



Overview

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 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 (FY21) and compare it to the current year (FY22). Data for FY22 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. Forward-looking statements should not be relied upon for investment decisions.

OMB Summary

Indicators illustrate an economy attempting to recover from global pandemic but impacted by war in the Ukraine and market uncertainty. Despite these impacts, economic segments are increasingly achieving pre-pandemic activity levels. Additionally, the economy is gripped by high inflation including elevated gasoline prices, continuing supply chain disruptions, labor challenges, and lingering COVID-19 impacts. National performance indicators experienced both declines and similar results to those of the April report and begin to exhibit concerning challenges. The S&P 500 exhibited an extension of poor results eliminating gains back to January of 2021. Unemployment rates for both the Nation and State remain flat while Henrico rates improved. Both the housing market and car sales remain strong across the County, demonstrating an active and stimulated market, but one impacted by supply shortages. Sales, Meals, Real Property, and Personal property tax collections remain strong, especially on a fiscal year to date basis. Finally, air travel continues to show strong passenger activity and improvement leading into a traditionally busy summer travel season.

Metrics Considered

- **National:** S&P 500, Consumer Confidence Index, Real GDP, Wages, Consumer Price Index, 30 Year Fixed Mortgage Rate, Crude Oil Prices
- **Virginia:** Unemployment Rate, Initial Unemployment Claims
- **Henrico:** Continued Unemployment Claims, Local Sales & Use Tax, Meals Tax, Real Property Tax, Personal Property Tax, Vehicle Registrations, Occupancy Tax, New Residential Construction, Residential Transactions & Foreclosures
- **Area:** Richmond Aviation Activity

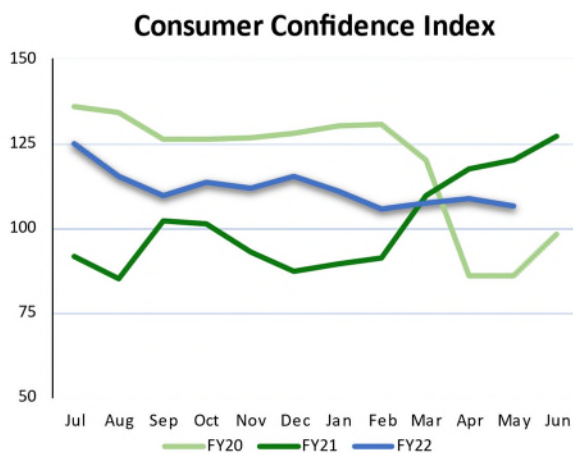


National Metrics

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.



The **S&P 500** is a stock market index measuring the performance of 500 large U.S. companies on stock exchanges and is considered one of the best representations of both the U.S. stock market and economy. **The index has been struggling since December when the market hit record high values.** May results continue a recent trend of mixed results erasing gains back to last April. Despite recent losses the index exceeds pre-pandemic levels by over 750 points.

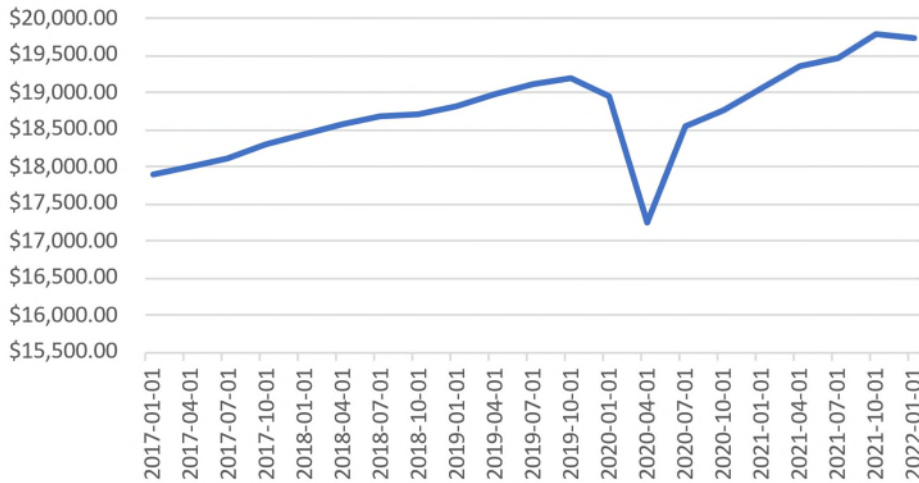


The **Consumer Confidence Index** is a monthly survey given to 5,000 random households gathering opinions on present situations and future expectations. It is benchmarked to 1985 (100) and best compared by reviewing month over month changes. **After reaching pre-pandemic levels in June and July, the index has dropped to a range between 105 to 115 over the past 10 months** recording 106.4 in May, down slightly from 108.6 in April. Senior Director of Economic Indicators Lynn Franco cited a decline in May linked to inflation concerns cooling purchasing intentions for cars, homes, and major appliances.



