



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 (FY19-20) and compare it to the current year (FY20-21). Data for FY20-21 is updated monthly as it becomes available. Some data is collected more frequently. 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. 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 but improving with signs of recovery in the economy while most Henrico Metrics, including highly elastic ones, remain strong. Economic activity from December 2020 - June 2021 present trends that continue to improve over the shock last year. Record highs on the S&P 500 encourage a cautious optimism to be accompanied by continued monitoring; these abnormal highs may be increasingly subject to volatility. 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 continued 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.

Metrics Considered

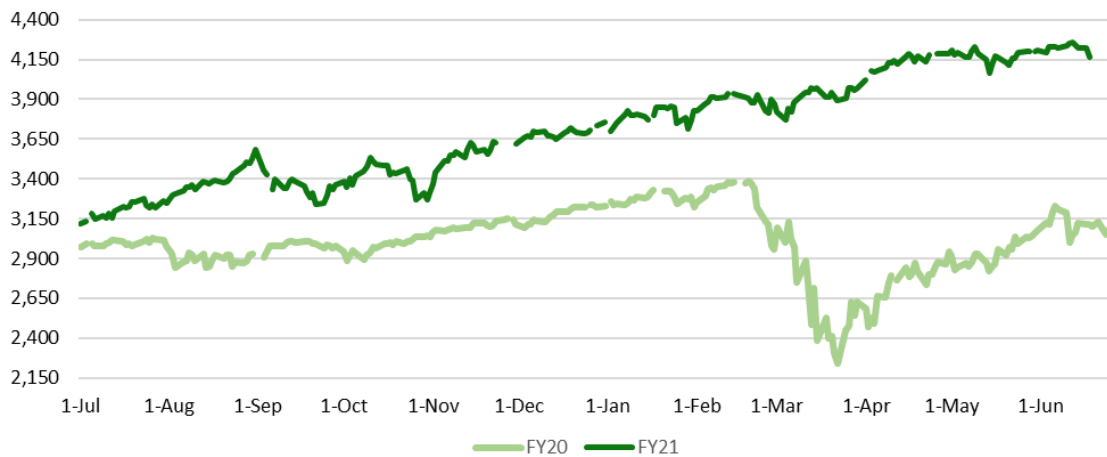
- **National:** S&P 500, Consumer Confidence Index, Weekly Economic Index, Consumer Price Index, Mortgage rate
- **Virginia:** Unemployment Rate, Initial Unemployment Claims
- **Henrico:** Continued Unemployment Claims, Real & Personal Property Taxes, Local Sales & Use Tax, Meals Tax, Vehicle Registrations,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

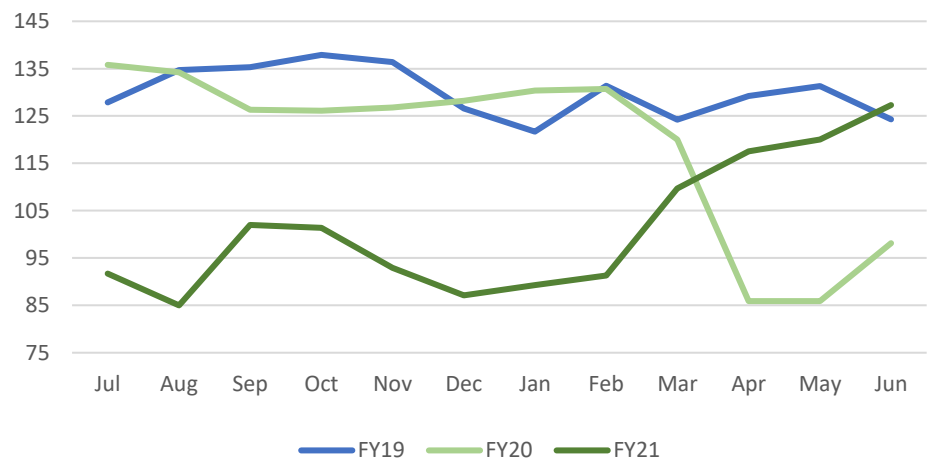


The S&P 500 is a stock market index measuring the performance of 500 large companies on stock exchanges in the United States and is considered one of the best representations of the U.S. stock market and the U.S.

economy. **While U.S. stock markets continue their upward trend suggesting growing investment, the growth has remained around 4,200 since early April 2021.** Levels remain well above the decline experienced between March and May 2020 and are consistent with the general upward trend experienced pre-pandemic. While these returns illustrate promising returns, the abnormal growth experienced in recent months could be cause for concern. Historically the 10-year average growth for the S&P 500 is 10%. The current year is trending towards overall growth of more than 30%, which has not been seen in more than 10 years. There is some question as to whether this growth is sustainable, warranting continued monitoring.

