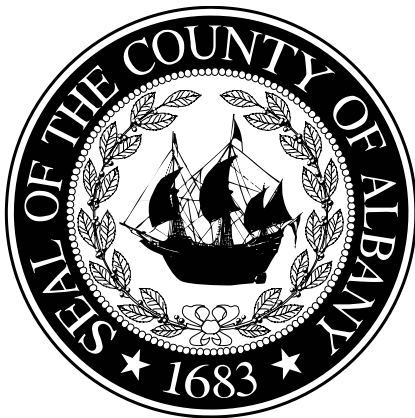

2025 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS ECONOMIC AND REVENUE EXPECTATIONS



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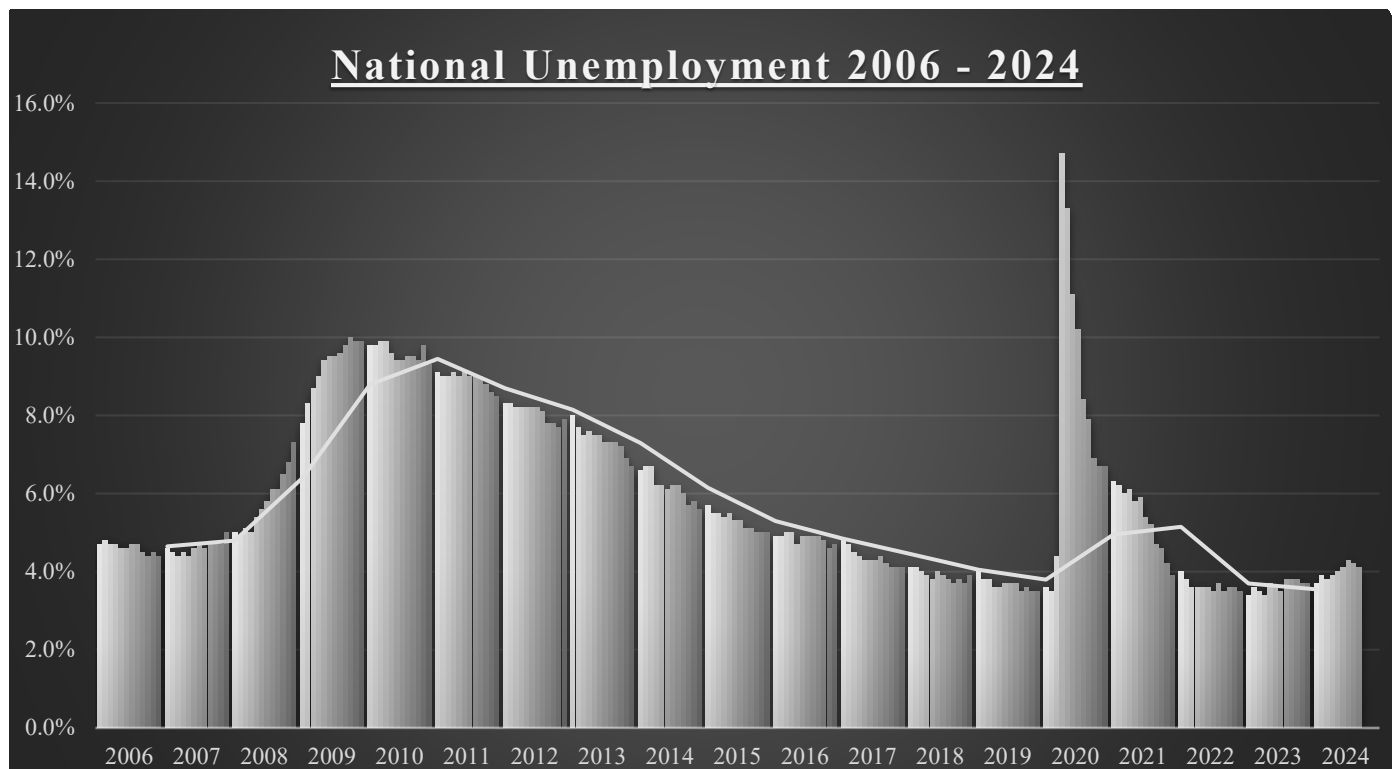


INTRODUCTIONS

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

Prior to the pandemic national unemployment was at 3.5%, at the peak of the shutdowns it was over 14%. By August of 2022 it stood at 5.2% and as of August 2024 the rate is at 4.2% nationally as per the US Bureau of Labor Statistics. That number is up from 3.8% at the same time one year earlier.



As you can see from the graph above, the worst month for unemployment nationally was 14.7% in April of 2020.

According to the Conference Board, the Leading Economic Index (LEI) decreased 0.2% in August 2024 to 100.2, it was at 105.4 at the time we released last year's budget and 116.6 the previous year. The LEI was down by 2.3% over the six-month period ending August 2024 after a 2.7% contraction over the previous six months.