National Metrics

Real GDP \$B



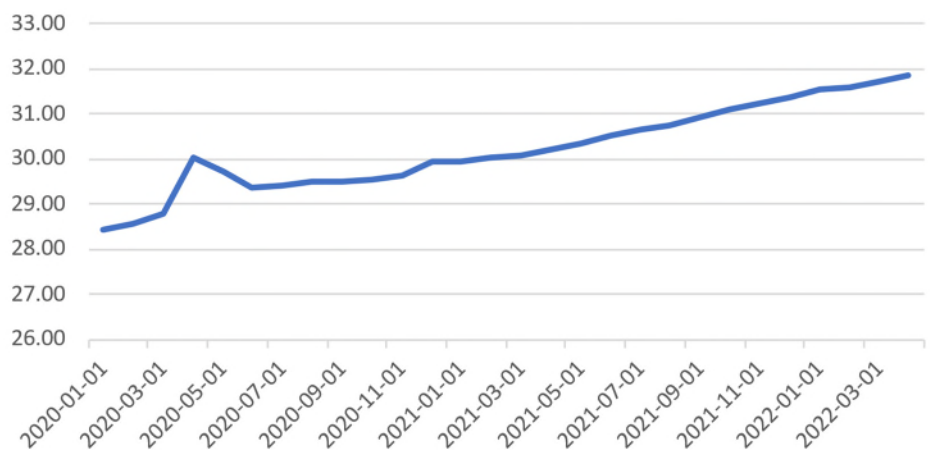
The **Real Gross Domestic Product** is an inflation adjusted standard measure of all goods and services produced by labor and property located in the United States in a stated time period. Gross domestic product can be calculated on a nominal or real (adjusted for inflation) basis. Since rising prices influence GDP, removing inflation related price changes isolates changes in production quantity. **In the first quarter of 2022, real GDP**

decreased at an annual rate of 1.5%, representing the worst financial showing in six quarters. Since two consecutive quarters of negative GDP usually indicates a recession, these results have financial professionals concerned.

The **Average Hourly Earnings of All Private Employees** measures

average hourly earnings employers pay that include overtime and shift differentials but excludes benefits, bonuses, retroactive pay, or employer payroll taxes. While earnings data changes capture wage rate adjustments, they can also include changes in the mix of employment. **In April the average hourly wage increased to \$31.85 from \$31.73 reported in March, representing an increase of less than one percent.** The last time wages decreased from the prior month was in May 2020 reflecting Pandemic impacts.

Wages (Private Employees) Seasonally Adjusted



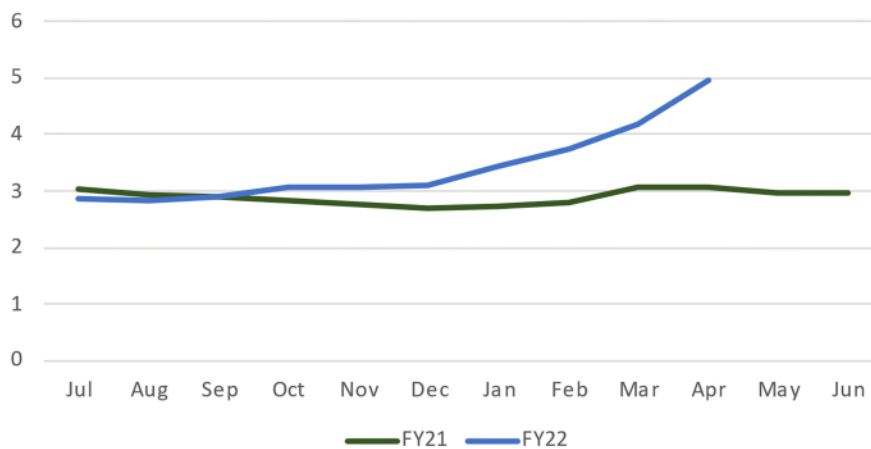


National Metrics



The **Consumer Price Index** is a weighted average of the prices of an identified basket of consumer goods and services used to help monitor inflation. The index provides some insight into the effectiveness of economic policy at the national level, and over-time shows the average change in price that consumers experience. The data is presented as a 1-month percent change, which means that anything shown greater than zero is indicative of inflation (prices increasing) while anything below zero is indicative of deflation (prices decreasing). During the month of April 2022, the consumer price index increased by 0.3% from March 2022. **This shows increased growth from the previous month and indicates an inflationary trend lasting over 24 months. The current 12-month CPI growth is 8.2% (unadjusted data) as reported by the Bureau of Labor Statistics on May 24, 2022.**

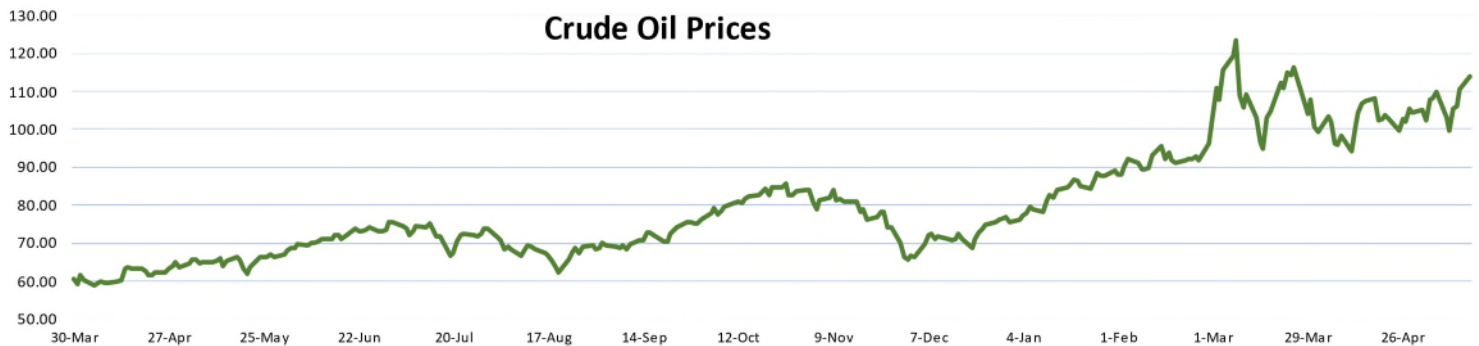
30 Year Fixed Mortgage Rates



The **30-year Fixed Mortgage Rate** 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 over the loan term. **In April 2022 the 30-year fixed mortgage interest rate increased to 4.98% from a March 2022 rate of 4.17% with rates expected to go higher with anticipated Fed actions.**

