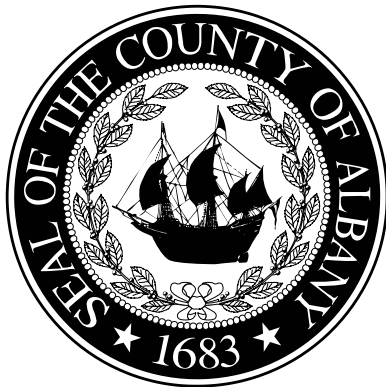

2018 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS

ECONOMIC AND REVENUE EXPECTATIONS



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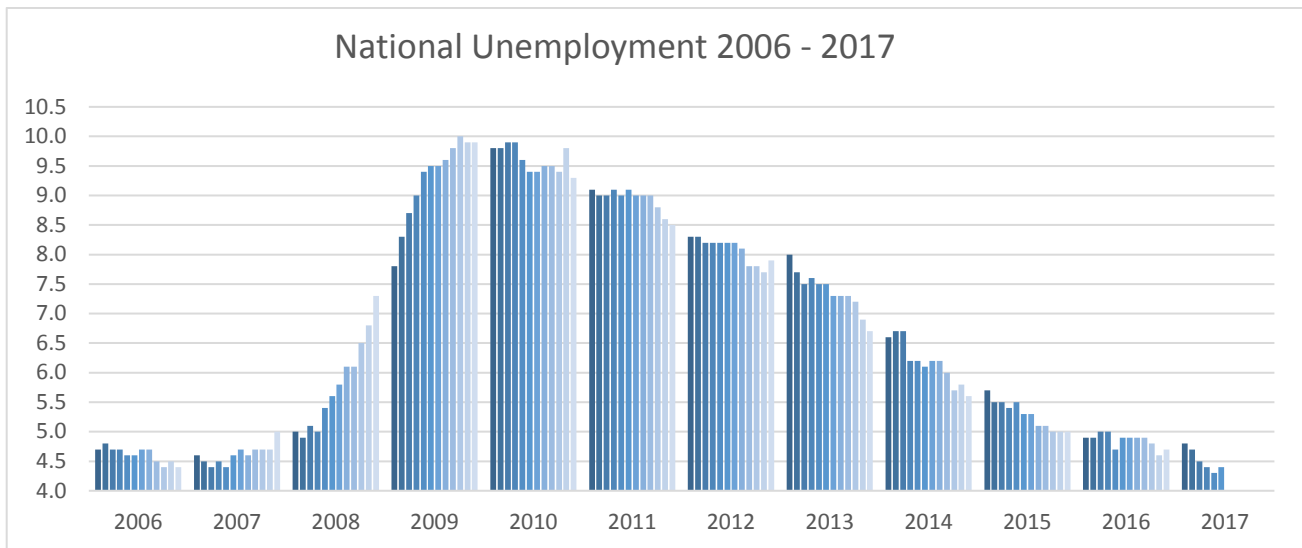
ECONOMIC AND REVENUE EXPECTATIONS

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 2016. National job growth and labor income remain constrained, with the unemployment rate declining to around 4.4 percent in June of 2017 from 4.9 in June of 2016 according the US Department of Labor. January thru August 2017, the national unemployment rate was at or below 5% for the second consecutive year – the lowest point in May being 4.3%.



Economic activity expanded at a modest pace across all twelve Federal Reserve Districts in July and August 2017. Consumer spending also increased in most districts with gains reported for non-auto retail sales and tourism, but mixed results for auto sales. Reports were mixed regarding auto production with some Federal Reserve Districts expressing concerns about a prolonged slowdown of the auto industry.

Activity in the energy and natural resource sector was generally positive prior to the landfall of Hurricane Harvey. Business and consumer load demand grew at a modest pace in most districts, with a number of banks reporting competition from non-bank lenders. Prices rose modestly overall across the country. Input and materials costs generally increased, most notably for freight, lumber, and steel. In contrast, movements in energy and agricultural commodity prices were mixed (Federal Reserve Beige Book).

According to the Conference Board, the Leading Economic Index (LEI) increase 0.3% in July 2017, which followed a 0.1% for June 2017. Over the August 2016 thru July 2017 timeframe, the LEI has grown from 124.1 to 125.2. The August 2017 gain was consistent with the continuing growth in the U.S. economy for the second half of the year, which may even see a moderate pick up (The Conference Board).