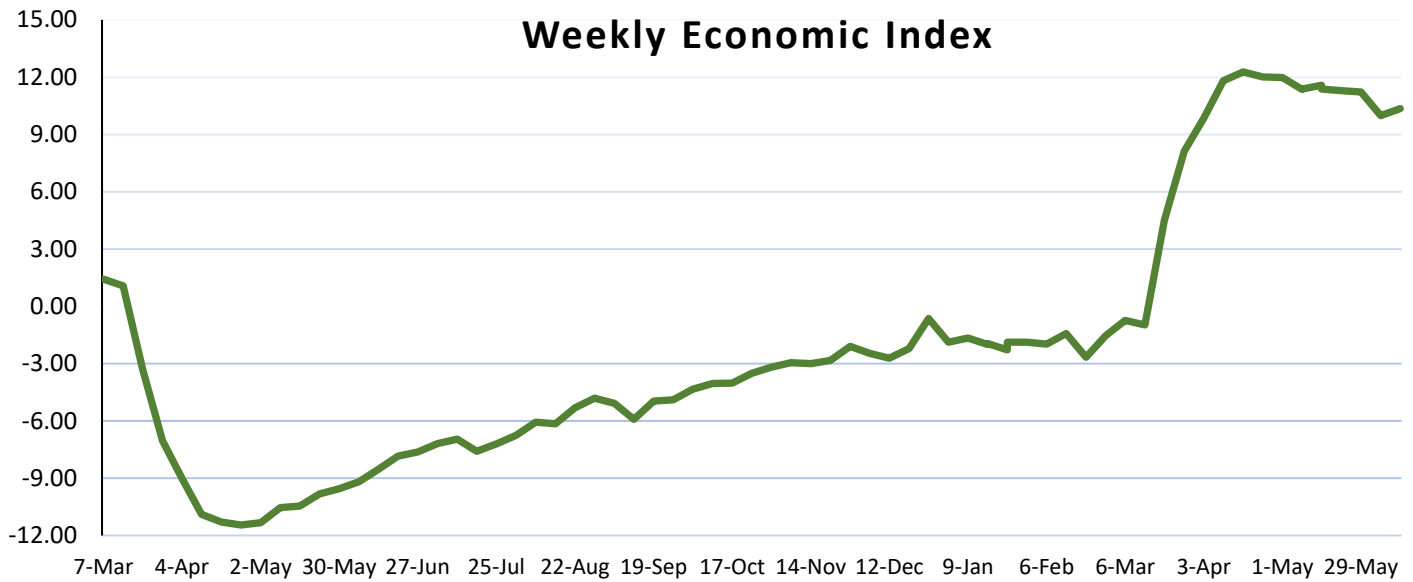
The **Consumer Confidence Index** is a monthly survey given to 5,000 random households gathering opinions on present situations and future expectations. It is benchmarked to 1985 (100) and best compared by reviewing month over month changes. **The index improved for the fourth straight month to 127.3 in June, up from a revised 120.0 in May, and above June 2019 where the index stood at 124.**

Consumer Confidence Index





National Metrics

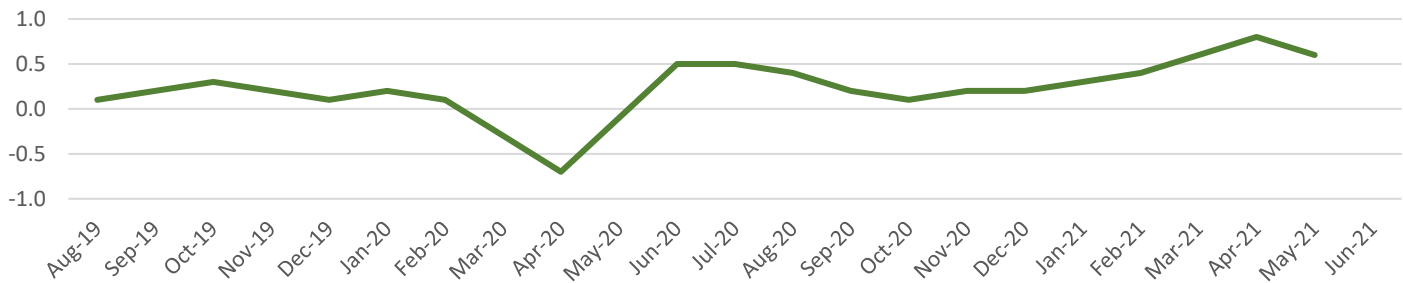


The Weekly Economic Index provides an indication of real economic activity on a weekly basis and was developed by an economist at the Federal Reserve Bank of New York. The index covers consumer behavior, the general labor market, and production. The index has averaged between 2 and 3 for much of the last decade. Exceptions include the great recession from 2008 - 2009 and the minor pullback in 2015, and the current pandemic. 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. **Current record high values are the indication of an economy improved over the impacts from the prior year.** Since the trough experienced last April, the index has seen a consistent upward trend reflective of the re-opening of the economy. Continued vaccination efforts and easing COVID-19 restrictions may positively influence this measure over the next several months before eventually returning to the historic levels of 2 to 3.



