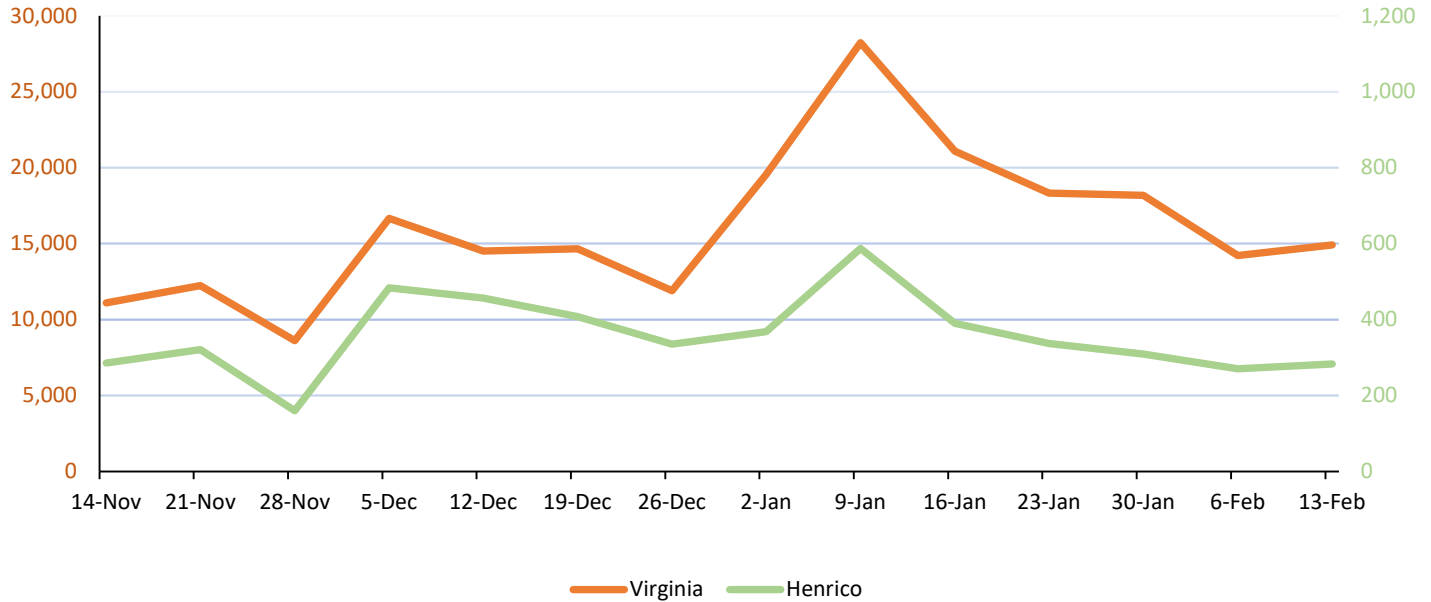


The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. Note: The most recent data available for State and Local rates are preliminary and may slightly change in future reports. **Virginia’s unemployment rate slightly increased from 4.8 percent in November to 4.9 percent in December. Henrico’s November and December values are reported at 4.7 percent from 5.4 percent 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 presented higher unemployment rates in Henrico County than in the State overall until the end of the recent calendar year.** 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



