



SECOND QUARTER FINANCIAL REPORT

Office of the
Ulster County Comptroller
March S. Gallagher



2021



ULSTER COUNTY OFFICE OF THE COMPTROLLER

2021 SECOND QUARTER FINANCIAL REPORT

comptroller.ulstercountyny.gov

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This financial report highlights aspects of Ulster County's fiscal status through the second quarter of 2021 (ending June 30th). [1] The second quarter left the County in a strong financial position when considering both year to date revenues and expenditures. Reduced spending, primarily due to a significant reduction in the County workforce, generated a significant reduction in both personal service and benefit related expenditures. Additionally, the County enjoyed increases in both State and Federal aid revenues coupled with historic growth rates in both sales and occupancy tax collections. The County closed the second quarter with a sizable operating surplus compared to both budgeted and historical figures. In addition, the County has received more than \$17.2 million in federal funding under the American Rescue Plan.

Economic Outlook

Ulster County's economy is closely mirroring the national economy. Investments from federal pandemic related assistance have bolstered spending in most categories, resulting in consumers seeing higher prices and despite low unemployment, employers struggle to find staff. Housing and rental prices are up while those households facing economic insecurity fall further behind in rent arrears awaiting federal pandemic rental assistance that is log-jammed at the state level.

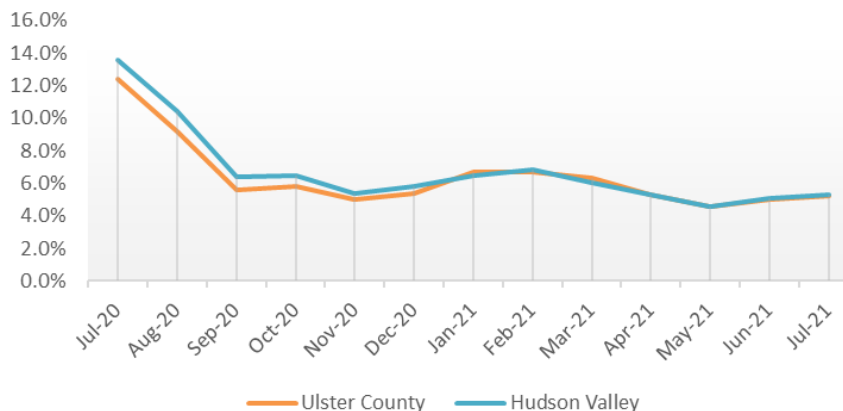
Consumer Price Index (CPI)

People and businesses are feeling the impact of price increases. According to the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U), Over-the-year, the CPI-U rose 3.5%. [2] The index for all items less food and energy increased 2.7%. Energy prices jumped 17.0%, largely the result of an increase in the price of gasoline. Food prices increased 3.4%.