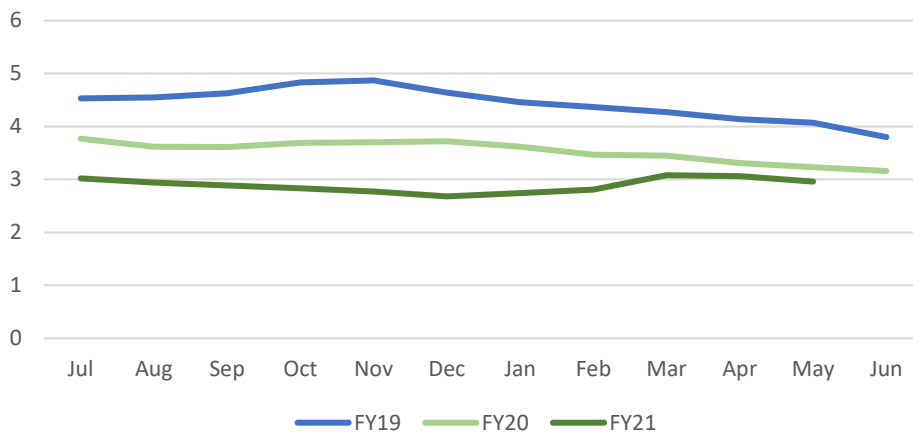
National Metrics

Consumer Price Index



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 May, the CPI rose 0.6%, following a similar increase in April of 0.8%, which is the largest increase since well before the pandemic. **Rates since January have risen 2.7%, contributing to a 4.8% increase over the past 12 months. This represents the largest 12 month increase since September 2008, at which time the index indicated a 4.9% increase.** An annual increase of 1.1% is more typical.

30 Year Fixed Mortgage Rates



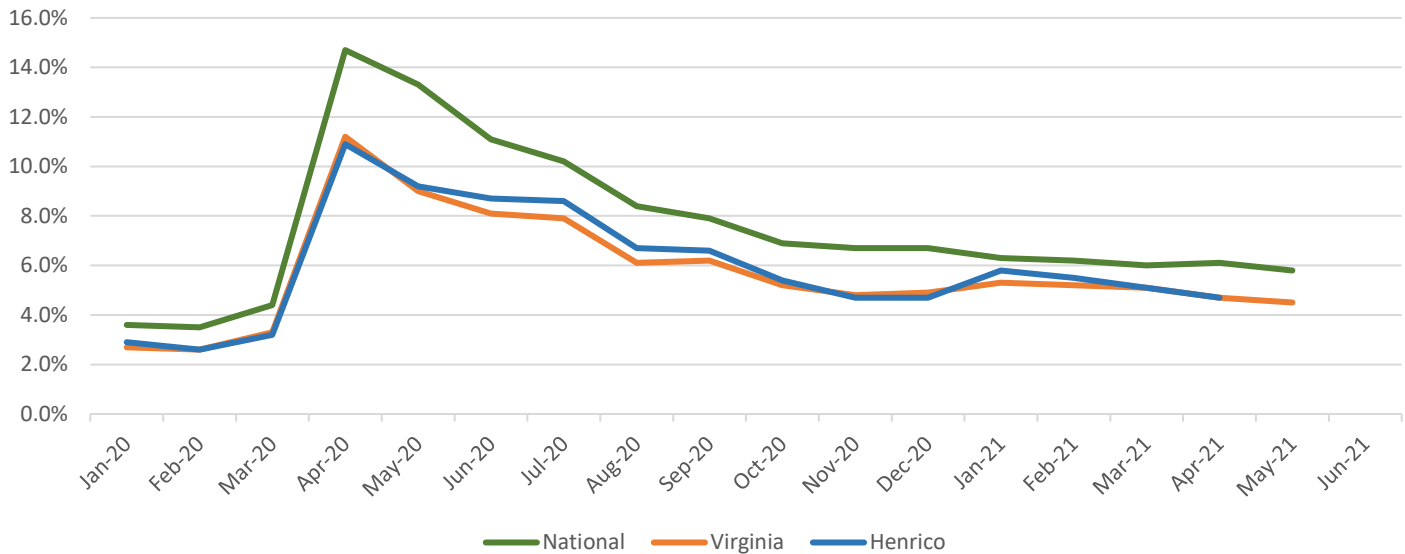
The 30-year fixed rate mortgage is the most common financing mechanism used by residential home buyers. The interest rate represents the amount a qualified borrower will be charged by a lender for the use of assets over the loan term. The aptly named loans have a repayment period of 30 years with set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

loans include interest, fees, and expenses associated with taking out the loans. **In May 2021 the 30-year fixed mortgage interest rate fell to 2.96% from 3.06% in April but continues to remain above the current 12 month average of 2.91%.** Since interest rates are the cost to borrow money, the rate can be a useful gauge of lenders confidence in the economy over the loan term.