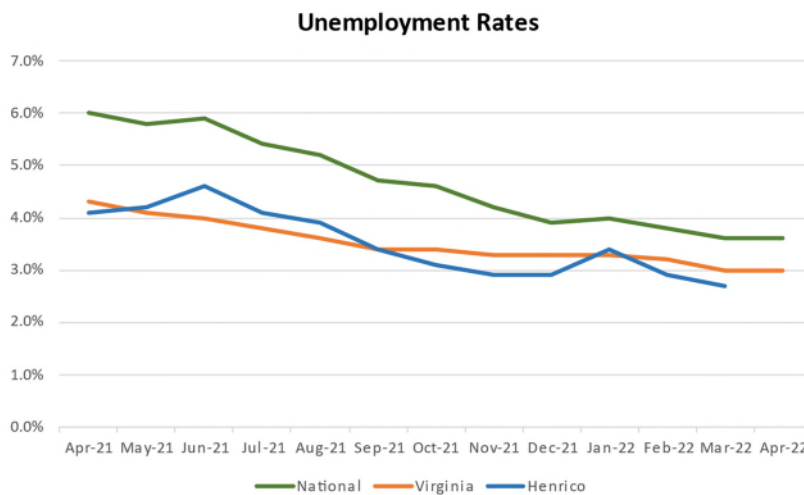


National Metrics



Crude Oil Prices are the daily rate received for a barrel of unrefined oil produced in Texas and Southern Oklahoma --- among the easiest to refine oils in the world and therefore a standard for oil prices worldwide. When crude oil prices change, the price at the pump paid by consumers changes in harmony. During the month of March, prices reached a high of \$123.64 and have since dropped to \$114.07, a 18.3% increase from late February's \$96.42. As recently as January prices were under \$80 illustrating how much the recent price increase is impacting consumer spending and world events.

Combined Metrics

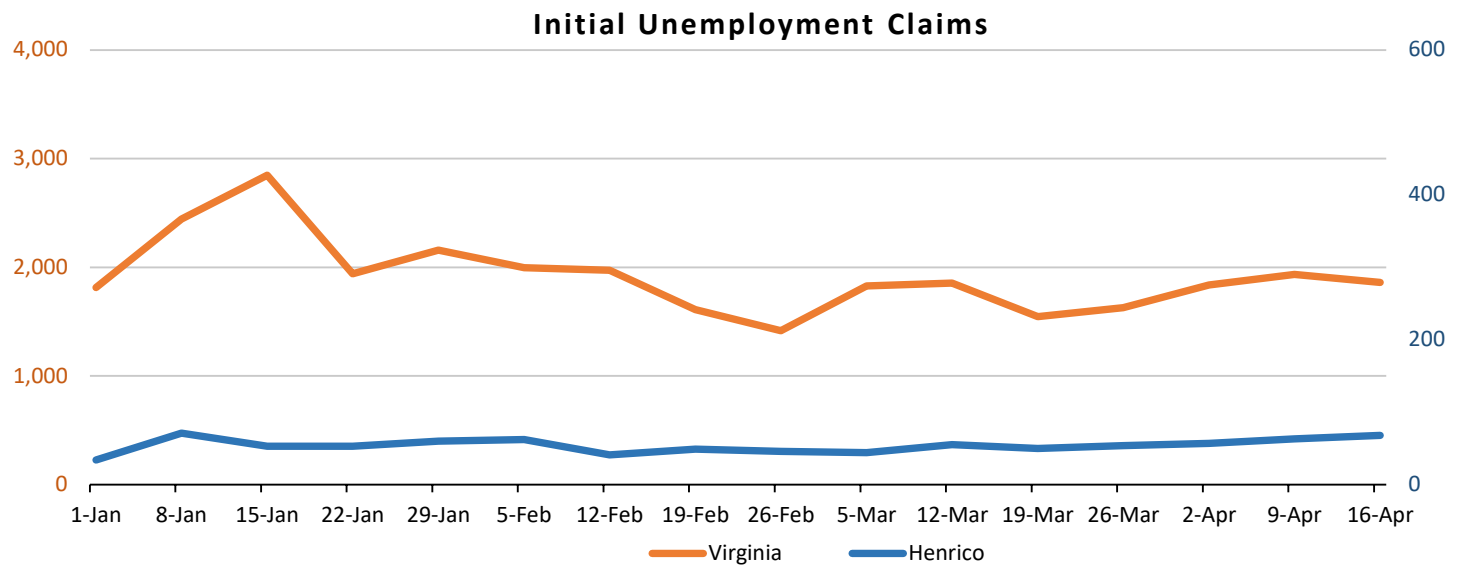


The **Unemployment Rate** shows the number of unemployed people as a percentage of the workforce. Known as the U-3 unemployment rate, an individual must be actively seeking work or laid off to be included. State unemployment data lags roughly six weeks while local unemployment data lags 9 weeks. **At the National and State level, the unemployment rate remained flat at 3.6% and 3.0% respectively in April. In Henrico, the unemployment**