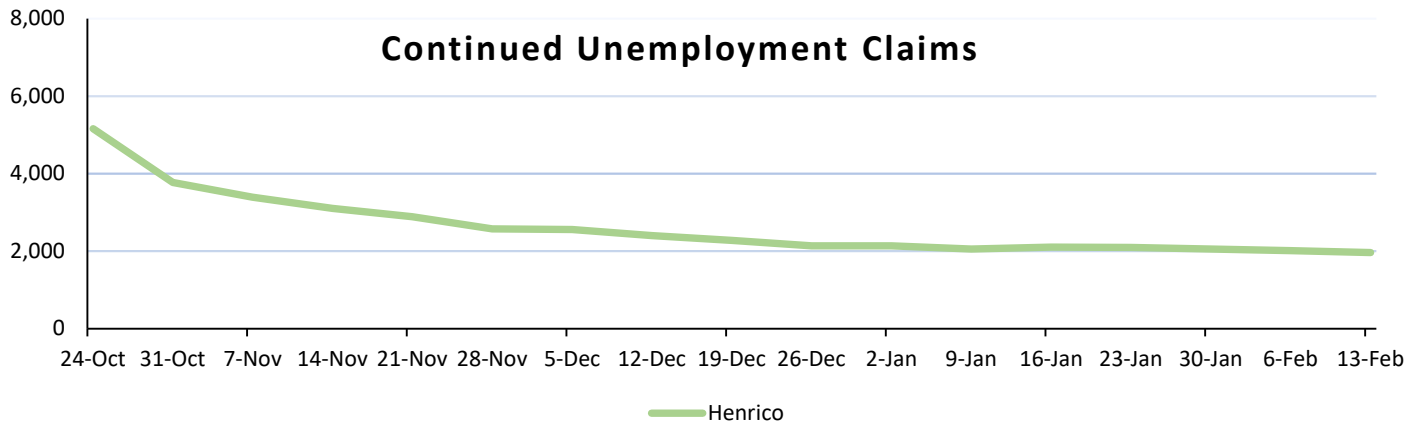
	Henrico	Virginia
14-Nov	285	11,088
21-Nov	321	12,234
28-Nov	160	8,606
5-Dec	483	16,654
12-Dec	456	14,509
19-Dec	407	14,640
26-Dec	335	11,890

	Henrico	Virginia
2-Jan	368	19,530
9-Jan	587	28,227
16-Jan	390	21,073
23-Jan	337	18,312
30-Jan	309	18,177
6-Feb	270	14,203
13-Feb	283	14,901

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** have started to decrease from their high in early January and are currently at levels seen in mid-December. As of the week ending February 13, 14,901 initial claims were received at the state level. Henrico County also experienced a spike peaking the week of January 9, 2020 and has continued to follow the general trend of the state overall. In the graph above, it can be seen that Henrico County’s general trend is a smoother version of the state’s trend. Henrico’s Initial Unemployment Claims were 283 for the week ending February 13. Like previous reports, continued claims may provide a more substantive outlook on the nature of unemployment rather than recent job loss.



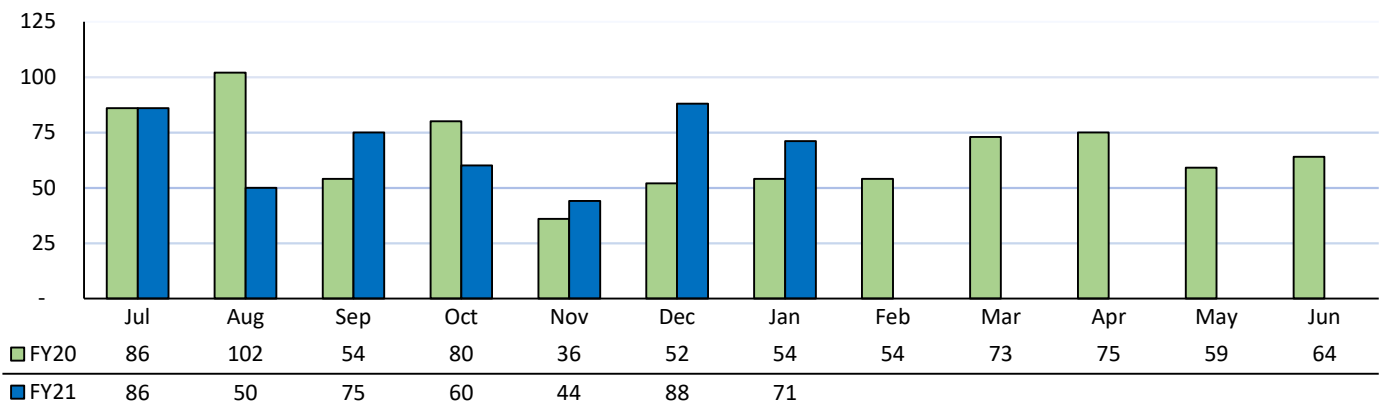
Henrico Metrics



Henrico’s Continued Unemployment Claims act as a measure of continued 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. Immediately prior to the COVID-19 pandemic, Continued Claims levels were just under 800 claims a 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 has varied in this timeframe. It was noted in October’s report that decreases in August could be in part due to supply-chain related issues from heightened demand in building materials. September’s increase could be attributed to the increased supply while October’s decrease from the exhausted demand. December shows remarkable improvement in new construction as interest rates for buying homes remain low with talks of new incentives for first time homeowners.**

