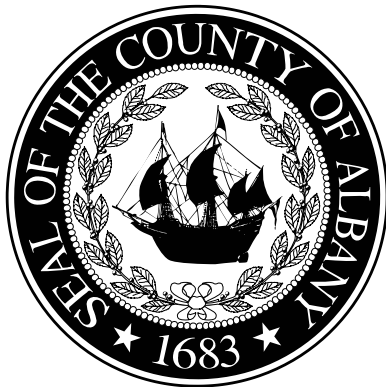

2019 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS

ECONOMIC AND REVENUE EXPECTATIONS



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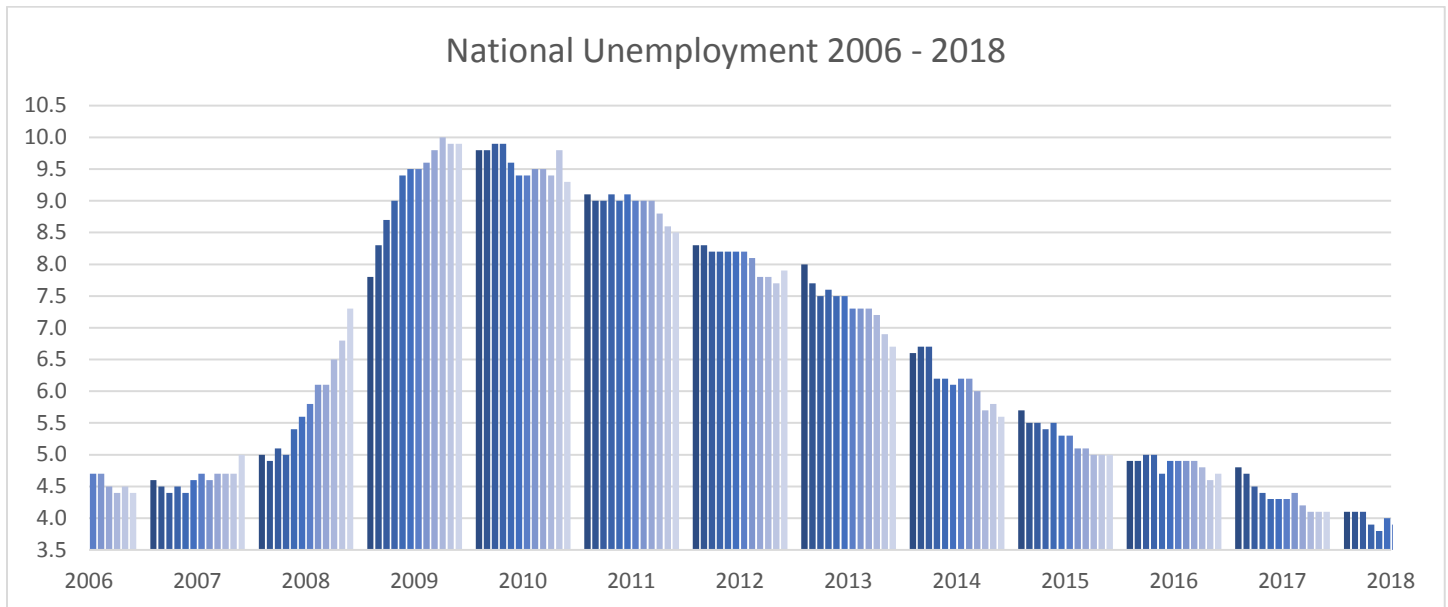
ECONOMIC AND REVENUE EXPECTATIONS

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, the national economy has continued growing at a moderate pace for the first half of 2019. National job growth and labor income remain constrained, with the unemployment rate declining to around 3.9% in July of 2018 from 4.3 in July of 2017 according the US Department of Labor. January through August 2018 unemployment rate has remains relatively constant, hovering around 4%. The national unemployment rate was at or below 5% for the third consecutive year – the lowest point in May 2018 being 3.8%.



Economic activity expanded at a modest pace across all twelve Federal Reserve Districts through August 2018. Retail sales were mostly steady as a whole. Some retail vendors seeing a 2 to 4 percent year over year growth in July and August 2018 respectively. Housing markets have softened somewhat, while the commercial real estate market has picked up.

Employment has remained tight around the country with many Federal Reserve Districts reporting labor shortages. Employment grew modestly across the nation with six of the twelve Federal Reserve Districts citing instances in which labor shortages constrained sales.

All Districts reported widespread input pricing pressures in many manufacturing categories with construction materials and freight transportation being particularly high. Tariffs were also reported to contribute to raising input costs. A few districts did note an increase in some inflation expectations (Federal Reserve Beige Book).