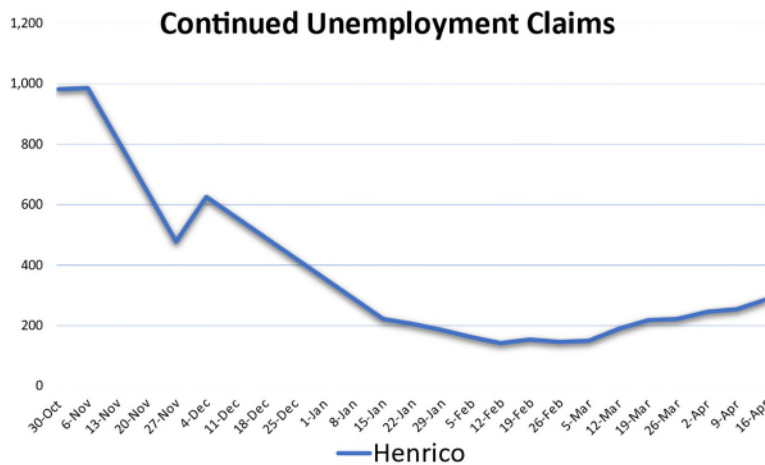
rate decreased 0.2% in March returning to 2.7%. Historically, Henrico unemployment rates have trended closely with the National and State levels. In this measure, workers who are unable to work due to temporary layoffs are included. Temporary layoffs include voluntary layoffs by firms as well as mandated closures during quarantines.



Virginia & Henrico Metrics



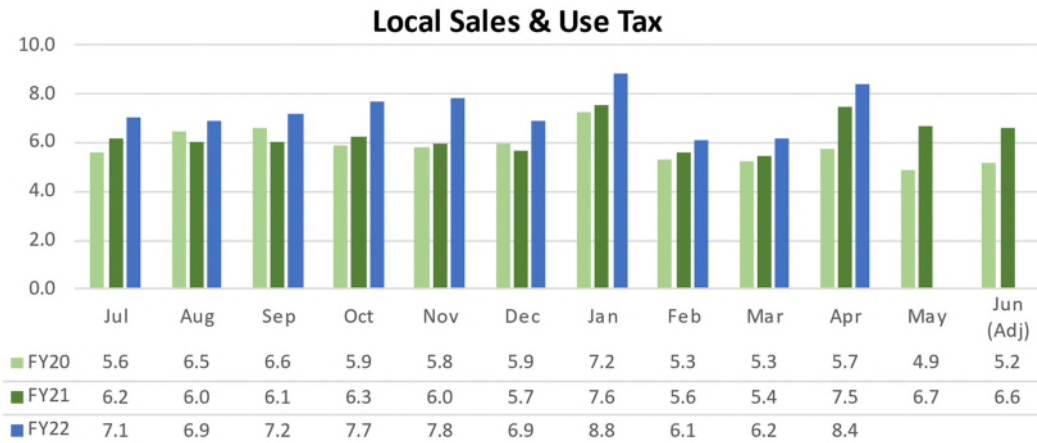
Initial Unemployment Claims act as a measure of recent job loss. Claims remained steady prior to March of 2020 at under 100 for Henrico and under 3,000 for Virginia. Unlike the Great Recession, COVID-19’s effect on the local economy was immediately apparent and in-line with national figures. Initial Unemployment Claims continue to generally reflect pre-pandemic levels in Virginia through the middle of March. **Henrico claims increased to 57 in the week of April 2nd from 44 one month earlier, while state claims increased to 1,838 in April from 1,546 in March which had been a recent low.**



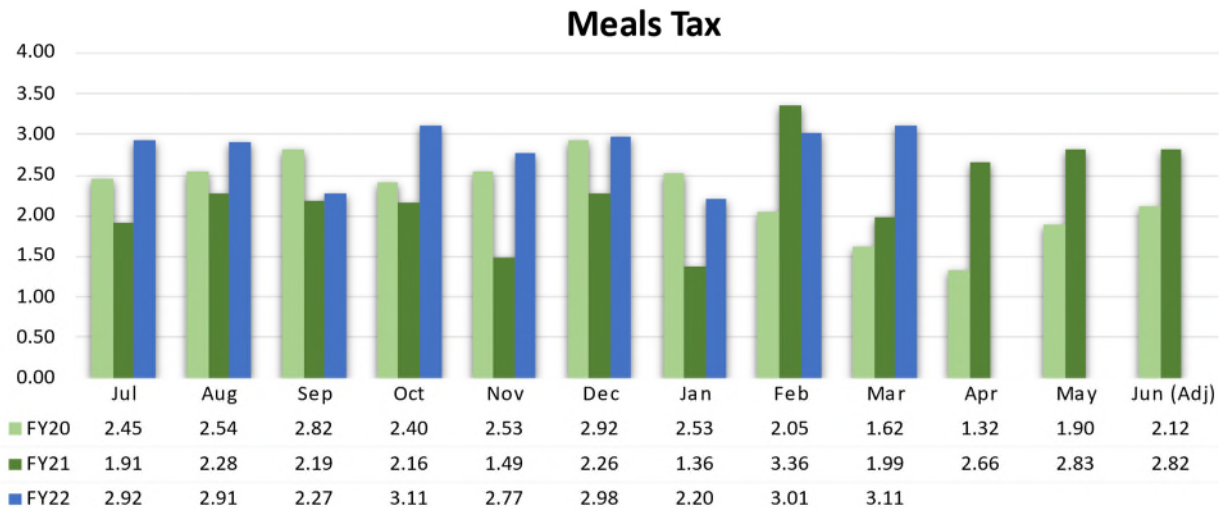
Continued Unemployment Claims reflects the number of individuals that have continued to file a claim after their initial claim. It reflects the lower bound for an unemployment rate. **Continued claims edged back up to 257 in April after a new recent low of 145 in February, but still represents lower unemployment levels than before the pandemic.**