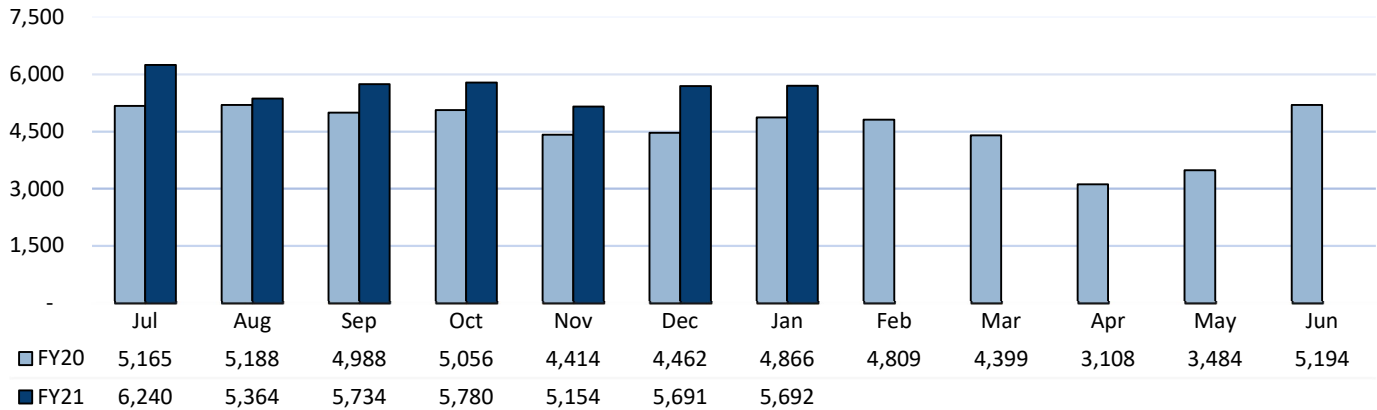
New Residential Construction



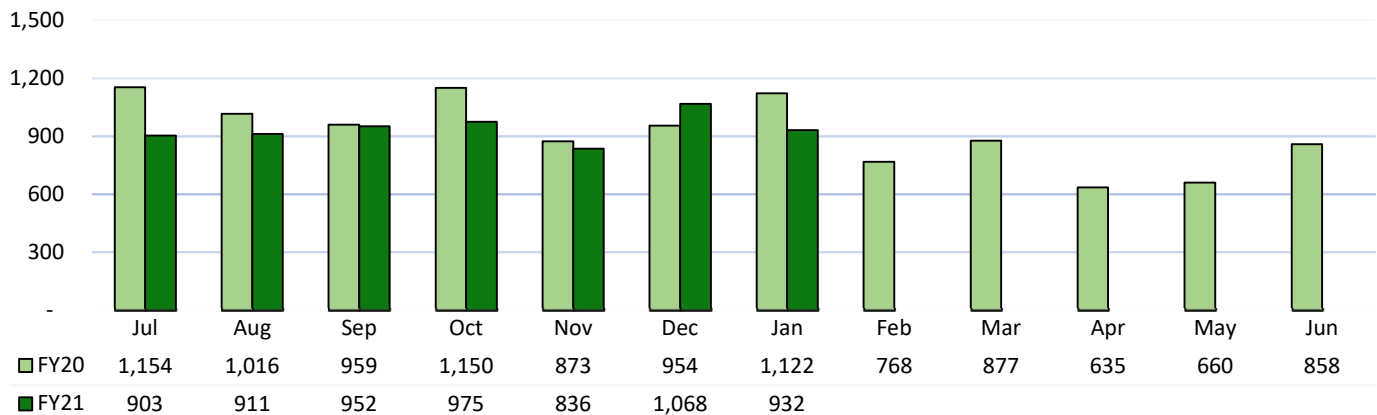


Henrico Metrics

Used Car Registration



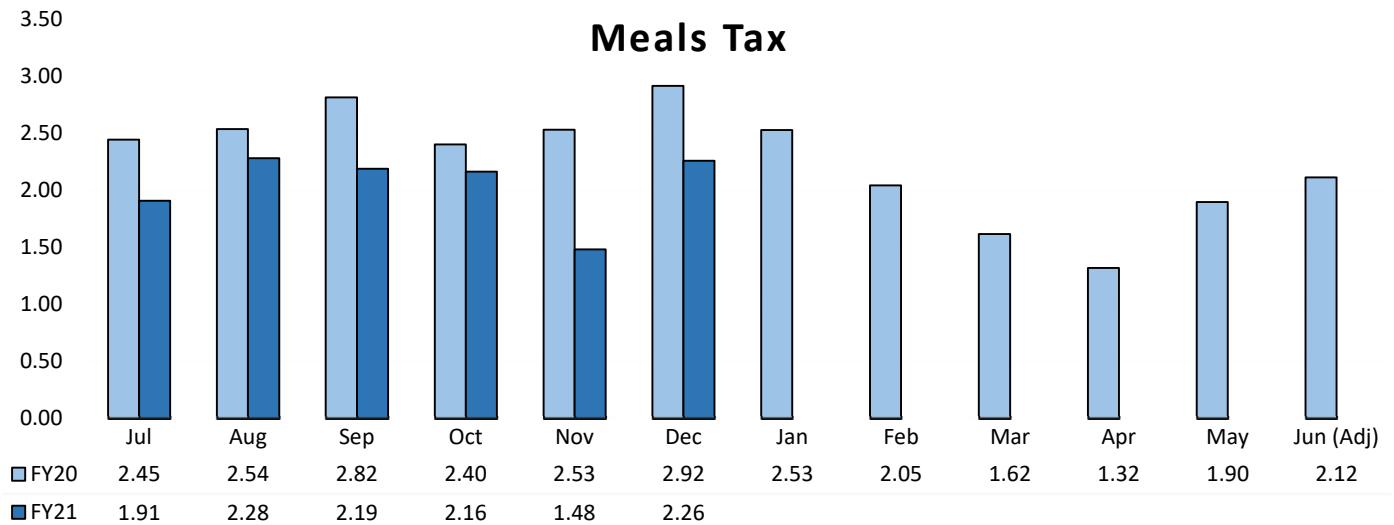
New Car Registration



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 despite relatively stagnant/negative changes. In January, used car registration remained at December levels while new car registration decreased. Used car registrations continue to exceed last year's equivalent.**