According to the Conference Board, the Leading Economic Index (LEI) increased 0.4% in August 2018, which followed a 0.7% for July and for 0.5% for June. Over the August 2017 through July 2018 time-frame, the LEI has grown constantly – up over 2%. The August 2018 gain was consistent with the continuing growth in the US. economy for the first half of the year, which progressed throughout the year at a moderate pace and looks to continue for the rest of 2018. (The Conference Board).

REGIONAL AND LOCAL ECONOMY

August 2018 figures from the United States Bureau of Labor Statistics report New York's unemployment rate was 4.2%. This is down from 4.7% in August 2017. Unemployment is at a 40+ year low for the country with New York trending towards the national average. Albany County's unemployment rate for August was 3.7%, down from 4.3% from August 2017.

ECONOMIC AND REVENUE EXPECTATIONS

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 for the Northeast region for August 2017 through August 2018 increased 2.7%, due mostly to a 10.2% increase in fuel and utilities, energy and petroleum products. The food index edged up 1.4% and all items less food and energy increased by 2.2% during the same time period. The large increase in the energy index can be attributed to a moderate increase in gasoline prices.

According to the Greater Capital Association of Realtors, closed sales are up 1.9% year over year through August 2018 for Albany County as a whole. New listing are up .04% while median sale price are down 4.0% during the same time-frame. As pending sales continue to climb year over year, low housing stock raises an issue for home affordability through 2018.

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' led to significant curtailment in public employment in the region, that trend has continued to slowly reverse as we reach a natural unemployment rate.

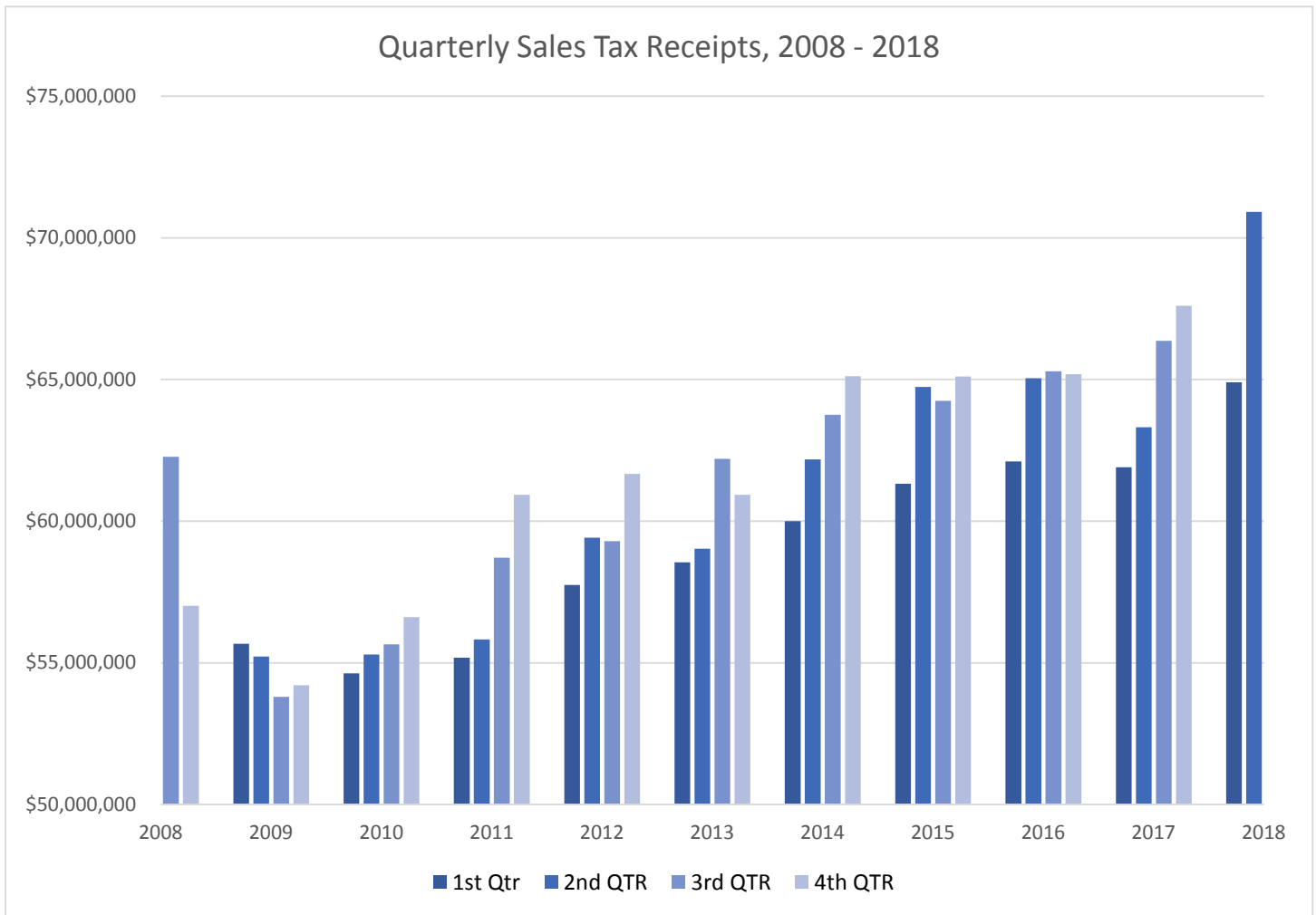
Current trends point to a baseline adjustment of long-term employment and economic trends in the region, shifting away from heavy reliance on State government jobs as high technology sector continues to expand, while the traditional dependence on the health and education sectors continue.

