2023 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS

ECONOMIC AND REVENUE EXPECTATIONS

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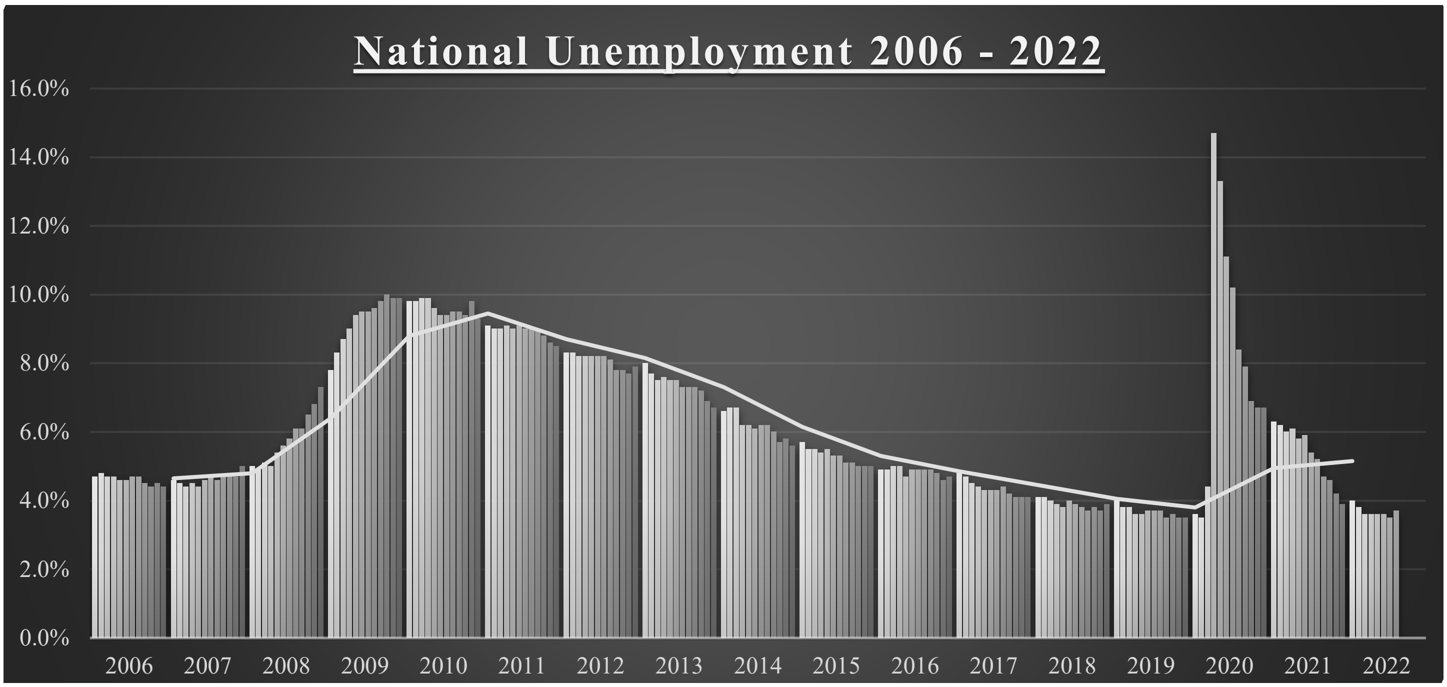
Budget Section	Economic and Revenue Expectations

INTRODUCTIONS
This section of the budget provides a survey of several macroeconomic indicators that represent the driving forces in our national and local economies.

NATIONAL OVERVIEW
We are now in the third year of COVID-19 impacting our local, national and global economy. Prior to the pandemic, national unemployment was at 3.5%, at the peak of the shutdowns it was over 14%. By August of 2021 it stood at 5.2% and as of August 2022 the rate is at 3.7% nationally as per the US Bureau of Labor Statistics.



As you can see from the graph above, the worst month for unemployment nationally was 14.7% in April of 2020. Since that point we have shown a return to normalcy.

According to the Conference Board, the Leading Economic Index (LEI) decreased 0.4% in July 2022 to 116.6 after declining by 0.7% in June. The LEI was down by 1.6% over the first two quarters of 2022, a perfect reversal of the 1.6% of growth shown in the final two quarters of 2021. "The US LEI declined for a fifth consecutive month in July, suggesting recession risks are rising in the near term," said Ataman Ozyildirim, Sr. Director, Economics, The Conference Board. The Board forecasts growing economic weakness throughout the US economy in the second half of 2022 and is calling for 2022 Real GDP growth to come in at 1.4% year-over-year and the 2023 growth will slow to 0.3% year-over-year. Goldman Sachs has recently revised their estimates on GDP growth down from a previously forecast 1.5% down to 1.1%. The International Monetary Fund estimates these figures at 3.7% for 2022 and 2.3% for 2023. These were both forecast at 6% for 2022 at this time last year.