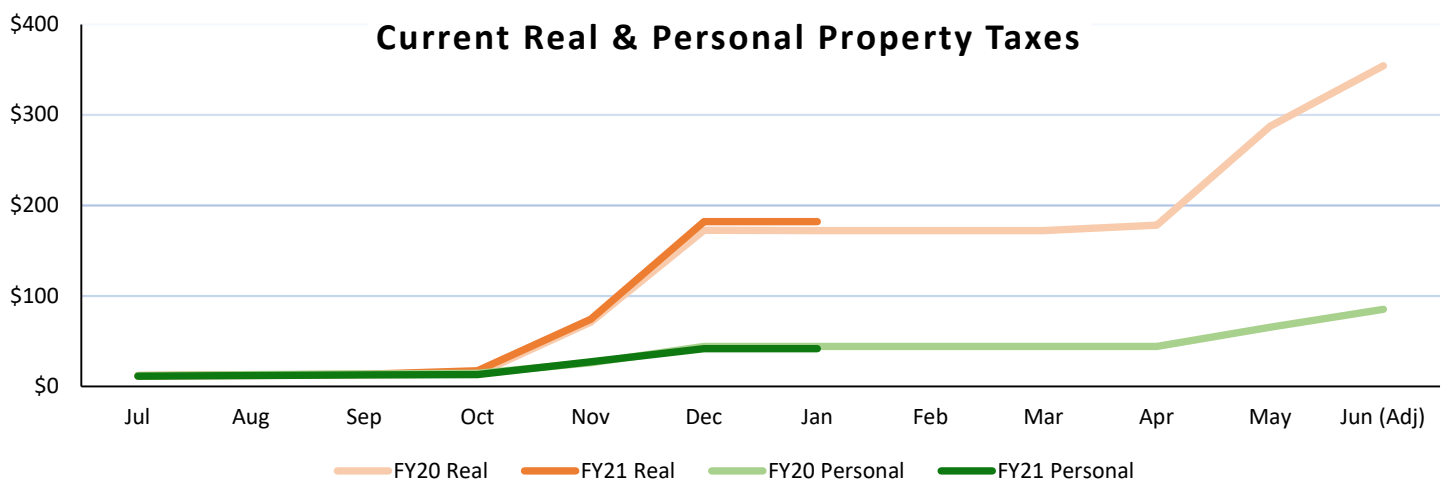


Henrico Metrics



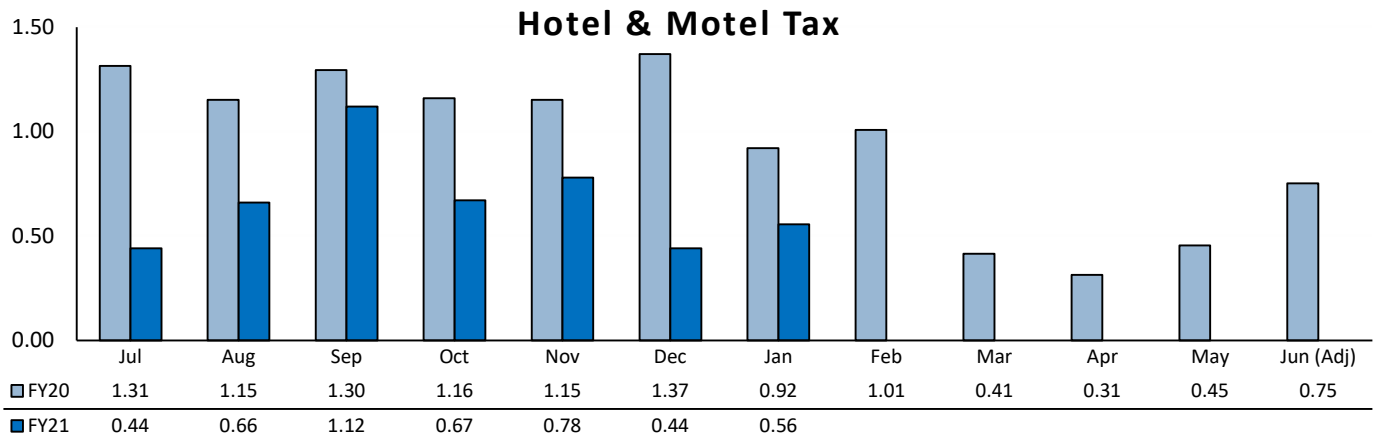
Henrico’s **Meals Tax** provides a 4 percent tax revenue on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **Collections were low in December in comparison to FY20 but show an improvement from November. The current gap between FY20 and FY21 levels is 23%, compared to November’s gap of 41%.**

These **Current Property Taxes** include total tax collection for both Real Property and Personal Property. Collections occur twice a year in December and June. Due to the current COVID-19 outbreak, penalties and interest were set to 0 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.**