Consumer Price Index



Unemployment



Unemployment

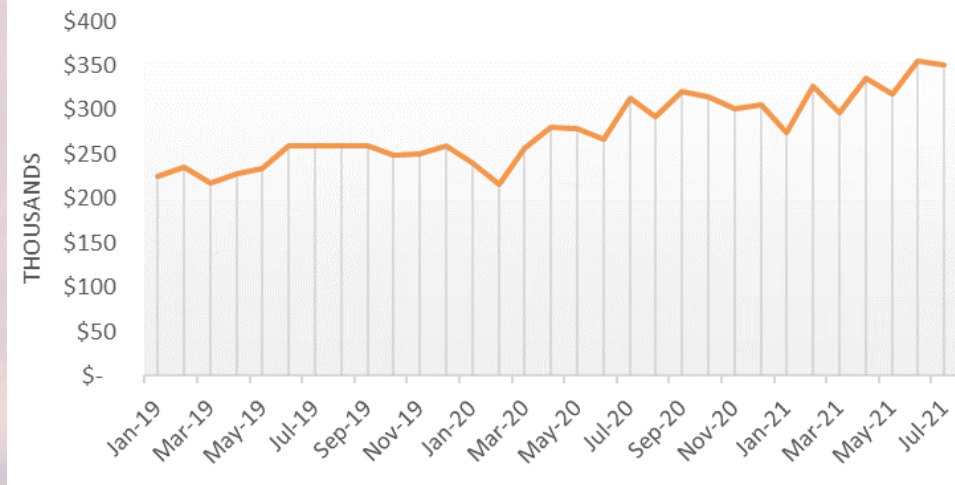
The Ulster County unemployment rate stood at 5.2%, roughly equal to the Hudson Valley rate of 5.3% at the end of July. This compares very favorably to local and regional rates of 12.4% and 13.6% in July of 2020. Unemployment rate shows only one part of the labor economic challenge. Another important yet often overlooked statistic is the number of open positions. According to the Bureau of Labor Statistics, at the close of June 2021, the United States had 10.1 million open non-farm positions compared to only 6.1 million in June of 2020, the most since BLS began tracking the data for this statistic in 2006. [3] New York's payment of the additional federal pandemic related unemployment assistance is coming to an end which may increase the number of unemployed who meaningfully seek employment.

Housing, Rent Arrears, and the Eviction Moratorium

Although the July 2021 median home sale price declined slightly from the June 2021 price, overall home sale prices are up. Median home sale price in July 2019 was \$260,000 and has increased \$89,000 (35%) to \$349,900 in July 2021.

Higher home sale prices drive higher rent prices. Ulster County continues to experience a housing crisis with 14.9% of households behind in rent owing an average of \$3,578 in back rent. These numbers are very close to the national average of 14.7% of households in arrears for an average of \$3,800. [4] The State's eviction moratorium has been extended through January 15, 2022 and bars cases from proceeding if a tenant submitted a form declaring that they had experienced economic hardship because of the pandemic. Landlords now have a right to request a hearing to contest any tenant's claim of financial hardship that protected them from eviction. The U.S. Supreme Court had found the previous policy, which allowed tenants to self-attest on a form that they faced financial hardship, was a potential violation of the landlord's right to due process.

Ulster County Median Home Sale Price

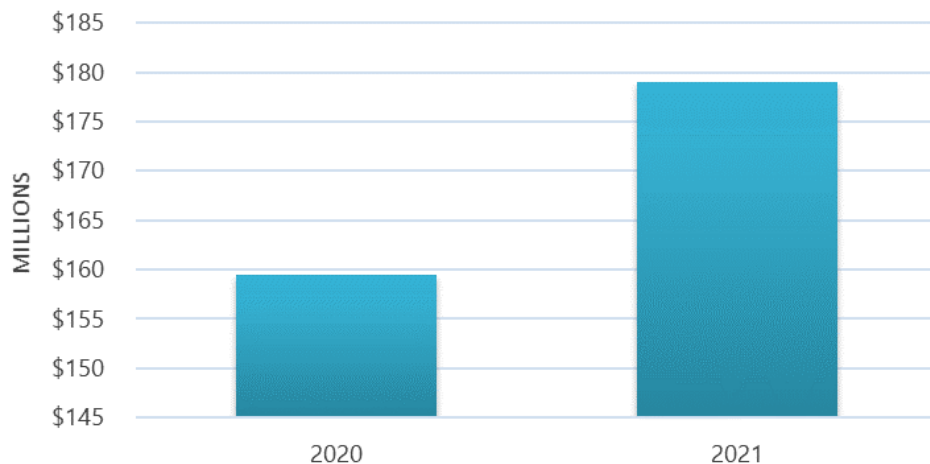


Federal funds for rent relief have not been widely distributed in New York State. The New York State Comptroller reported that as of August 12, 2021, only \$108.8 million has been disbursed from the Emergency Rental Assistance Fund of the \$2.35 billion in funds allocated to it through the Consolidated Appropriations Act and the American Rescue Plan Act. [5] As of August 23, 2021, the program had paid out 55 payments totaling \$365,963 for rent arrears and 46 payments totaling \$136,378 for prospective rent [6] to Ulster County applicants. Although not all rent arrears households are eligible, this is a fraction of the 3,824 low income households behind in rent in Ulster County. [7]