Combined Metrics

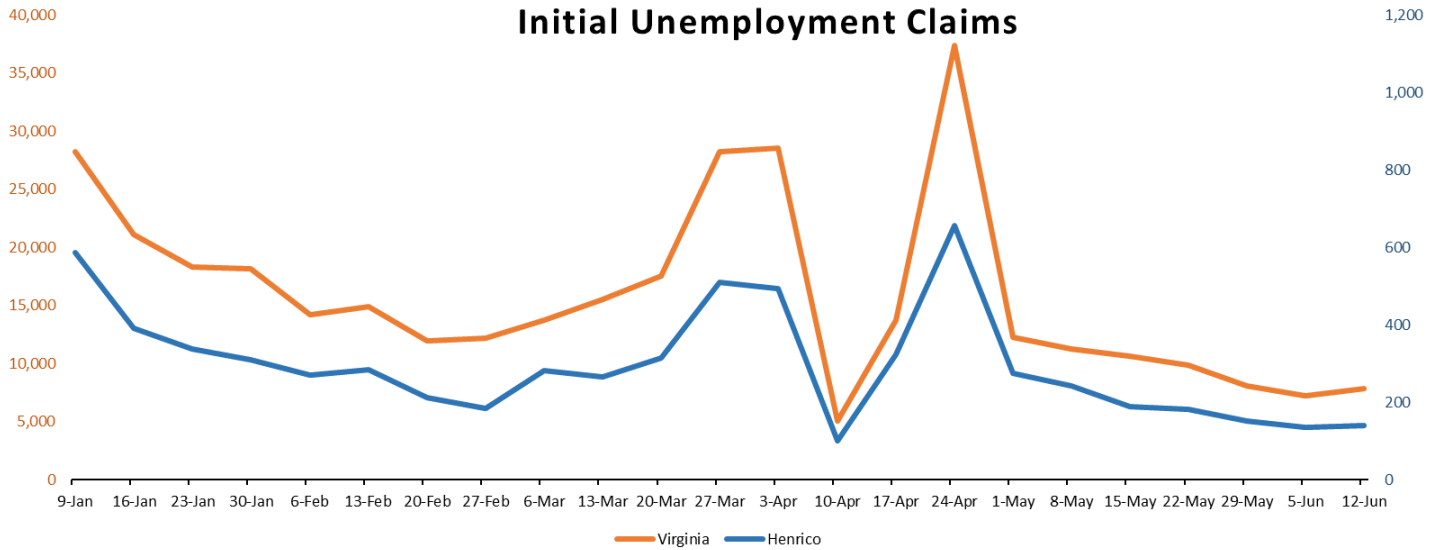
Unemployment Rates



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. **Unemployment rates for both Virginia and Henrico have decreased over the past month. Virginia rates have steadily decreased to 4.5% (down from 5%,) while Henrico rates have declined to 4.7% (down from 5.2% in March).** 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

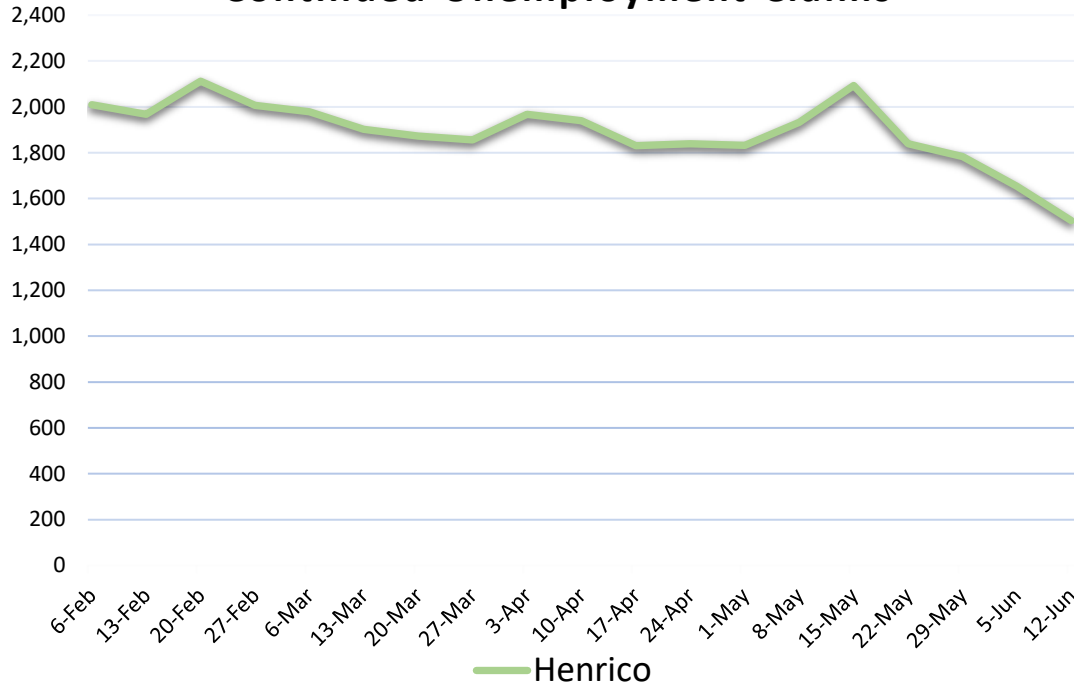


Initial Unemployment Claims act as a measure of recent job loss. Claims remained steady prior to March of 2020 at under 100 for Henrico and under 3,000 for Virginia. Unlike the Great Recession, COVID-19's effect on the local economy were immediately apparent and in-line with national figures. **Both Virginia and Henrico's Initial Unemployment Claims experienced significant volatility amid overall improvement. As of the week ending June 12, state initial claims were down to 7,849 and Henrico's were 139.** As May and June values continue delivering improving results, the spikes in March and April 2020 increasingly appear to be anomalies, rather than trends. Like previous reports, continued claims may provide a more substantive outlook on the nature of unemployment rather than recent job loss.