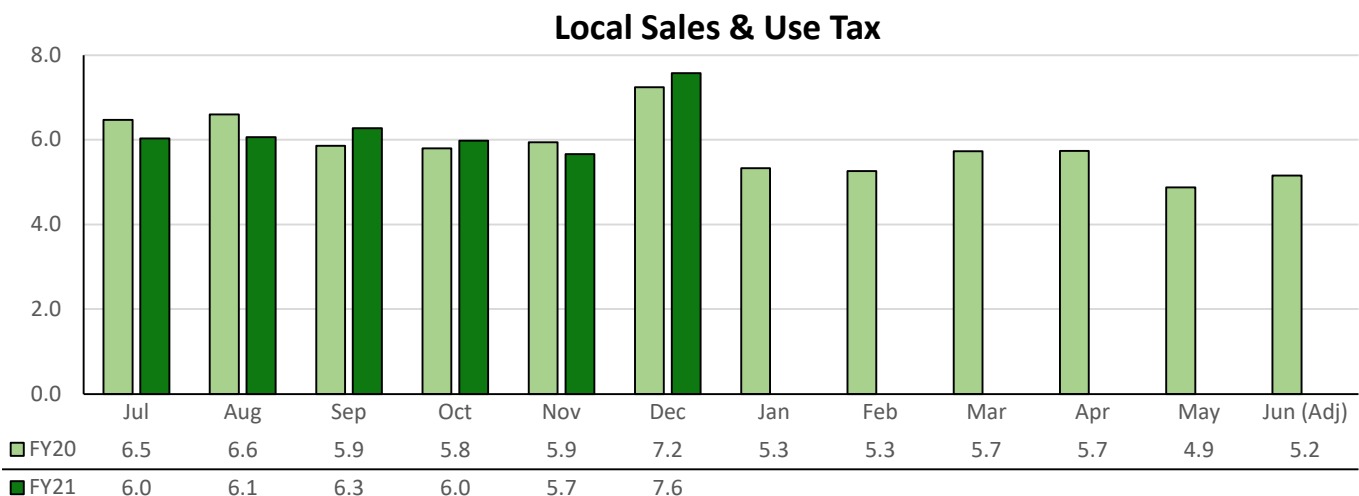




Henrico Metrics



Henrico's **Hotel & Motel Tax** is a tax on lodging for overnight stays. Henrico's decision to defer penalties and interest until August combined with a lower-than-average occupancy corresponds to the decreasing level of 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, subsequently, an increase in these tax revenues will follow.

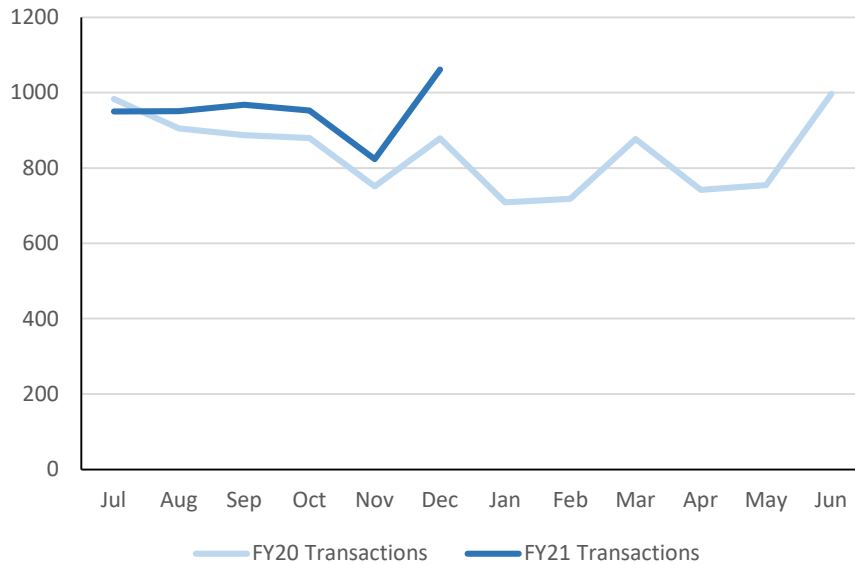


Henrico's **Local Sales & Use Tax** amounts to 6.0 percent on each purchase. Of this amount, 1.0 percent is remitted back to Henrico County from the state. **Sales tax collections have remained relatively stable and have not seen a significant impact from the pandemic as FY21 values are in line with FY20 collections, culminating in the highest monthly collections to date in December 2020.**



Henrico Metrics

Residential Transactions

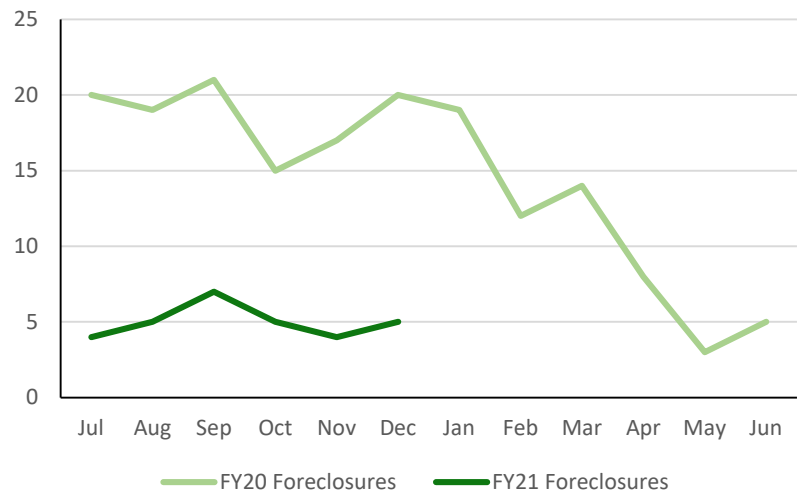


The Foreclosures & Transactions data represents Henrico’s completed residential sales and reports residential foreclosures. These provide a snapshot of Henrico’s housing market. Consistency or increases in transactions represent a healthy and/or growing market. Consistency or decline in foreclosures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

December shows an increase in transactions to a three-year high of 1,062 total sales for the month. As shown in the graph above, an increase

in December is normal, but as has been the trend for FY21, December outperformed previous years. **There was a slight increase in foreclosures in December, from 4 to 5.** 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.

