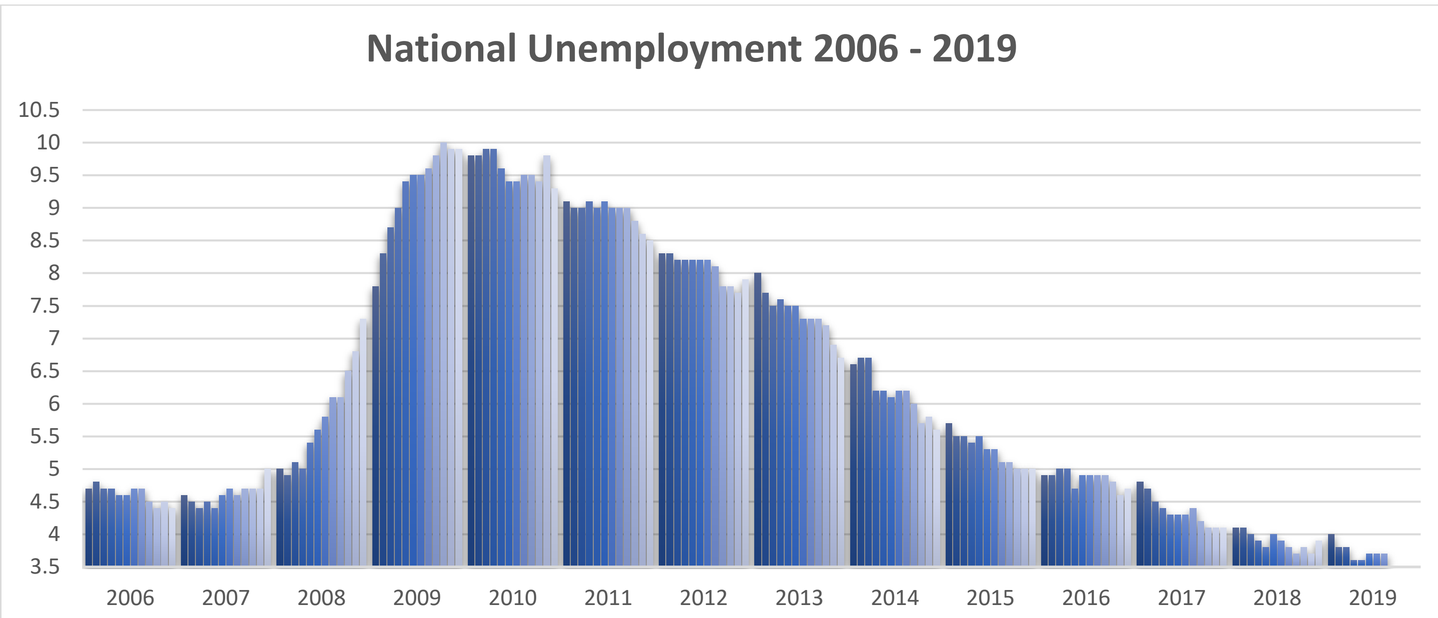
ECONOMIC AND REVENUE EXPECTATIONS

INTRODUCTIONS

This section of the budget provides a survey of economic indicators and an outlook for the year ahead with a view to providing context for some of the estimates contained in the budget.

NATIONAL OVERVIEW

Overall, reports from the Federal Reserve Districts have shown that the economy has expanded year over year at a moderate pace through August 2019. National job growth and labor income remain constrained, with the unemployment rate declining to around 3.7% in July of 2019 from 3.9% in July of 2018 according to the US Department of Labor. January through August 2019 unemployment rate has remains relatively constant, hovering around 4%. The national unemployment rate was at or below 5% for the fourth consecutive year. Notable concerns have come from many business sectors pertaining to tariffs and trade policy and the uncertainty in the near-term. Consumer spending was mixed but domestic auto sales grew at a modest pace nationwide.



Employment grew at a modest pace in most Districts, consistent with the previous reporting periods in 2019. The labor market remains very tight, especially in the New York District as unemployment levels have been flat with a slight uptick on wage growth. Most Districts have reported slight input cost increases for most of the year so far but it has been indicated that the ability to pass along increases to the consumer have not impeded growth.

Home purchases remained constrained in a majority of Districts due to low inventory levels and new construction has remained flat. Commercial real estate sales and construction activity remained steady while commercial leasing has increased slight over the prior period (Federal Reserve Beige Book).

According to the Conference Board, the Leading Economic Index (LEI) increased 0.5% in July 2019, which followed a -0.1% for June and for -0.1% for May. Over the July 2018 through July 2019 time-frame, the LEI has grown constantly – totaling just over 2%. The July increase was preceded by two consecutive months of modest declines. This increase was due in part by housing permits, unemployment insurance claims and stock prices being the major drivers. Concerns about the manufacturing sector and its yields have placed suggestion that the US economy will continue to expand for the rest of 2019 but it will do so at a very modest pace. (The Conference Board).