Henrico Metrics

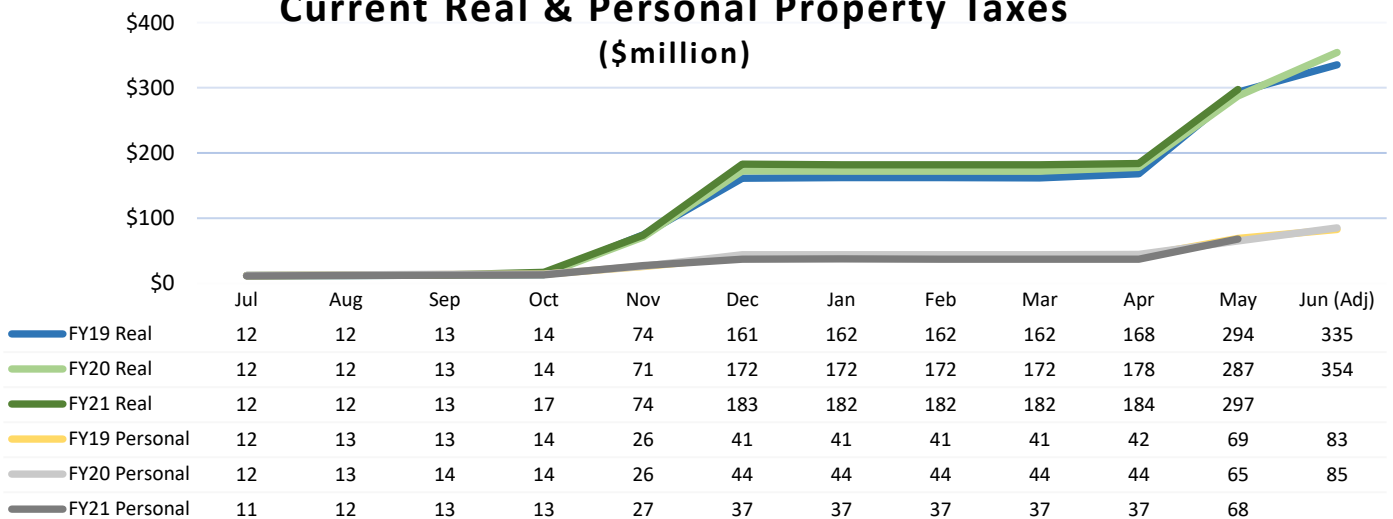
Continued Unemployment Claims



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 1,500 per week since that point.

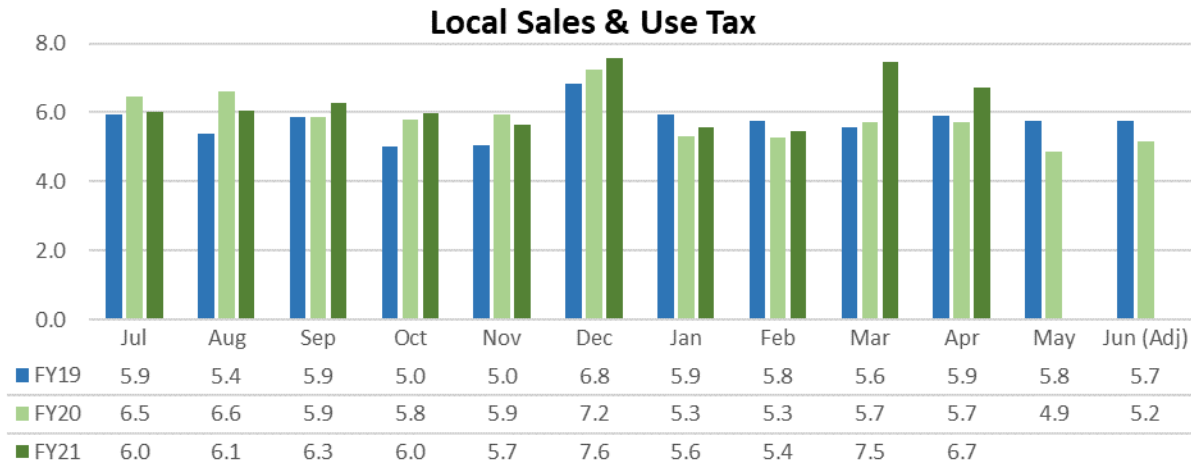
Current Property Taxes include total tax collection for both Real Property and Personal Property. Collections occur twice a year in December and June. **Property Tax collections for FY21 are trending above both FY20 and FY19.**

Current Real & Personal Property Taxes (\$million)





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 April collections marking the third highest this fiscal year. The fiscal year to date sales tax collections are 6.6% higher than FY20 and 9.6% higher than FY19.**