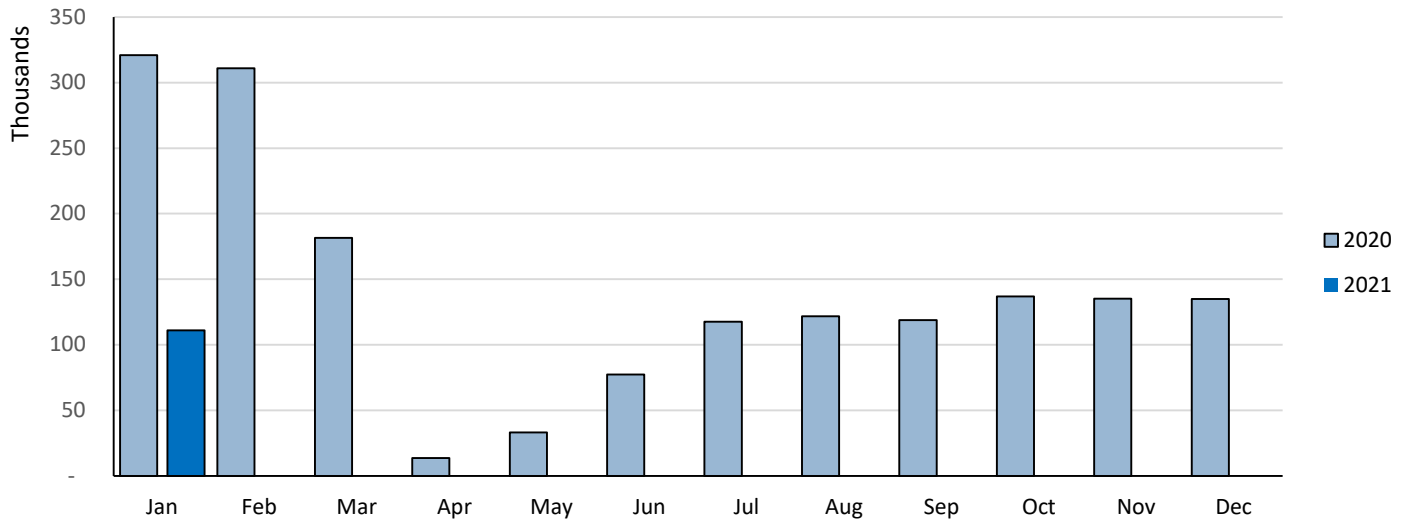
Residential Foreclosures





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. It can provide a benchmark for imported economic travel and is correlated to Hotel & Motel Tax collections. COVID-19 has severely affected air travel around the country both domestically and internationally. 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 and constraints and changes to regional, national and international policies will continue to impact travel.



Summary of Financials Period Ended December 31, 2020

	<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	332,173,518	376,124,759	708,298,278	28,667,578
State Revenues	356,022,941	362,678,880	206,645,795	183,969,332	390,615,127	27,936,247
Federal Revenues	360,000	25,980,515	25,769,521	210,000	26,003,521	23,006
Total General Fund Revenues	1,017,513,641	1,068,290,095	564,612,835	560,304,090	1,124,916,925	56,626,830
General Government Expenditures	389,195,385	425,238,448	219,562,885	201,866,412	421,429,297	3,809,151
Education Expenditures	509,905,768	521,001,575	227,042,496	281,257,503	508,299,999	12,701,576
Total General Fund Expenditures	899,101,153	946,240,023	446,605,382	483,123,914	929,729,296	16,510,727
Net before Transfers	118,412,488	122,050,072	118,007,453	77,180,176	195,187,629	73,137,557
Less: Interfund Transfers	121,427,247	121,427,247	119,265,490	5,044,519	124,310,009	
						Projected Addition To (Use of) Fund Balance 70,877,620

This **Summary of Financials, Period Ended January 31, 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 contains the **projected addition of Fund Balance equaling \$70,877,620.**