"In August, the US LEI remained on a downward trajectory and posted its sixth consecutive monthly decline," said **Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board**. "The erosion continued to be driven by new orders, which recorded its lowest value since May 2023. A negative interest rate spread, persistently gloomy consumer expectations of future business conditions, and lower stock prices after the early-August financial market tumult also weighed on the Index. Overall, the LEI continued to signal headwinds to economic growth ahead. The Conference Board expects US real GDP growth to lose momentum in the second half of this year as higher prices, elevated interest rates, and mounting debt erode domestic demand. However, in the Fed's September 2024 Summary of Economic Projections, policymakers suggested 100 basis points of interest rate cuts are likely by the end of this year, which should lower borrowing costs and support stronger economic activity in 2025."

Real Gross Domestic Product (GDP) increased at an annualized rate of 4.9% and 3.4% in the third and fourth quarters of 2023 respectively. First Quarter growth for 2024 was 1.4% and is estimated to have increased by 3% in the second quarter of 2024. While this growth has shown signs of slowing, the rebound to 3% in the most recent quarter shows strength and indicates that policy makers may have managed to rein in inflation without tipping into a recession. Industry expectations are that this rate of growth will continue for the rest of 2024.

Job growth is expected to continue slowing and the unemployment rate is at its highest rate since October 2021. This environment of declining inflation and increasing unemployment has finally triggered the Federal Reserve to cut rates at their September 17/18 2024 meeting by 50 basis points to a target of 4.75-5.00%. Cuts have been expected all year but the Fed has been very cautious about cutting rates after the rate of increases required during the pandemic. These rate cuts are expected to continue with another 50 basis points expected to be cut before year end (most likely 25 bps at each of the 2 remaining meetings) and up to an additional 100 basis points forecast to be cut in 2025 by most bankers. These reduced rates will drive increased consumer spending and add to the ability of households to add new debt, therefore also driving an increase in home sales. Further driving this trend will be increased numbers of home sellers who have been holding off on selling their existing home over fears of being priced out of their next house in the face of the highest mortgage rates in two decades.

REGIONAL AND LOCAL ECONOMY

According to New York State Department of Labor unemployment statistics have stabilized near pre-pandemic levels. For the Albany/Schenectady/Troy statistical area the rate was 3.7% in August 2024 versus 3.4% in August 2023 and 3.3% in August 2022. Albany County was at 3.8% for August of 2024; individual counties in NY State ranged from 3.1% (Columbia, Hamilton & Yates) to 8% (Bronx) with the five counties making up New York City having the five highest rates.

From August 2023 to August 2024, the Northeast All Items Consumer Product Index (CPI-U) rose 3.4%. The increase was mainly due to a 4% increase in the all items less food and energy index, which was led by a 6.3% increase in the shelter index specifically. The food index rose 2.2% alongside an increase in electricity rates of 7.9%, while gasoline was down 8.0%

Existing home sales have not yet recovered from the pandemic. Year over year data from August 2023 to 2024 for Albany County specifically shows a decrease of 8.9% in new listings alongside a decrease of 19.8% in closed sales. During that time period the median sales price increased slightly to \$348,000 with the year to date median at \$333,000. Houses are averaging 18 days on the market before being sold compared to 16 at this point last year and are selling for an average of 102.7% of the original list price. There are currently 271 houses on the market, compared to 291 at this time last year and 353 two years ago.

Caution needs to be displayed when forecasting movements in the Commercial real estate sector, as many employers have been forced to reimagine their workforces and office space needs since 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.

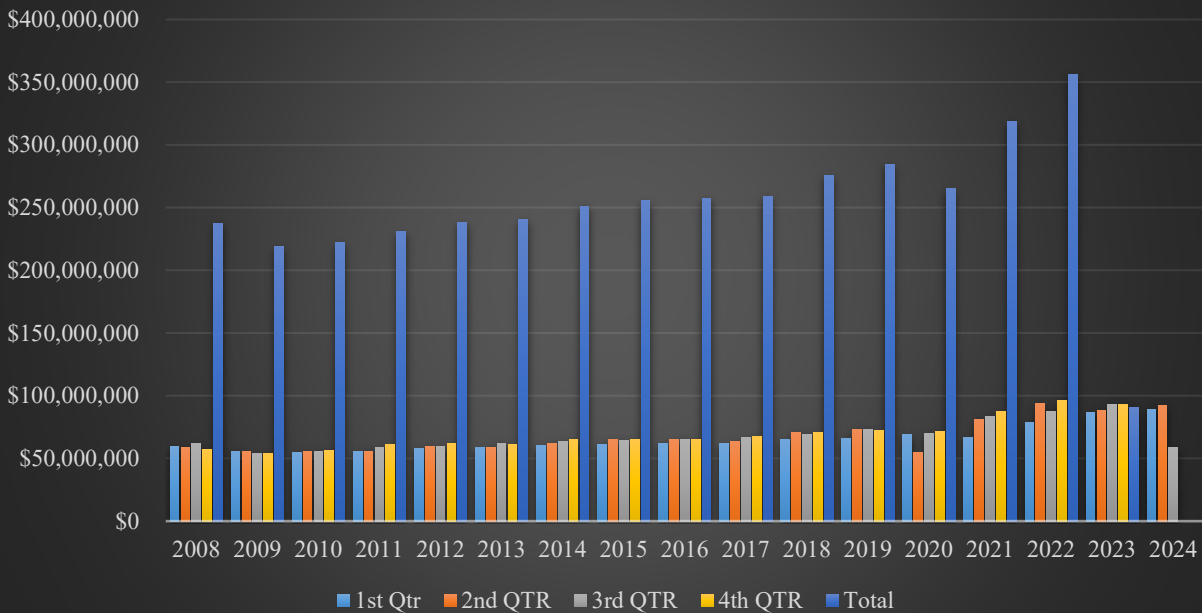
While this region will maintain its reliance on government job and economic pressures for the foreseeable future, there may be a shift afoot. Since the pandemic began, many new residents have made their way to the County and the Capital District as a whole, spurred in part by some of our successes in economic development. 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 reopened sales tax receipts have come back with record setting collections. Year to date 2024 collections are up 2.5% over the same period in 2023. The County Charter dictates a submission deadline of October 10 each year which precludes us from making a fully informed prediction on the third quarter receipts as the state is only required to fully true up with us on a full quarter at a time.