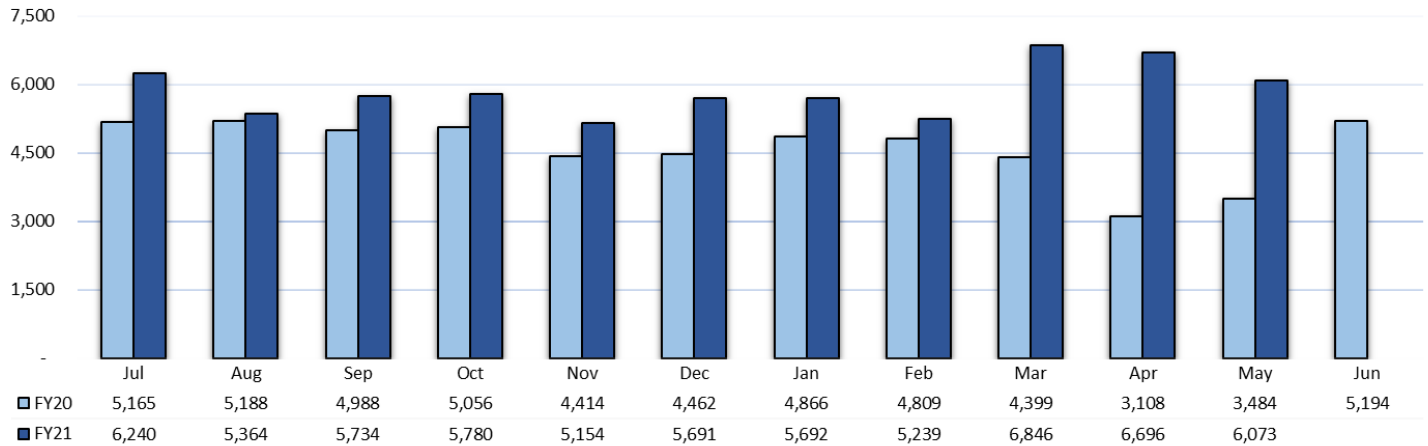


Henrico’s Meals Tax provides a 4% tax revenue on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **Collections increased in April from March and exceed pre COVID-19 April collections. Fiscal year to date collections still lag FY20 by 6.5% and FY19 by 12.7%, suggesting local restaurants are still working toward recovery and may generate more revenue as restrictions end.**