Consumer spending, which accounts for more than two-thirds of the US Economy rose negligibly in July after being up approximately 1% in June, but these numbers are tempered by the simultaneous easing of inflation. This will hopefully allow the Federal Reserve to scale back the unprecedented interest rate hikes that we have seen with three consecutive 75bps increases and market sentiment forecasting rate hikes of 50-75 basis points each at the remaining two meetings of the Federal Reserve. The goal of these rate hikes is to make it more expensive to borrow money, therefore reducing buying pressure, which should in-turn allow the supply side of the equation to catch up.

The annual inflation rate in the US is 8.3% for the 12 months ending Aug 2022. Final numbers for 2021 showed inflation of 4.7%. Prior to the COVID-19 pandemic the inflationary rate had averaged around 2% per year since the Great Recession.

Budget Section	Economic and Revenue Expectations

The Fed's rate hike strategy seeks to temper stubbornly high inflation led by many factors; increased energy and food prices, wage and price inflation, supply chain disruptions, etc. We are in unprecedented times and any estimates are just that, estimates, but we need to be prepared for a long recovery.

REGIONAL AND LOCAL ECONOMY

According to New York State Department of Labor unemployment statistics things are getting back to pre-pandemic levels. For the Albany/Schenectady/Troy statistical area the rate was 3.2% in July of 2022 versus 4.5% in July 2021 and 8.5% in July 2020. Albany County was at 3.3% for July of 2022; individual counties in NY State ranged from 2.6% (Hamilton) to 9.1% (Bronx) with the five counties making up New York City having the five highest rates.

From August 2021 to August 2022, the Northeast All Items Consumer Product Index (CPI-U) rose 7.4%, in line with the 7.3% increase in June. The food index increased 10.2% and the energy index rose 25.6%, mainly a reflection on the increased price for gasoline, up 32.4%. Housing is up 6.5% year-over-year, new and used vehicles are 11.6% and Electricity is up 19.5% before anticipated rates hikes in the region that were recently announced.

Home sales are more of a mixed message than in years past with new listings in Albany County down 12.2% and closed sales down 13.3% year over year as of July, but that is accompanied by a 6.9% increase in Median Sales Price in the same time period. The reductions are due to a lack of supply rather than a lack of demand. New construction permits are reduced nationwide, alongside a lack of supply locally fuels the price creep seen over the previous two years with a current median sale price in the Capital Region of $286,354. Mortgage rates are up, the average 30 year fixed rate mortgage increased from 2.84% to 6.43%.

Houses are averaging 20 days on the market and sales prices of nearly 103% of listing price. The inventory of new homes is still constrained, with only 92 houses coming on the market in July (75 last year) at an average price of over $497,822. That said, demand is strong with over 26,000 registered showings in July.