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.

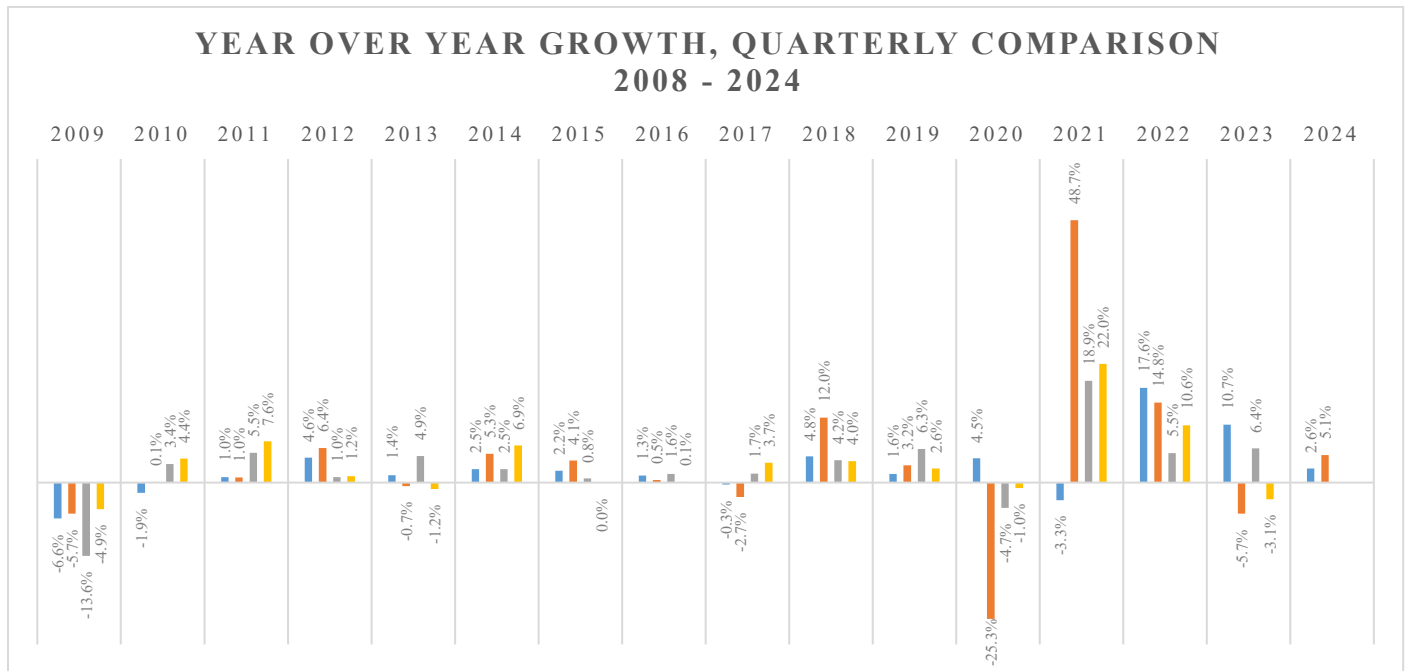
Quarterly Sales Tax Collections, 2008-2024



Sales Tax Collections 2008-2024

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	\$87,777,399	\$96,326,287	\$355,883,175
2023	\$86,758,393	\$88,060,108	\$93,357,090	\$93,357,090	\$90,876,430
2024	\$89,048,044	\$92,537,690	\$59,029,947		

Last week of Third Quarter Not Fully Collected
Figure Reflects Actual Receipts as of 10/3/24



CONCLUSION

With the Federal Reserve initiating cuts to the Federal Funds Rate and signaling further cuts, both by year end and through 2025, growth will ease, but domestic production will remain strong enough to prevent a technical recession. This will have worldwide impacts, with global GDP to expand at a moderate 2.5% annually for the next few years.

Other concerns involve geopolitical risks like the ongoing conflict in the Middle East as well as chilling of diplomatic relations on the Korean peninsula. Depending on the outcome of the pending US presidential race, either or both of these situations could become more volatile very quickly.