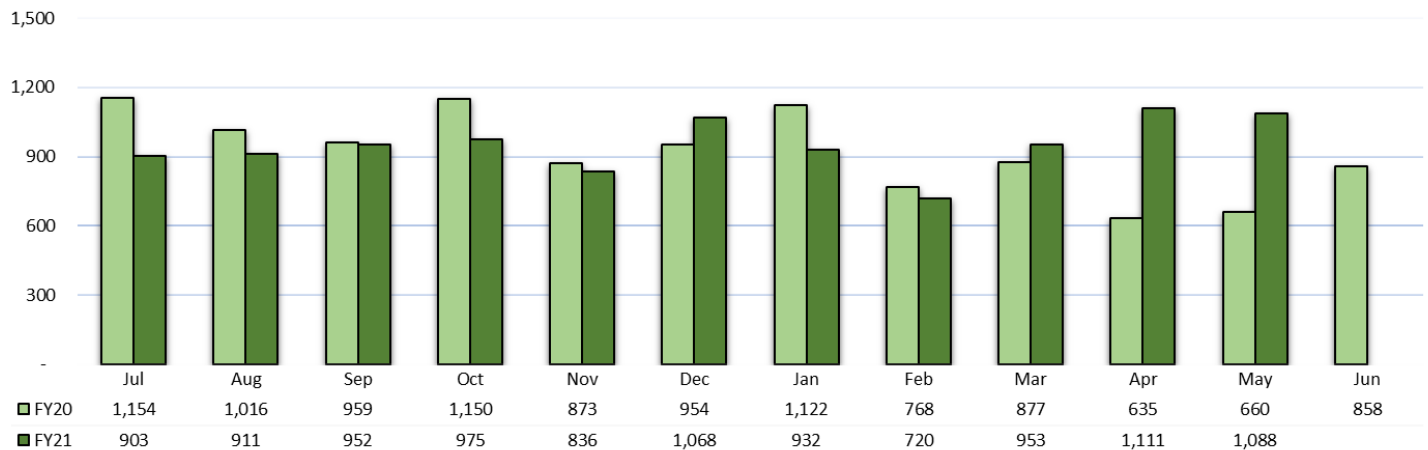


Henrico Metrics

Used Car Registration



New Car Registration

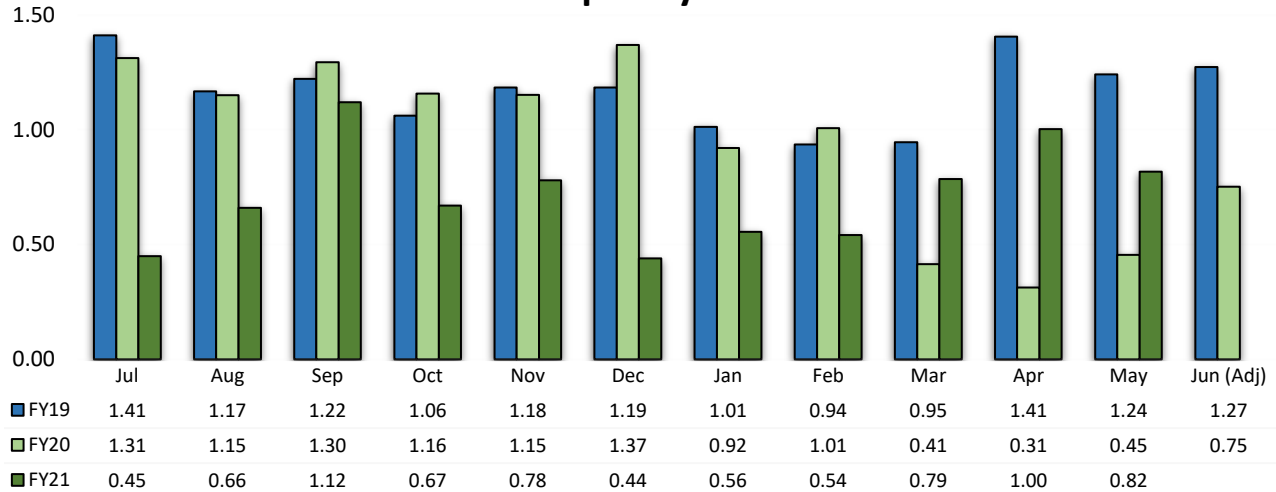


Vehicle Registration data is acquired from the Virginia Department of Transportation and is comprised of both new and used vehicles, the metric strongly correlates to vehicle sales. **Fiscal year to date used car registrations have grown 29.2% over fiscal year 2020. New car registrations, which were down all year, currently exceed the last fiscal year to date by 2.8%. This growth was helped by May delivering the second strongest monthly registration figures since before the global COVID-19 pandemic.**



Henrico Metrics

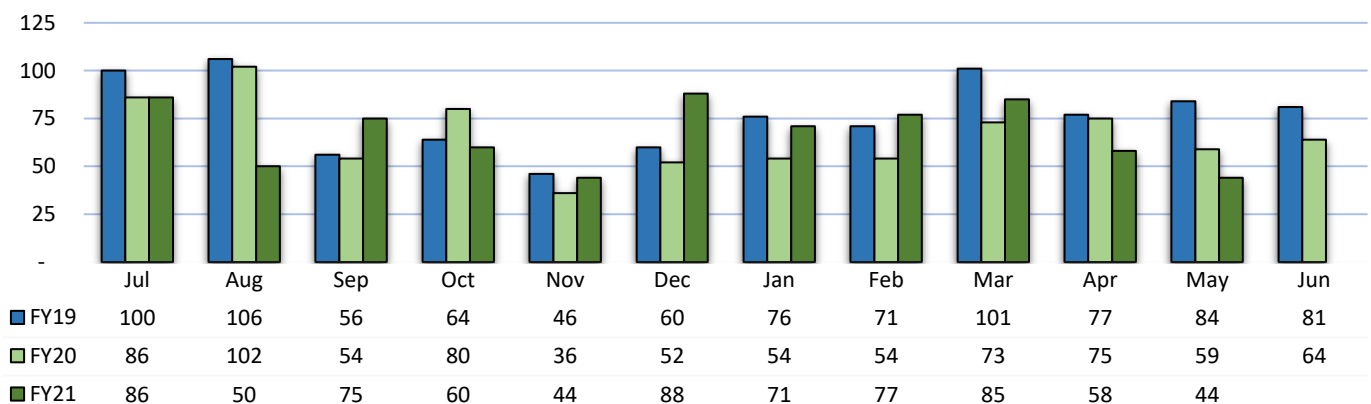
Occupancy Tax



Henrico's **Occupancy Tax** is collected on lodging for overnight stays. **Occupancy Tax collections in May were the second best since September 2020, 79.7% higher than collections from May of FY20.** To put the collective struggles of this sector in perspective, the fiscal year to date collections are **74% of the same period in FY20 and 61% of those in the same period collections in FY19.** As vaccination levels continue to increase, it is expected that travel will also increase and produce corresponding increases in these revenues.

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 cumulative improvement against last year, new residential construction is still lagging 2019 with fiscal year to date permits for 738 homes representing a 1.8% increase over year to date permits in FY20, but a 12.2% decrease from year to date permits in FY19.**