Revenues

Mid-Year revenues in 2021 were \$20 million higher than in 2020, while the County had budgeted for an \$8.5 million reduction year over year. With increases in almost every revenue category, the County saw significant increases in funding during the second quarter of 2021. Sales tax windfalls were the largest single contributor to these significant revenue increases. These revenue increases do not reflect the American Rescue Plan ("ARP") Funding received in the second quarter and allocated to Capital Projects.

YTD Revenue Collections 6 Month Totals



Revenues by Category Through June 30th

Category	2020 YTD Transactions	2020 Adopted Budget	% of 2020 Adopted Budget	2021 YTD Transactions	2021 Adopted Budget	% of 2021 Adopted Budget
Non-Property Tax Items (incl. Sales Tax)	\$ 45,061,822	\$ 132,751,423	34%	\$ 59,725,304	\$ 124,564,288	48%
Real Property Taxes	76,318,489	75,567,758	101%	76,317,761	75,567,758	101%
State Aid	12,840,692	54,165,167	24%	15,355,024	52,910,151	29%
Federal Aid	4,875,820	33,095,059	15%	8,597,847	33,837,478	25%
Other Financing Sources (incl. Fund Balance)	-	13,160,242	0%	-	13,213,967	0%
Departmental Income	3,642,083	9,923,745	37%	3,881,364	10,992,154	35%
Intergovernmental Charges	7,143,618	8,336,974	86%	6,696,587	7,762,387	86%
Real Property Tax Items	3,318,570	5,435,000	61%	3,118,860	5,681,911	55%
Interfund Revenues	3,503,886	5,227,200	67%	3,079,157	4,783,913	64%
Sale of Property & Compensation for Loss	1,176,082	1,188,750	99%	761,280	1,566,950	49%
Use of Money and Property	912,318	2,032,989	45%	645,819	1,558,637	41%
Miscellaneous Local Sources	180,288	971,400	19%	420,880	1,046,900	40%
Fines and Forfeitures	229,616	531,894	43%	142,949	376,000	38%
Licenses and Permits	226,206	489,000	46%	338,565	498,170	68%
Grand Total	\$ 159,429,490	\$ 342,876,601	46.5%	\$ 179,081,396	\$ 334,360,664	53.6%

State and Federal Aid

The County saw increases in State and Federal Aid received during the first half of 2021, primarily related to funding for COVID-19 related expenses. The federal government has also passed legislation under the American Rescue Plan, which is discussed in further detail on page 4.

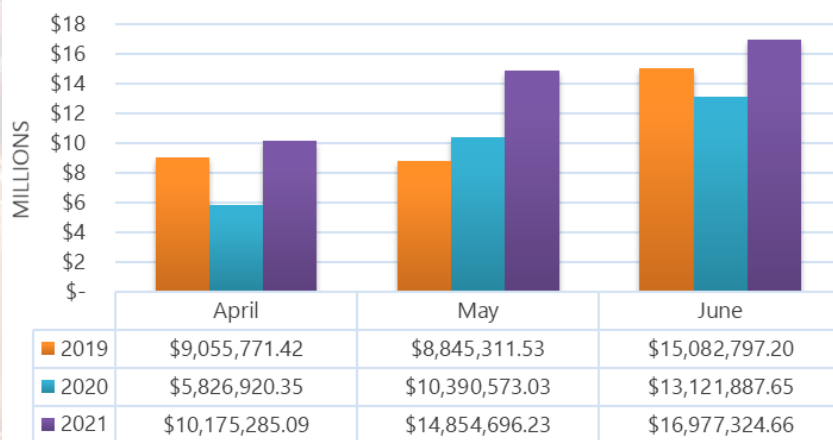
Non-Property Tax Items Revenues Through June 30th