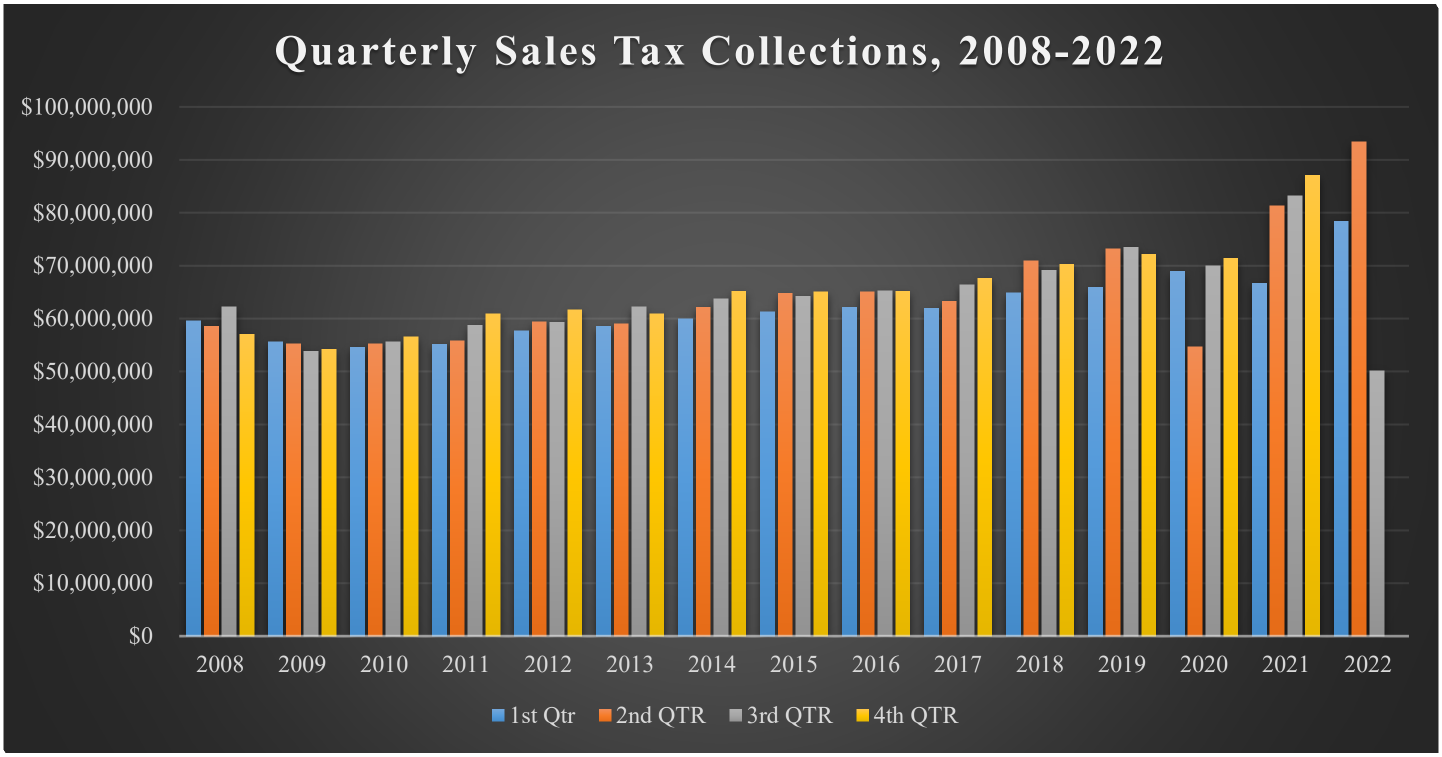
Caution needs to be displayed when forecasting movements in the Commercial sector, as many employers have been forced to reimagine their workforces and office space needs during the COVID-19 pandemic. While many workers have returned to their offices already, many others have not and a certain percentage will likely never go back to full time in the office as part of our "new normal."

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. The impacts from COVID-19 have been broader reaching than earlier economic downturns, but should follow a similar recovery

While this region will maintain its reliance on government job and economic pressures for the foreseeable future, there may be a shift afoot. Since the pandemic began, many new residents have made their way to the County and the Capital District as a whole. Many of our new residents came here to get away from more populated areas during the peak of the pandemic, oftentimes taking advantage of work from home policies that allowed them to be much more flexible in where they signed in from. These new friends and neighbors bring with them a multitude of skills which may help diversify our economy.