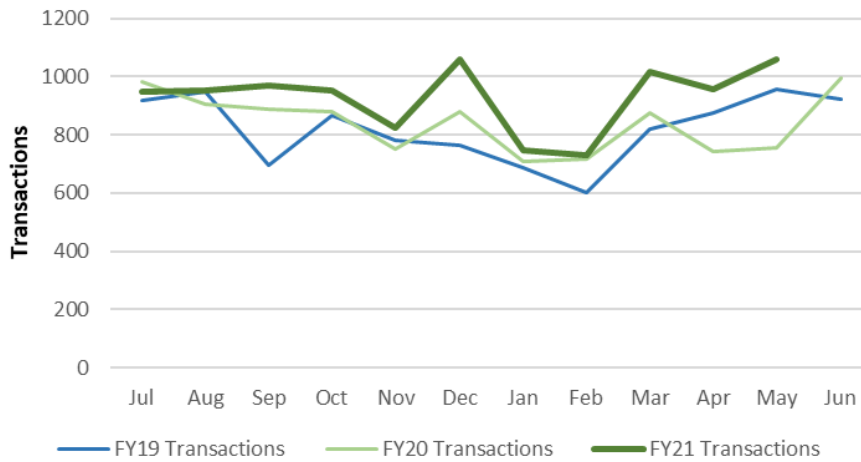
New Residential Construction





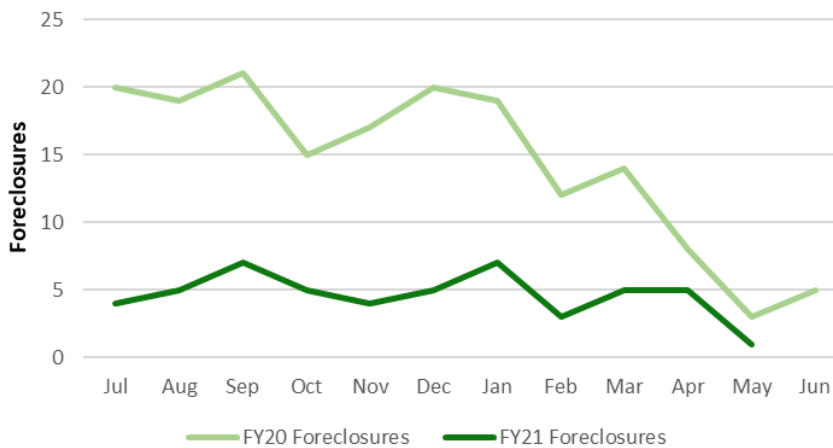
Henrico Metrics

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 a stable and improving market. **Fiscal year to date residential sales exceed FY20 by 14.6% and FY19 by 12.5%.**

Residential Foreclosures

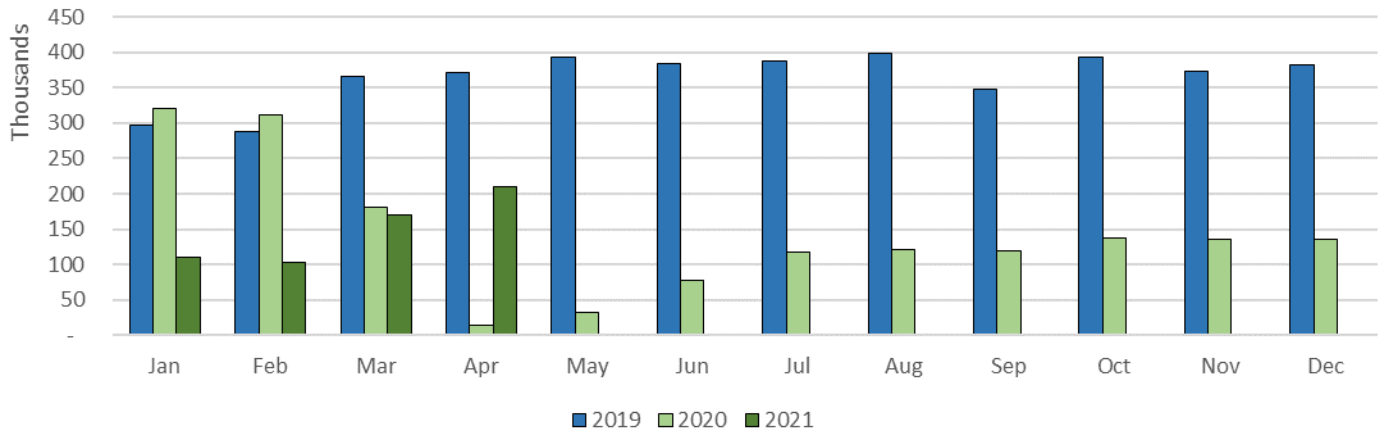


FY21 Foreclosure numbers remain stable at approximately 5 per month. **Total foreclosures remain low due in part to the current mortgage foreclosure freeze which ends June 30, 2021.** The freeze applies to Fannie Mae, Freddie Mac, and FHA loans that account for about half of mortgage loans in the United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



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 May 31, 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	\$ 613,005,287	\$ 110,249,310	\$ 723,254,597	\$ 43,623,897
State Revenues	356,022,941	362,678,880	342,459,881	51,077,252	393,537,133	30,858,253
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	\$ 981,380,700	\$ 161,396,561	\$ 1,142,777,260	\$ 74,487,165
General Government Expenditures	\$ 389,195,387	\$ 427,427,691	\$ 354,849,928	\$ 59,190,164	\$ 414,040,092	\$ 13,387,599
Education Expenditures	509,905,768	520,224,038	391,282,114	123,607,332	514,889,446	5,334,592
Total General Fund Expenditures	\$ 899,101,155	\$ 947,651,729	\$ 746,132,042	\$ 182,797,496	\$ 928,929,538	\$ 18,722,191
Net before Transfers	\$ 118,412,486	\$ 120,638,366	\$ 235,248,658	\$ (21,400,935)	\$ 213,847,722	\$ 93,209,356
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	\$ 76,650,585	

This **Summary of Financials, Period Ended May 31, 2021**, provides an overview of projected and actual revenues and expenditures for FY20-21. **Note: This revenue and expenditure includes CARES Act funding.** Expense projections increased 1.5% due to updated estimates related to the salary increase provided in April 2021. The summary results in the **projected addition of Fund Balance equaling \$76,650,585.**