Non-Property Tax Items	2020 YTD Transactions	2020 Adopted Budget	% of 2020 Adopted Budget	2021 YTD Transactions	2021 Adopted Budget	% of 2021 Adopted Budget
Sales & Use Tax	\$ 43,722,758	\$ 128,561,423	34%	\$ 57,286,362	\$ 120,559,288	48%
Occupancy Tax	448,801	2,185,000	21%	1,341,692	2,000,000	67%
Automobile Use Tax	505,515	1,200,000	42%	645,029	1,200,000	54%
Emergency Phone System Tax	384,748	805,000	48%	401,226	805,000	50%
OTB Surtax	-	-	0%	50,995	-	0%
Non-Property Tax Items Total	\$ 45,061,822	\$ 132,751,423	33.9%	\$ 59,725,304	\$ 124,564,288	47.9%

Sales Tax

At the end of the second quarter, the County had collected 48% of the annual budgeted sales tax figures. Because sales tax revenues are seasonal in nature, this puts the County beyond expectations for sales tax collections in the current year. Year to date, the County collected \$57.3 million in sales taxes, a \$13 million dollar increase when compared to the first half of 2020. This increase in sales tax revenues not only provided additional funding to the County and the municipalities that share in sales tax revenues, but it is a good indicator that the economy and general spending remain strong in the County. For more information on mid-year sales tax figures including industry specific data, please see the Mid-Year Sales Tax report on our website for more detailed information about 6-month sales tax figures and trends.

Monthly Sales Tax Collections



*monthly collections in this chart include the final payment of May and all of June sales tax collections, which are received after Q2 and are not in the table above

Occupancy Tax

Occupancy tax collections reached historic levels in the second quarter, when total collections reached \$1.3 million, nearly a million dollar increase when compared to the first half of 2020. More than \$1 million in occupancy tax revenues were received in the second quarter, as tourism saw a huge increase both County and nationwide. This brought second quarter collections in at more than \$700k higher than those in 2020. Increase in travel and the voluntary collection agreement with Airbnb which is now in full effect, are both likely contributing factors. At a nearly 200% increase, and a large portion of the travel season still on the horizon, the County is likely to see continued increases to this funding stream and will likely exceed budgeted figures before the close of the third quarter.



Foreclosure Auction

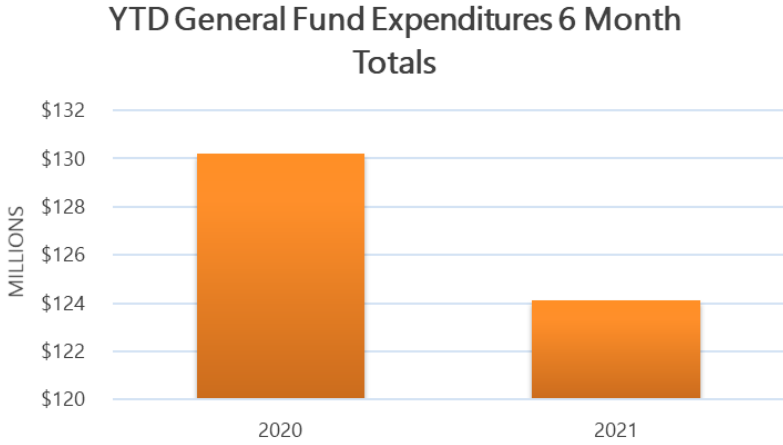
The County held its annual foreclosure auction on June 11, 2021 on most properties that would have been auctioned in 2020 but were held due to the pandemic and moratorium on foreclosures in effect. Ninety-six properties were offered at auction with taxes owed totaling \$1.6 million. Eighty properties ultimately sold for a total of \$1.95 million. This was the first time the County conducted the auction in an online forum which has resulted in a greater number of registered bidders, a larger proportion of properties sold, and a greater return for the County. The ease and accessibility of the online auction process coupled with an increase in market prices and a lack of real estate inventory left the County with historic returns for these auctioned parcels.