SALES TAX RECEIPTS

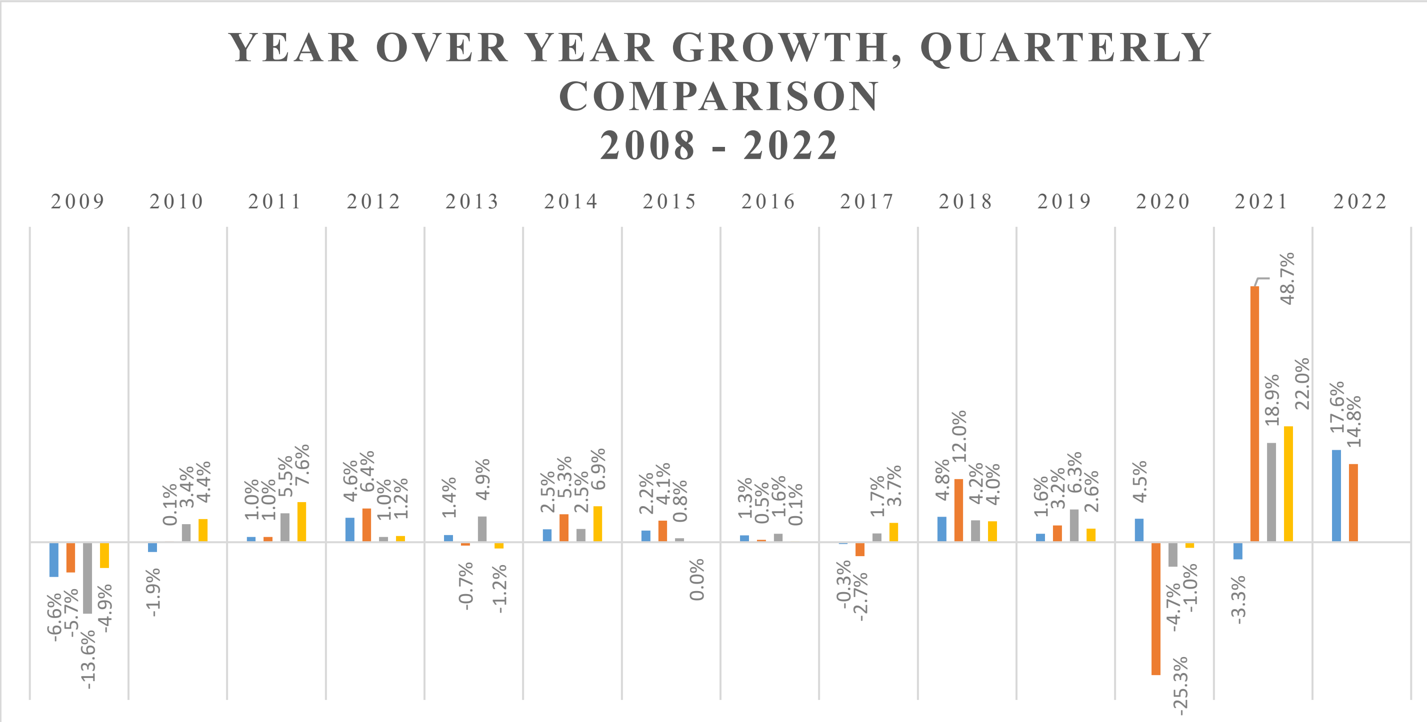
For Albany County government, the largest source of revenue is sales tax receipts. The downturn in sales tax receipts in 2020, mainly in the late first quarter through the beginning of the third quarter was directly tied to the COVID pandemic. This downturn led to a reduction in revenue of approximately $20 million and forced us to issue a Tax Anticipation Note to cover operating expenses later in the year. Thankfully as the economy has reopened sales tax receipts have come back and with the pent-up demand from all of the stimulus money in the economy we have seen some of the best collections ever. Year to date 2022 collections are up 12% over the same period in 2021 with the first quarter up 17.5% and the second up 14.8% over the same period in 2021. As you can see the pent up demand is already easing off due to uncertainties about the economic future over the next few years. This budget has a forecast based on historic growth rates and is a conservative estimate that should be very close to what we will actually receive.



Sales Tax Collections 2008-2022

Year	1st QTR	2nd QTR	3rd QTR	4th QTR	Total
2008	$59,624,793	$58,586,964	$62,271,323	$57,016,611	237,499,690
2009	$55,670,226	$55,223,024	$53,801,151	$54,207,432	218,901,833
2010	$54,626,399	$55,288,814	$55,655,060	$56,612,582	222,182,855
2011	$55,182,334	$55,828,740	$58,712,963	$60,932,707	230,656,743
2012	$57,747,242	$59,419,162	$59,292,147	$61,665,980	238,124,531
2013	$58,544,623	$59,030,577	$62,203,179	$60,932,741	240,711,119
2014	$59,999,991	$62,180,433	$63,755,567	$65,117,828	251,053,819
2015	$61,318,521	$64,741,962	$64,246,749	$65,104,694	255,411,926
2016	$62,109,327	$65,045,988	$65,290,110	$65,187,608	257,633,033
2017	$61,906,134	$63,311,979	$66,368,487	$67,598,698	259,185,298
2018	$64,900,949	$70,922,765	$69,138,278	$70,292,799	275,254,791
2019	$65,949,599	$73,204,054	$73,460,906	$72,116,433	284,730,993
2020	$68,910,753	$54,704,989	$70,021,191	$71,368,481	265,005,414
2021	$66,653,452	$81,339,358	$83,239,497	$87,091,921	318,324,228
2022	$78,362,310	$93,417,179	$50,140,178		221,919,667

Last week of Third Quarter Not Fully Collected
Figure Reflects Actual Receipts as of 9.16.22
Highest YTD Receipts Compared to Previous Five Years' Q3 YTD Receipts



CONCLUSION

The past few years have redefined the term “unprecedented times.” Early supply chain disruptions tied to the pandemic ushered in cost increases. The current Russian war in Ukraine has sent food and fuel prices soaring. Oil Companies recorded record profit numbers while the consumers were left paying all-time high prices at the gas pump. This has led to the Federal Reserve raising rates at an unprecedented pace. The fear here is that the Feds will reign in the economy too harshly, stifling growth while also leading to much higher unemployment. Current rates hikes are the most aggressive since the early 1980s with the goal of reigning in inflation, but this will not be the 2% historically seen in the US, more likely we are looking at 4% in the near term.

We will continue to feel the after effects of this pandemic for years, but we are on the path to recovery and this fiscal plan will help guide the County along the way. There are no one-shots or budget tricks employed, simply good government and fiscal prudence.