Henrico Metrics



Henrico County **Sales & Use Tax** amounts to 6.0% on each purchase collected by the Commonwealth. 1% is remitted back to the County from the State. **April data bring fiscal year-to-date collections to \$73.1 million, 17.3% higher than FY21.**



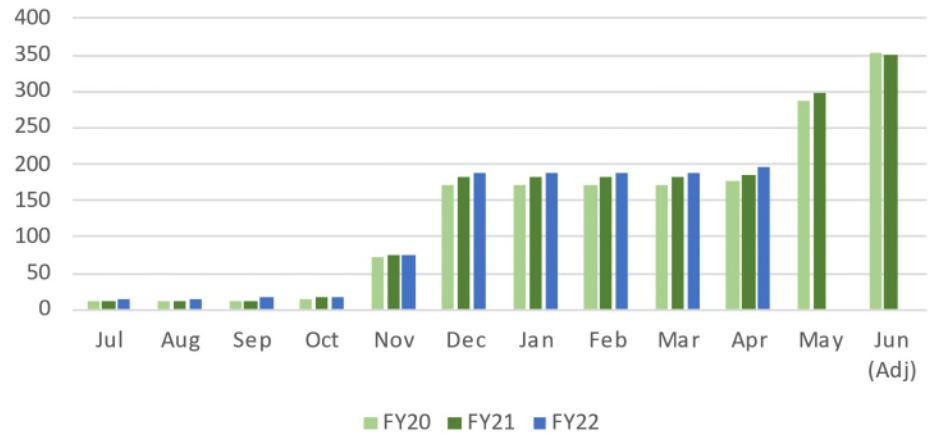
Henrico’s **Meals Tax** provides a 4% tax revenue on prepared food and beverages. Revenue generated by the Meals Tax is dedicated to the operational and capital project needs of Henrico’s Public Schools. Collections are backdated two months and compared as year-over-year monthly collections. **March FY22 collections at \$3.11 million increased compared to February collections at \$3.01 and led all monthly collections this fiscal year.** Fiscal year to date collections continue to exceed pre-pandemic levels.



Henrico Metrics

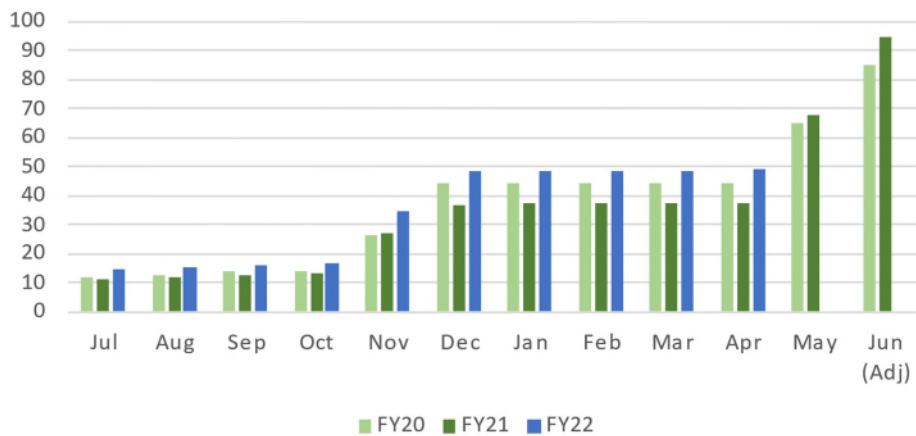
Real Property Taxes are collected on property used for residential and nonresidential purposes. The Code of Virginia provides for assessment of real property at 100% of fair market value, which is the probable amount a property would sell for today if exposed to the market for a reasonable period. Collections are due twice a year in December and June. **Property Tax collections for the month of April 2022 are 9.7% above April 2020.**

Real Property Taxes
(\$ Millions)



Collections will reflect assessment increases offset by tax relief provided through the 2-cent reduction in the Real Estate tax rate. The graph above represents cumulative collections through the fiscal years.

Personal Property Taxes
(\$ Millions)