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.

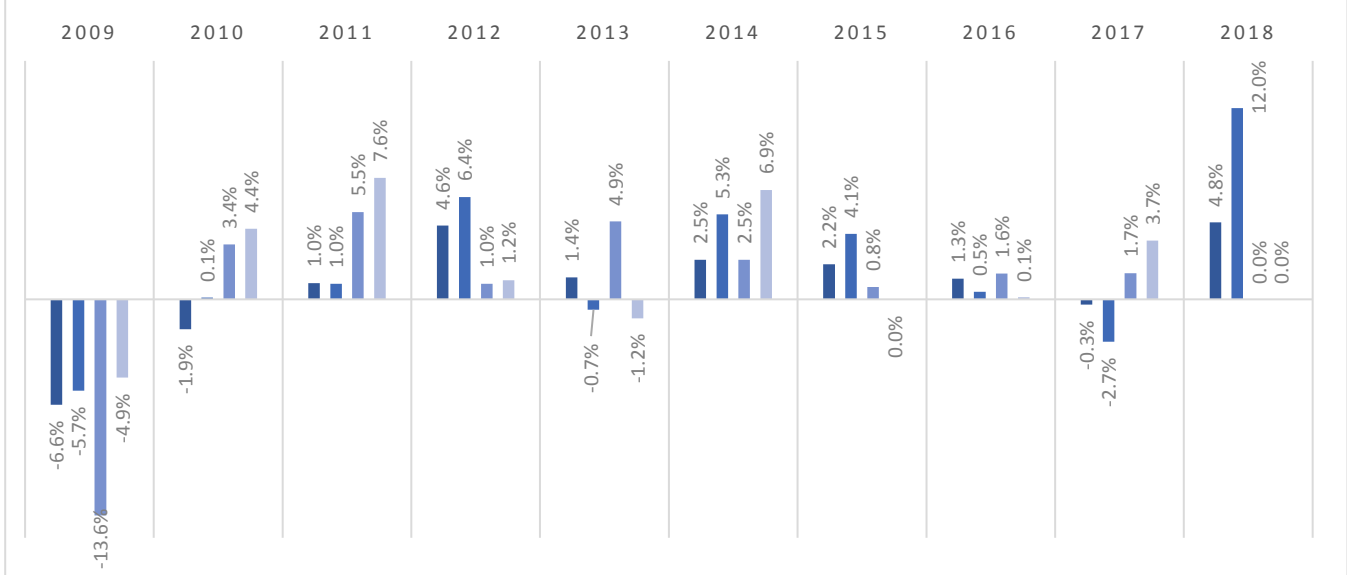
Albany County's sales tax revenue has more than bounced back from the depths of the recent economic downturn. Sales tax revenues have increased strongly over the past decade though. Sales tax receipts are best compared year over year in a quarterly basis since payments from the State Tax Department are adjusted at the end of every quarter. There has been a rebound particularly in the second quarter of 2018, which saw a year over year growth of approximately 12%. This double digit increase is somewhat askew due to an abnormal downturn in the second quarter of 2017. After the recent Supreme Court ruling on sales tax in the South Dakota v. Wayfair case, New York gains a more broad ability to enact legislation to have sales tax collections be mandatory with disbursement to municipal entities being a possibility.

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		

YEAR OVER YEAR GROWTH, QUARTERLY COMPARISON 2008 - 2018



CONCLUSION

The economic and financial picture of Albany County has improved from a decade ago. Signs of economic stagnation that were apparent over 2016 and 2017 have been supplanted by extraordinary growth in the first half of 2018. 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 2018. Economic factors like job creation and availability of market capital are a kin to economic sustainability in a particular region, the overall economic factors have been favorable for Albany County but large economic impacts can happen in the upcoming year with fiscal cutbacks from the Federal Government being discussed in Congress.