REGIONAL AND LOCAL ECONOMY

August 2017 figures from the United States Bureau of Labor Statistics report New York's unemployment rate was 4.8%. This is down from 4.9% in August 2016. Albany County's unemployment rate for August was 4.3%, up from 4.1% from August 2016. Compared to the same month last year, Albany area non nonfarm employment increased by 1,600 or .3% to 464,100 in August of 2017. The number of unemployed people for the area increased from 18,058 in August 2016 to 18,873 in August 2017 or 4.5%.

ECONOMIC AND REVENUE EXPECTATIONS

While the national housing market experienced a series of unprecedented growth followed by devastating decline, the local housing market remained relatively stable. 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 2016 thru August 2017 increased 1.8%, due mostly to a 2.3% increase in fuel and utilities, energy and petroleum products. The food index edged up 0.2% and medical care increased by 0.2% during the same time period. The large increase in the energy index can be attributed to a 14.5% increase in gasoline prices.

According to the Greater Capital Association of Realtors, closed sales are down 16.3 % year over year thru July 2017 for Albany County as a whole. New listing are up 2.1% while median sale price are down 1.7% during the same timeframe. Housing stock remains low, decreasing almost 20% year over year. Additional residential development continues throughout the County - with several large apartment projects being pursued throughout Albany County.

Meanwhile, recent developments in the Commercial sector point to an increase in demand. Development along State Street, the construction on the Albany convention center, expanded development in "Park South" along with commercial development throughout Albany County, all point towards an increase in demand for commercial office and retail space.

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 approach a natural unemployment rate. Albany area government employment increased by 1.3% in July 2017, compared to the same time in the prior year – approximately 1,300 jobs as reported by the US Bureau of Labor Statics.

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.

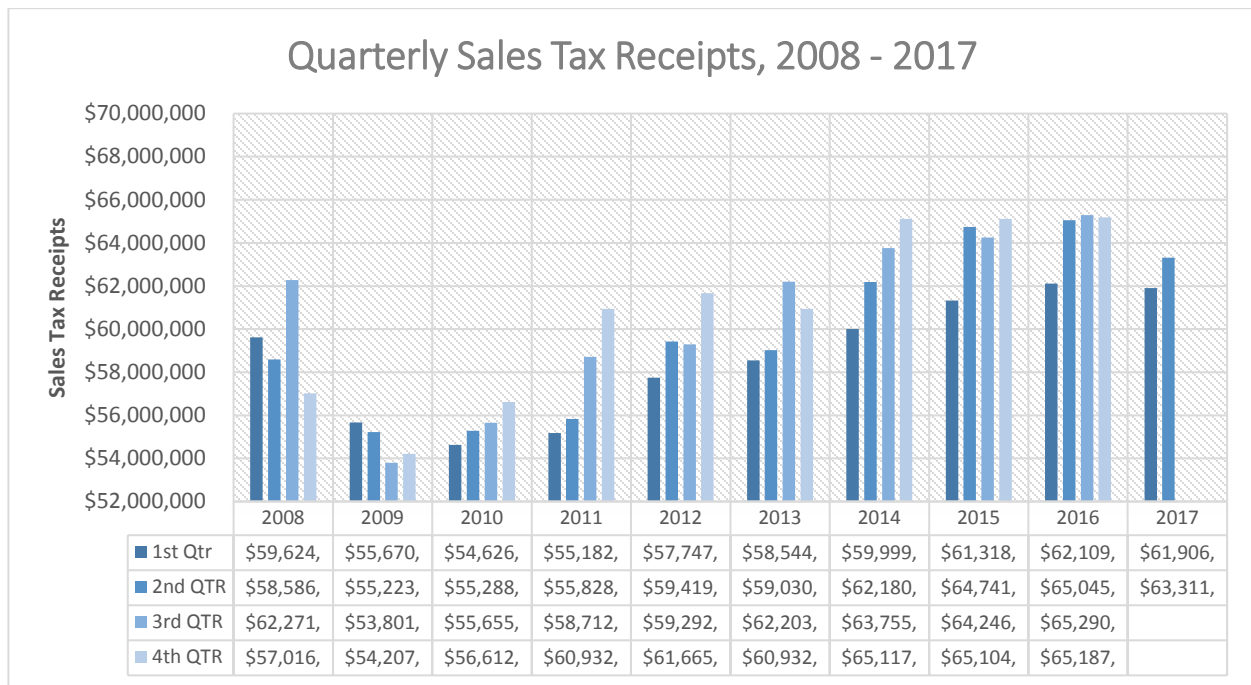
SALES TAX RECEIPTS

For Albany County government, the largest source of revenue is sales tax receipts. Sales tax revenue decreased sharply in recent years 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.