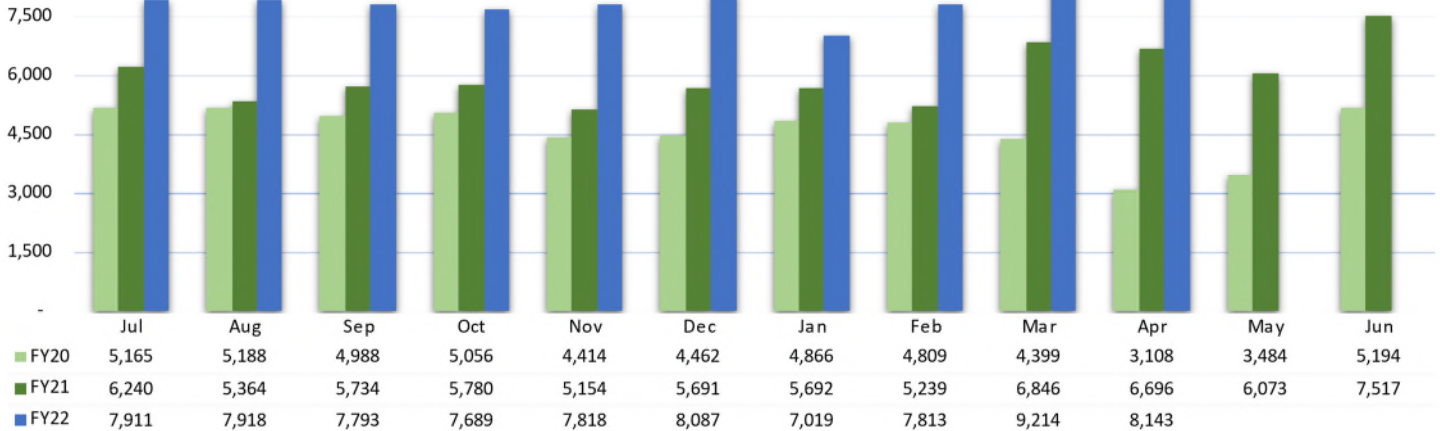
Personal Property Taxes are collected on all vehicles including cars, trucks, trailers, motorcycles, motor homes, aircraft, and watercraft. Personal property is collected in the locality where it is normally garaged, docked, or parked. Henrico County uses the J.D. Power Official Used Car Guide as of January 1st of each year to establish valuations. Collections are due twice a year in December and June. **Collections for the month of**

April 2022 are 11.4% above March 2020. Personal Property tax collections will reflect significant increases in used vehicle assessments. These increases are the result of price volatility in the used vehicle market due to supply chain shortages. The graph above represents cumulative collections through the fiscal years.