The American Rescue Plan

The American Rescue Plan Act ("ARP") of 2021 is a \$1.9 trillion bill designed to enable the United States' recovery from the economic and health effects related to the COVID-19 pandemic. The nearly \$2 trillion economic rescue legislation is one of the largest in U.S. history, and includes both direct economic stimulus payments to individuals, as well as funding to small governments and municipalities based on population figures. ARP funding received by the County is not included in the figures above, as the County has those monies currently housed within the Capital Projects Fund. On June 14th, the County received \$17.2 million, the first half of the ARP funding it will receive as a part of the bill. The County is in the process of organizing its plans for the funding and conducting community outreach. For more information on the ARP funding, please refer to the following website: <https://www.naco.org/resources/featured/american-rescue-plan-act-funding-breakdown>

Expenditures

Spending in the second quarter of 2021 showed a \$6 million decrease when compared to 2020 figures. Total 2020 expenditures were significantly lower due to suspension of services and effective planning by management beginning in the second quarter and kept impacting financial figures in the third quarter. Decreased 2021 spending was primarily due to a reduction in Personal Services and Employee Benefits, as the County saw planned workforce attrition and a major retirement incentive. We note that contractual services, employee benefits, and debt service payments typically see larger expenditures at the end of the year. Additionally, retroactive payments resulting from the recently negotiated union contracts have not yet been made and are not included in these figures.



Expenditures by Category Through June 30th

Category	2020 YTD Transactions	2020 Adopted Budget	% of 2020 Budget	2021 YTD Transactions	2021 Adopted Budget	% of 2021 Budget
Contractual Expenses	\$ 74,121,513	\$ 182,297,033	41%	\$ 70,387,721	\$ 180,608,675	39%
Personal Services	39,644,739	91,157,492	43%	38,654,191	85,617,312	45%
Employee Benefits	14,264,752	53,058,816	27%	12,948,010	51,632,092	25%
Debt Service	1,571,010	13,477,961	12%	1,560,188	14,145,698	11%
Equipment & Capital Outlay	606,197	2,885,299	21%	559,181	2,356,887	24%
Grand Total	\$ 130,208,210	\$ 342,876,601	38.0%	\$ 124,109,291	\$ 334,360,664	37.1%

Payroll Expenditures

In the second quarter of 2021 the County paid a total of \$22.4 million in gross earnings to employees, which included \$309k in health insurance buyout payments for employees declining coverage under the County's plan, as well as vacation buyouts and other payroll adjustments.

Overtime hours paid totaled \$1.4 million in the second quarter, compared to \$1.2 million in overtime earnings in the first quarter of the year.

The County also paid \$29k to employees who were quarantined with pay, bringing the total of quarantine with pay wages up to \$250k for 2021 so far.

In the second quarter of 2021, 4 employees retired from service versus 52 in the first quarter of 2021 when many employees elected the retirement incentive offered. At the end of the second quarter the County employed 1,415 total employees compared to 1,343 at the end of the first quarter, a 72 person increase in just three months, likely a result of filling vacancies and seasonal hiring.