ECONOMIC AND REVENUE EXPECTATIONS

REGIONAL AND LOCAL ECONOMY

July 2019 figures from the United States Bureau of Labor Statistics report New York's unemployment rate was 4.0%. This is consistent with the previous year as July 2018 had an unemployment rate of 4.0% also. Unemployment has remained at or below 4.0% since July 2018. Albany County's unemployment rate for July 2019 was 3.6%, down from 3.7% from July 2018.

While the national housing market experienced a series of unprecedented growth followed by devastating decline, the local housing market remained constant with regional growth factors. Local home sales did not over accelerate in the pre-recessionary market and generally remained in-line with actual value. Both average residential sale price and median residential sale prices remained relatively constant throughout the last decade.

The Consumer Price Index (CPI-U) for the Northeast region for July 2018 through July 2019 increased 1.5%. The food index edged up 1.5%, consistent with the CPI-U. The energy index has decreased over the same timeframe, reflecting the lower gasoline prices of around 6.9% and electricity which was also down 2.6% over the same timeframe. The all items less food and energy increased by 2.2% during the same time period. This is led by 2.0% increase in shelter, 4.6% increase in medical care and 2.4% increase in education (Bureau of Labor Statistics).

According to the Greater Capital Association of Realtors, closed sales are up flat year over year for July 2019 for Albany County as a whole. Year to date home sales are 6.9% behind 2018 through July. New listing are up 8.5% year over year for July but year to date are behind 0.6%. Median sale prices have been strong with a 6.9% increase year over year July and 3.8% year to date. As pending sales continue to climb year over year, low housing stock raises an issue for home affordability through 2020.

Meanwhile, recent developments in the Commercial sector point to an increase in demand. This matches national trends for an increased demand for commercial property stock. Development along State Street, the completion of the Albany convention center and expanded development in county wide municipalities drives this metric in concurrence with national trends.

The Capital Region, Albany County specifically, has traditionally been dependent on government, healthcare and education for employment. These sectors are traditionally less volatile than other employment segments, insulating Albany County from many global economic-related job losses. While the 'Great Recession' lead to significant curtailment in public employment in the region, that trend has continued to slowly reverse as we continue moving forward with a natural unemployment rate.

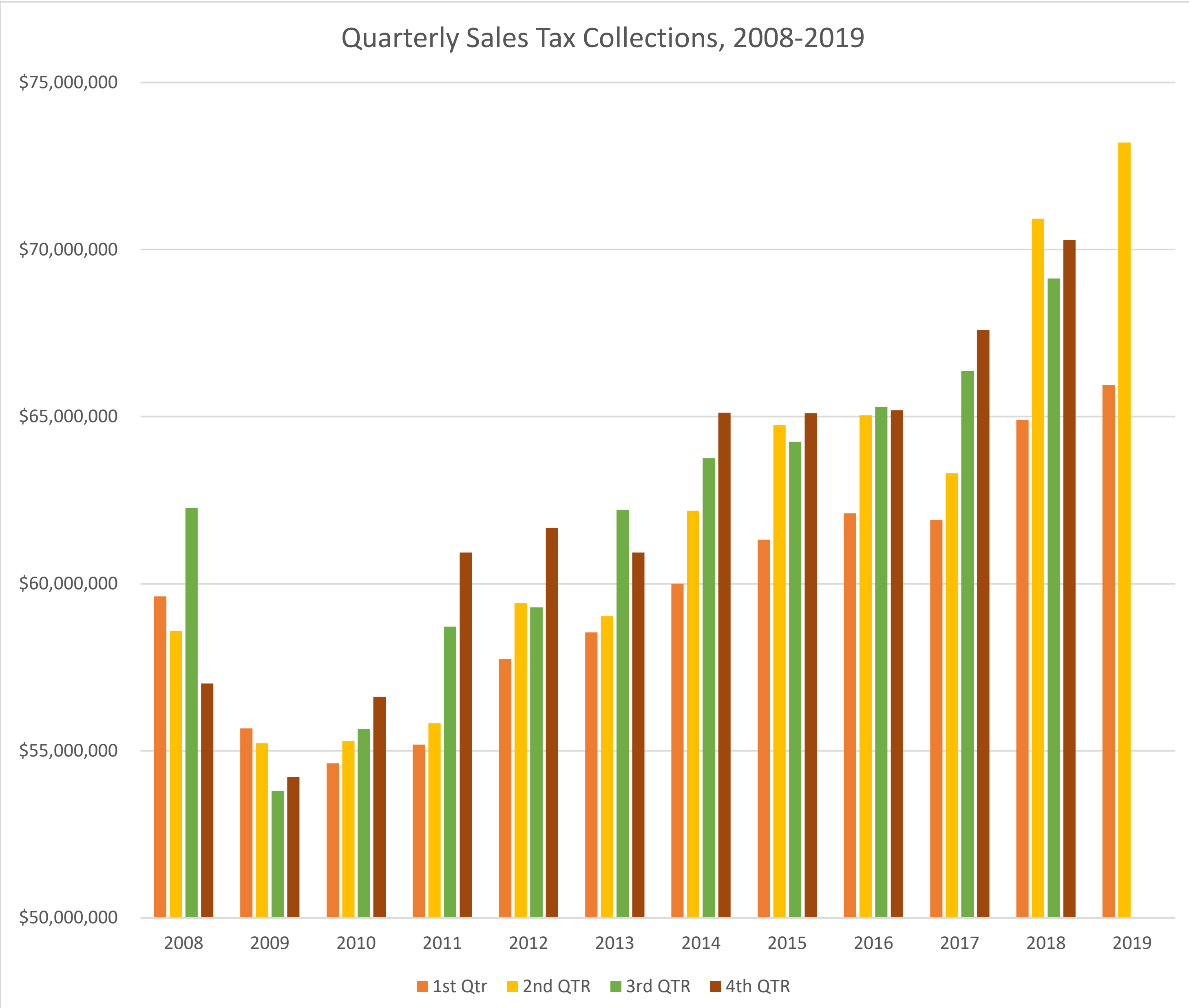
Current trends point to a baseline adjustment of long-term employment and economic trends in the region, shifting away from heavy reliance on State government jobs as high technology sector continues to expand, while the traditional dependence on the health and education sectors continue.