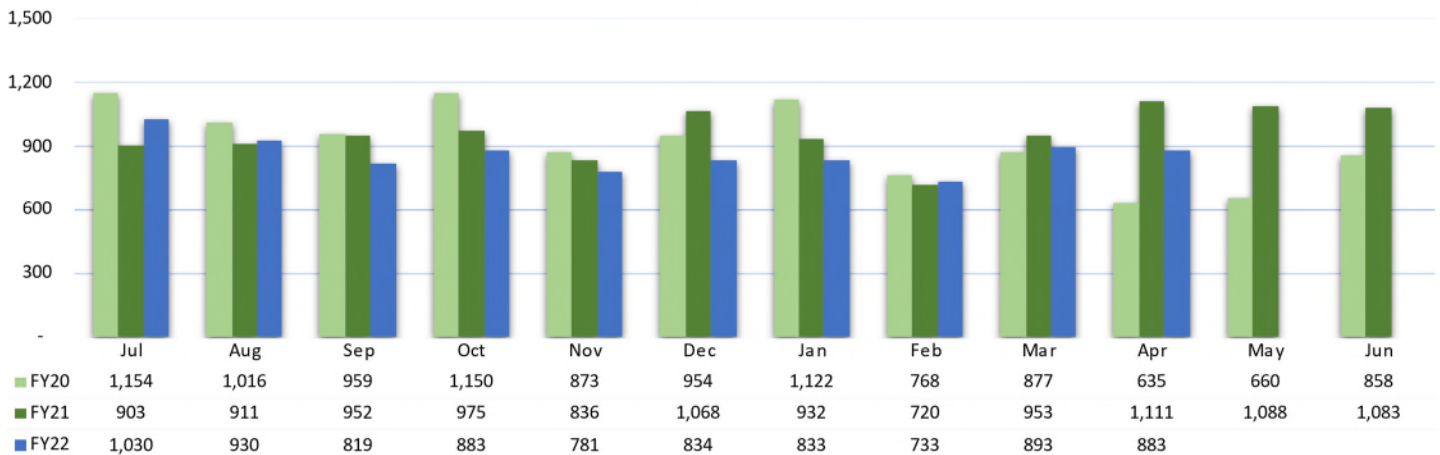


Henrico Metrics

Used Car Registration



New Car Registration

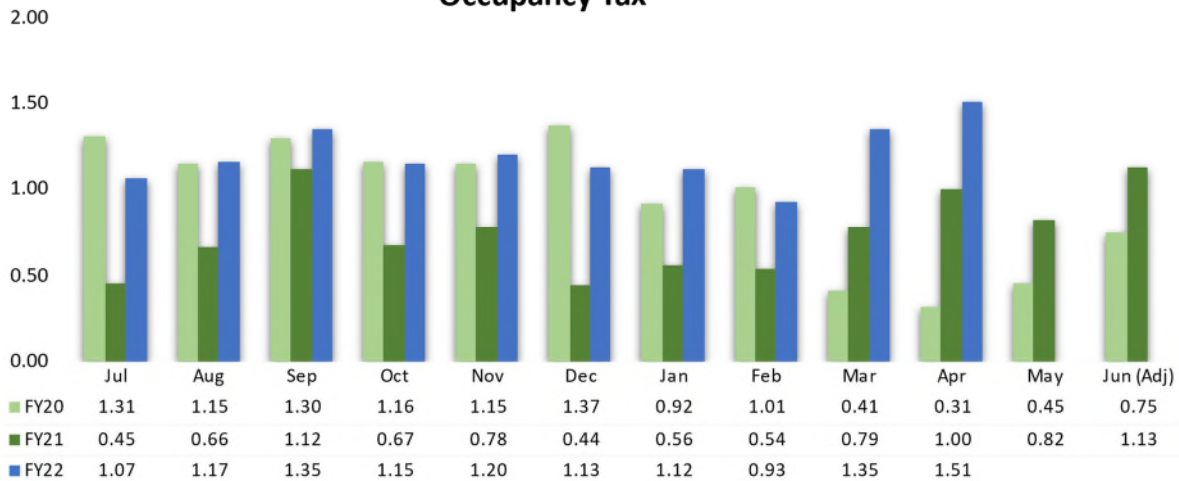


Vehicle Registration data is acquired from the Virginia Department of Transportation and is comprised of both new and used vehicles; the metric strongly correlates to vehicle sales. **New Car Registrations lag prior fiscal year to date by 742 vehicles.** April recorded 883 new car registrations, down 10 vehicles from March values, and for the eighth month in a row below prior year. Supply chain issues contribute to these results, and due to shortages in new car supply, the demand has shifted to the used car market. **Used Car Registrations continue to remain strong in FY22, April registrations are 21.6% higher than registrations in April FY21 and 35.9% higher fiscal year to date.**



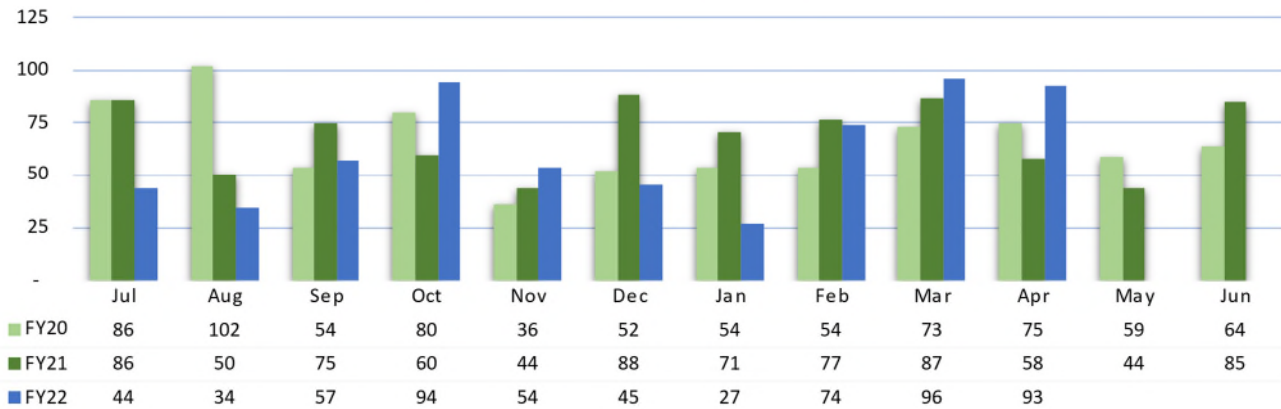
Henrico Metrics

Occupancy Tax



Henrico's **Occupancy Tax** is collected on lodging for overnight stays. **Occupancy Tax collections in April remained strong at \$1.51 million, up \$0.17 million from March. Fiscal year to date collections have edged past FY20 and now lead by 18.5%, reflecting an improving sector that is approaching pre-pandemic levels.**

New Residential Construction

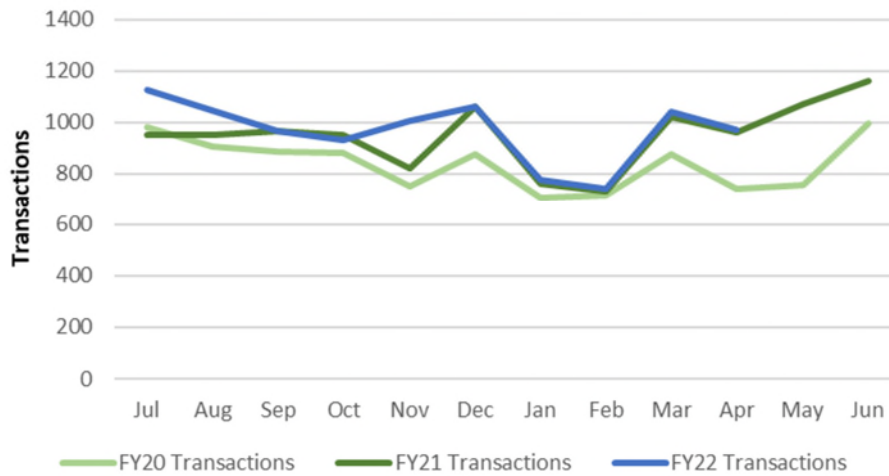


New Residential Construction is comprised of new single-family houses that were issued building permits. A slowdown may indicate worsening economic conditions, increased competition from neighboring localities, or a lack of expansion capabilities. 93 construction permits were issued in April, down slightly from 96 in March and just 27 in January. **Fiscal year to date permits still lag FY20 by 7.2%; this data continues to illustrate the cyclical nature of the permit process.**