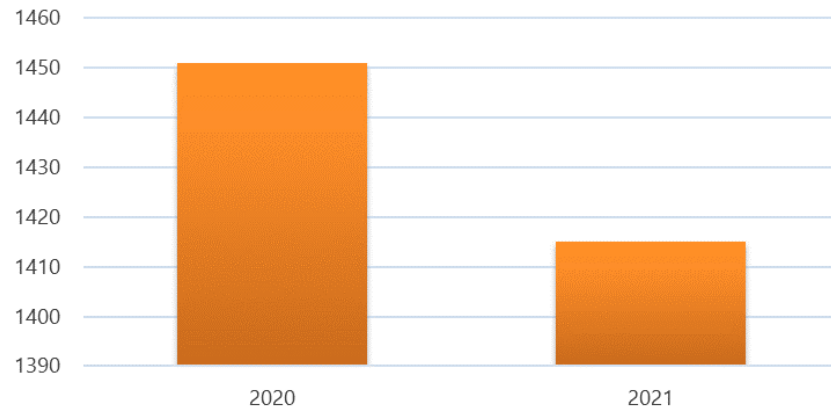
Capital Projects

By the end of the second quarter, the County had expended \$7.3 million out of its capital projects fund, the majority of which was related to Capital Project 482, through the Department of Emergency Management for the implementation and improvement of a county wide radio system, as noted in our 2021 [First Quarter Financial Report](#). In addition to this project, the County made several small expenditures on highway, bridge and other infrastructure related projects. The County is in the process of developing additional capital projects to address the ARP Funding received and will be announcing plans for those monies in the coming months.

Cash

The County maintains a variety of cash accounts at several financial institutions throughout the County. The average cash balance for all County accounts in the first quarter was \$126.2 million. Most of the cash reserves held by the County are maintained in the County's Deposit account. The average daily balance for the deposit account during the second quarter of 2021 was \$112 million dollars, earning an annual percentage yield of .12%, or just over \$33k for the second quarter. With additional \$17.2 million of federal funding received as a part of the ARP, the County is housing substantial cash balances that it will not likely disperse for several months as planning and development takes place. The County should review its investment strategy considering these healthy cash balances to ensure that we are maximizing potential profits and income regarding these large cash reserves.

Total Employee Headcount Q2



References

1. We have used unaudited and unofficial amounts as reported within Ulster County's financial management system as of May 1, 2021 that was collected for the purposes of this review. This report does not include expenditures that are not approved by the Office of the Comptroller, such as payments made within the Welfare Management System managed by the Department of Social Services. Actual results are not final, may vary, and are subject to change. Financial information is not finalized until external audit procedures are completed, which may include audit adjustments.
2. U.S. Bureau of Labor Statistics, Consumer Price Index, New York - Newark - Jersey City - July 2021. Retrieved from https://www.bls.gov/regions/new-york-new-jersey/news-release/consumerpriceindex_newyorkarea.htm#chart1
3. U.S. Bureau of Labor Statistics, JOB OPENINGS AND LABOR TURNOVER – JUNE 2021. Retrieved from <https://www.bls.gov/news.release/jolts.nr0.htm>
4. Sgaier, S.K and Dibner-Dunlap, A. (July 28, 2021), How Many People Are at Risk of Losing Their Homes in Your Neighborhood? The New York Times. Retrieved from <https://www.nytimes.com/2021/07/28/opinion/covid-eviction-moratorium.html>
5. NYS Office of State Comptroller (August 2021), New York State Rent Relief Funding: Spotlight on New York City. Retrieved from <https://www.osc.state.ny.us/reports/osdc/new-york-state-rent-relief-funding-spotlight-new-york-city>
6. NYS Office of Temporary and Disability Assistance, New York State Emergency Rental Assistance Program Rent Arrears and Prospective Rent Payments by County Through August 23, 2021. Retrieved from <https://otda.ny.gov/programs/emergency-rental-assistance/monthly-reports/ERAP-County-Payments-21-08-23.pdf>
7. Based on disaggregated data for sub-national geographies taken from the two most recent Census Bureau's Household Pulse Surveys and the individual-level microdata in the Pulse public-use file, which is released two weeks after the tabular data. National Equity Atlas (August 30, 2021), Rent Debt in America: Stabilizing Renters Is Key to Equitable Recovery. Retrieved from <https://nationalequityatlas.org/rent-debt-in-america>
8. The figures reported do not include the final May and all of June Sales tax collections that were not received until the third Quarter of 2021 and therefore will not agree to figures reported in the Mid-Year Sales Tax Report due to timing differences of the information reported.