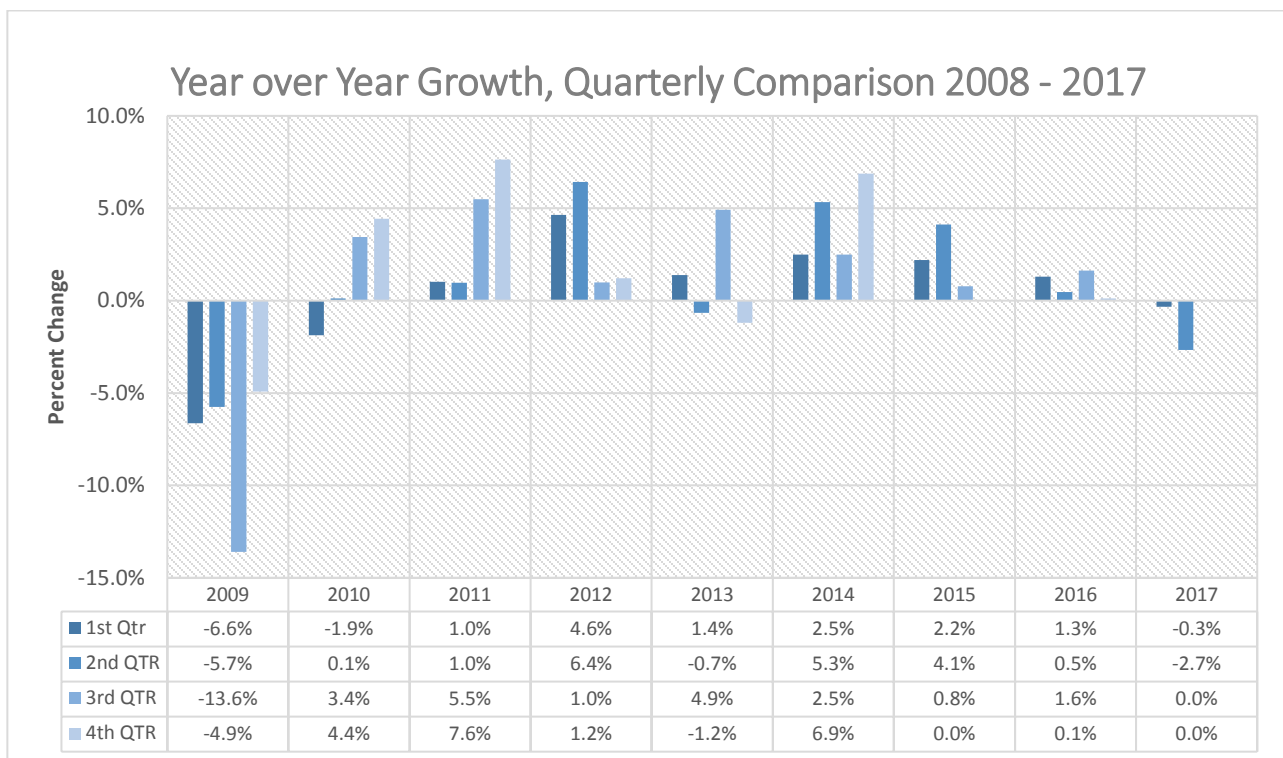
Albany County's sales tax revenue has more than bounced back from the depths of the recent economic downturn. Sales tax revenues have increased strongly over the past decade though. There has been a slight turn down of roughly 1.54% for the first half of 2017 compared to the same time frame 2016. (Since payments from the State Tax Department are adjusted at the end of every quarter, full quarters of payments are the best way to accurately determine trends.) Albany County had the only regional downturn in sales tax in the upstate area and this was the first half year decrease in the last decade. This anomalous trend will be monitored for future impacts. The annual growth in the prior two years, 2016 and 2015 of had approximately .87% and 1.7% respectively.

As can be seen from the graphs below, the general trend of sales tax receipts has grown since the onset of the 'Great Recession'. Constant growth of the consumer markets over the past five years has led to sales tax receipts to rebound to their pre-recession levels.

ECONOMIC AND REVENUE EXPECTATIONS



**All quarters are in thousands of dollars (*, 000)*



CONCLUSION

The economic and financial picture of Albany County has improved from a decade ago but some signs of economic stagnation have arisen over the past two years. Local unemployment has remained low but job growth has not keep pace with increase in unemployment claims. Sales tax, while “bullish” over the past 5 years, had the first two quarter consecutive downturn since the ‘Great Recession’. Other economic factors like job creation outside the government has been strong over the past 8 months. 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 and fuel/energy costs on the rise over the short term.