SALES TAX RECEIPTS

For Albany County government, the largest source of revenue is sales tax receipts. Sales tax revenue decreased sharply starting in 2008, impacting local government cash flow. Consecutive years in which sales tax receipts were substantially lower than anticipated resulted in the need for the County to borrow money through the issuance of a Tax Anticipation Note (TAN) to provide sufficient cash to meet ongoing obligations. This is no longer the case however since 2015 as Albany County has retained adequate liquidity to meet obligations as they come due.

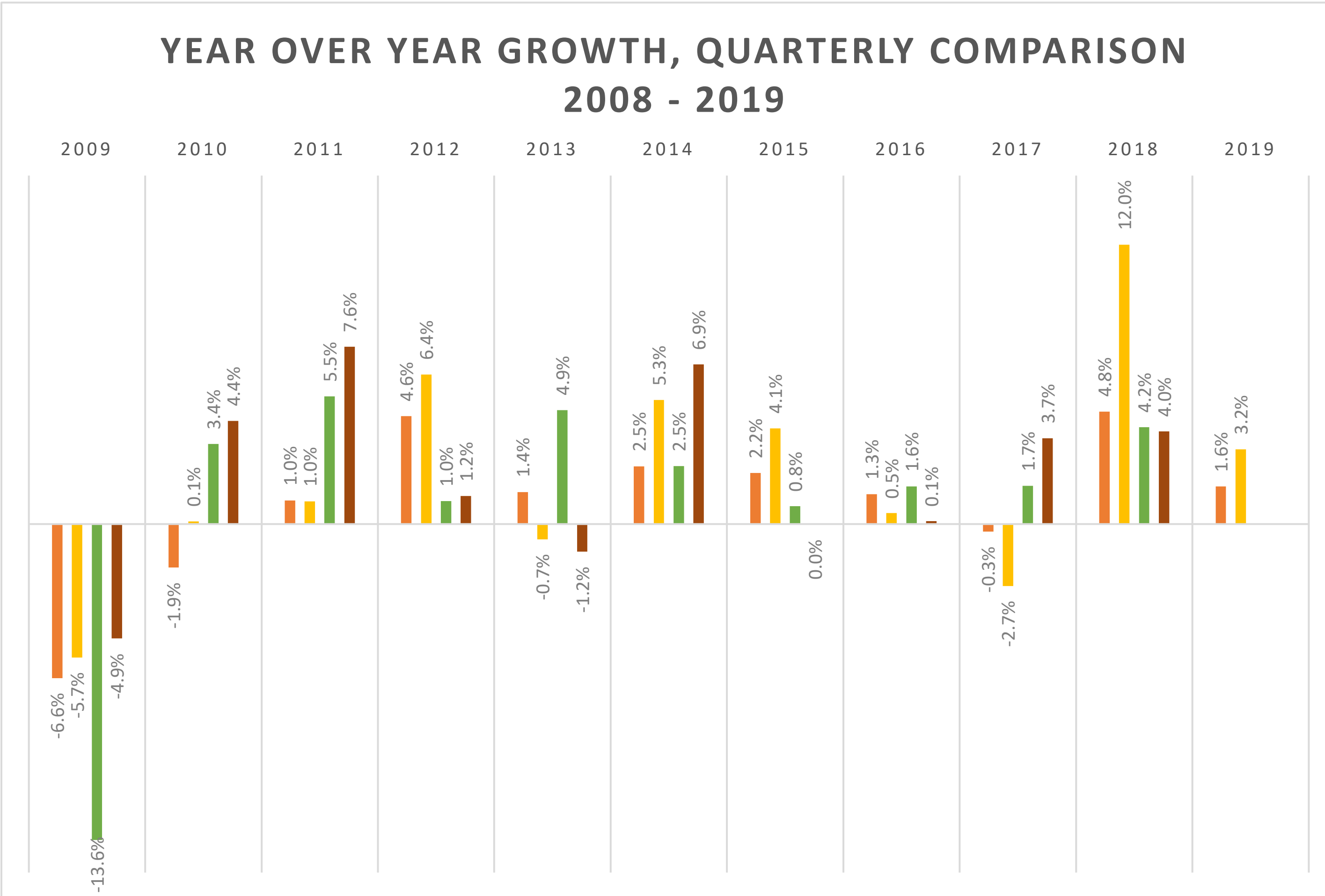
Albany County's sales tax revenue has more than bounced back from the depths of the recent economic downturn. Sales tax revenues have increased strongly over the past decade. Sales tax receipts are best compared year over year in a quarterly basis since payments from the State Tax Department are adjusted at the end of every quarter. The County collections for the first and second quarter of 2019 are 1.6% and 3.2% respectively. As of July 2019, the New York State Comptroller was authorized to retain out of sales tax collections for counties the equivalent to the Aid and Incentives for Municipalities (AIM) mandate. This new mandate by New York State requires counties to pay for AIM funding to towns and villages where AIM funding was less than 2% of the total budget.