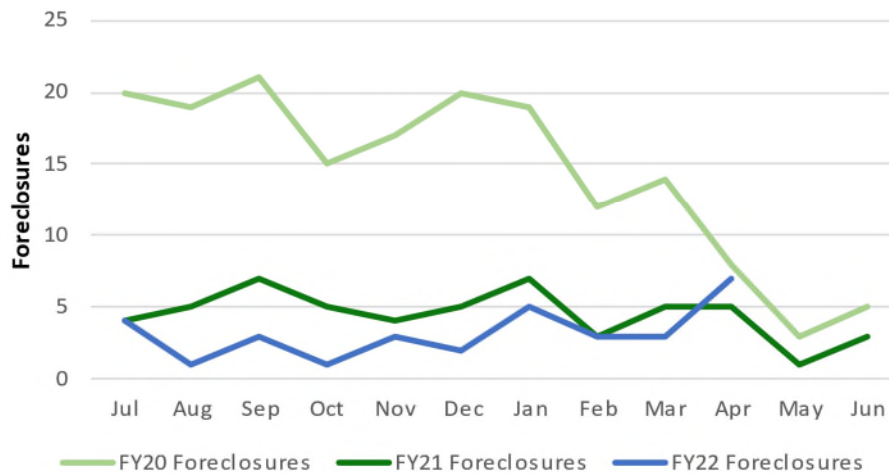
Henrico Metrics

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 in transactions represent a healthy and growing market. **April 2022 residential transactions exceed April 2020 by 30.9%, illustrating the continuation of a strong local housing market.**

Residential Foreclosures

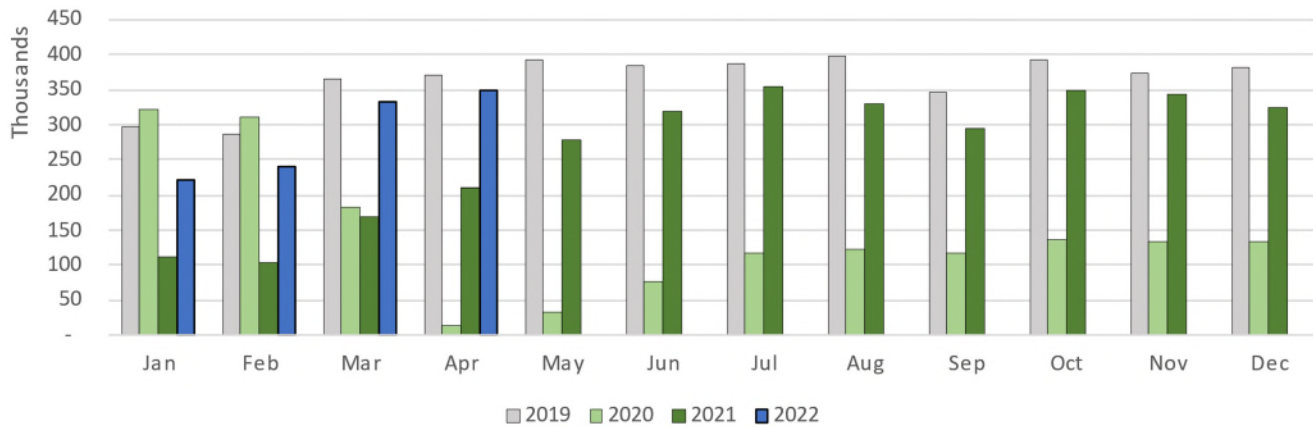


Foreclosure numbers remain stable at approximately 5 per month, with 7 foreclosures in April. **Total foreclosures remain low.**



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. Air travel has seen a continuous recovery, with notable growth resuming in March 2021. **April 2022 demonstrated a continued solid level of air travel serving 349,078 passengers. This metric reflects a 4.5% increase from March and continues a trend towards pre-pandemic numbers. April's results show significant improvement when compared to the first four months of either of the last two calendar years.**



Summary of Financials Period Ended April 30, 2022

	<u>FY22 Approved Budget</u>	<u>FY22 Revised Budget</u>	<u>FY22 YTD Actuals</u>	<u>FY22 Projected Amounts</u>	<u>Projected FY22 Actual</u>	<u>Over (Under) Budget</u>
Local Revenues	\$ 734,121,200	\$ 734,121,200	\$ 479,504,989	\$ 343,355,084	\$ 822,860,073	\$ 88,738,873
State Revenues	393,652,040	393,652,040	319,161,017	84,768,871	403,929,888	10,277,848
Federal Revenues	385,000	385,000	219,511	185,489	405,000	20,000
Total General Fund Revenues	\$ 1,128,158,240	\$ 1,128,158,240	\$ 798,885,518	\$ 428,309,444	\$ 1,227,194,961	\$ 99,036,721
General Government Expenditures	\$ 423,005,103	\$ 455,010,700	\$ 372,444,766	\$ 83,915,654	\$ 456,360,420	\$ (1,349,720)
Education Expenditures	560,920,241	578,726,126	405,404,040	164,641,194	570,045,234	8,680,892
Total General Fund Expenditures	\$ 983,925,344	\$ 1,033,736,826	\$ 777,848,806	\$ 248,556,848	\$ 1,026,405,654	\$ 7,331,172
Net before Transfers	\$ 144,232,896	\$ 94,421,414	\$ 21,036,712	\$ 179,752,596	\$ 200,789,307	\$ 106,367,893
Less Interfund Transfers	183,357,196	193,646,447	193,646,447	0	6,563,320	200,209,767
Projected Addition To (Use of) Fund Balance					\$ 579,540	

This **Summary of Financials, Period Ended April 30, 2022**, provides an overview of projected and actual revenues and expenditures for FY22. **The summary results in a projected addition to fund balance of \$579,540.** It should be noted that planned and budgeted uses of fund balance offset the results of operations and accounts for the relatively modest addition to fund balance in this projection.