ECONOMIC AND REVENUE EXPECTATIONS



	1st QTR	2nd QTR	3rd QTR	4th QTR
2008	$ 59,624,793	$ 58,586,964	$ 62,271,323	$ 57,016,611
2009	$ 55,670,226	$ 55,223,024	$ 53,801,151	$ 54,207,432
2010	$ 54,626,399	$ 55,288,814	$ 55,655,060	$ 56,612,582
2011	$ 55,182,334	$ 55,828,740	$ 58,712,963	$ 60,932,707
2012	$ 57,747,242	$ 59,419,162	$ 59,292,147	$ 61,665,980
2013	$ 58,544,623	$ 59,030,577	$ 62,203,179	$ 60,932,741
2014	$ 59,999,991	$ 62,180,433	$ 63,755,567	$ 65,117,828
2015	$ 61,318,521	$ 64,741,962	$ 64,246,749	$ 65,104,694
2016	$ 62,109,327	$ 65,045,988	$ 65,290,110	$ 65,187,608
2017	$ 61,906,134	$ 63,311,979	$ 66,368,487	$ 67,598,698
2018	$ 64,900,949	$ 70,922,765	$ 69,138,278	$ 70,292,799
2019	$ 65,949,599	$ 73,204,054		

ECONOMIC AND REVENUE EXPECTATIONS



CONCLUSION

The economic and financial picture of Albany County has improved from a decade ago. US economic expansion, which began in June 2009, is currently the longest in the nation's history. This marks over 120 months of Gross Domestic Product (GPD) growth, surpassing the 1991 to 2001 expansion. While growth on average has been milder compared to the 1990's, continued growth is expected for at least the rest of 2019 through early 2020 but some economists see a mild recession possible on the horizon. Uncertainties like the President's use of tariffs and global issues like the European Union and Great Britain outstanding issues which are still unsettles, namely "Brexit" can cause near term issues with the global economy, halting the record consecutive growth.

Local unemployment has remained low while job growth has keep pace with increase in unemployment claims. Sales tax was "bullish" over the past 5 years, continuing with the first two quarter consecutive period in 2019. With the decision overturn of the *Quill v. North Dakota* case by the new standard of *South Dakota v. Wayfair,* States can now mandate that businesses without physical presence in a state remit sales taxes on transactions in the state. The "internet sales tax" has been adopted by New York State and has been offered to offset mandates, notably the ones installed in early 2019 – The AIM funding shift and early voting. While it is still early to see the true impact of this, monitoring the fiscal consequences will need to be addressed in the upcoming years.