



SECOND QUARTER FINANCIAL REPORT

**Office of the
Ulster County Comptroller
March S. Gallagher**



2022



ULSTER COUNTY OFFICE OF THE COMPTROLLER

2022 SECOND QUARTER FINANCIAL REPORT

comptroller.ulstercountyny.gov

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This financial report highlights aspects of Ulster County's fiscal status through the mid-year of 2022 (ending June 30th).¹ Overall, Ulster County budgeted an increase to revenues of 5.6% or \$18.6 million for 2022, mid-year revenues of \$186.1 million show the County had an increase of \$6.4 million compared to the same period in 2021. The 2022 actual spending increased about \$9 million through the second quarter from the prior year, from \$124.1 million to \$133.1 million, which is in line with expectations due to an increase in total budgeted spending.

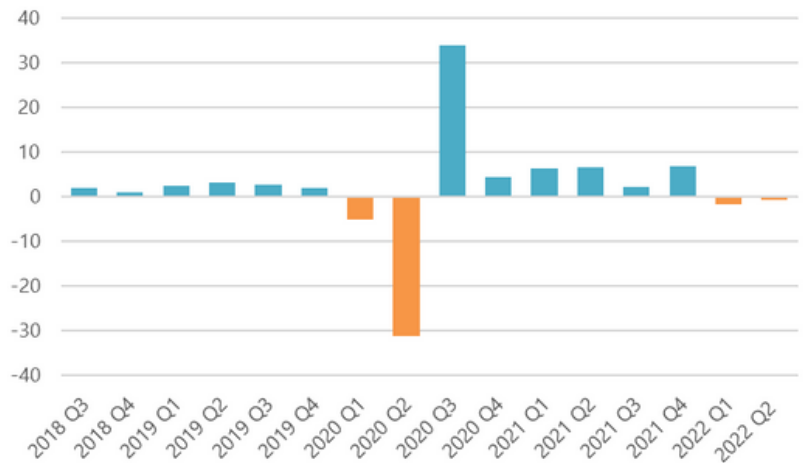
Economic Outlook

The second quarter of 2022 continued to show volatility with increased consumer and housing prices, low unemployment and a second quarter of negative Gross Domestic Product. Job creation continues to rebound but in lower paying job categories and still has not reached the pre-pandemic levels of employment. Inflation, especially energy and food prices, continued to impact consumer spending.

Gross Domestic Product

The second quarter of 2022 saw another reduction of gross domestic product (GDP). Negative GDP is a significant economic indicator that can signal signs of recession. A recession is formally defined as at least two consecutive quarters of negative GDP, although there is debate in the economic community about whether that definition is sufficient when we have full employment and other positive indicators. The National Bureau of Economic Research's Business Cycle Dating Committee makes the official call on recession, and they have not yet done so.

Quarterly Gross Domestic Product



Bureau of Economic Gross Domestic Product (Second Estimate), GDP by Industry, and Corporate Profits (Revised), Second Quarter 2022 available at <https://www.bea.gov/news/2022/gross-domestic-product-second-estimate-and-corporate-profits-preliminary-second-quarter>

Consumer Price Index

Consumers and businesses are experiencing significantly higher prices which began to escalate after the third quarter of 2021. The 12-month percentage increase at the close of the second quarter of 2022 was 6.7%.

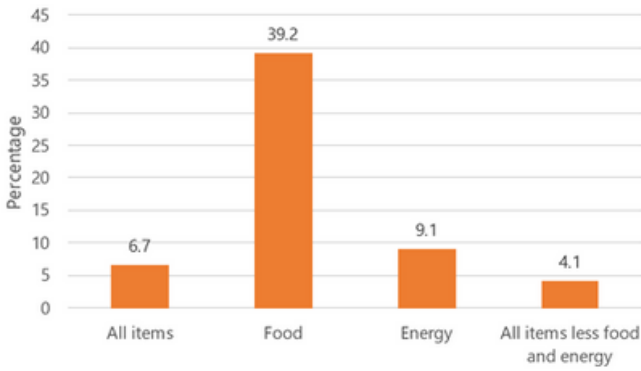
Consumer Price Index
Change Over the Previous 12 Months



According to a report by the Bureau of Labor Statistics ("BLS"), over the year, the index for all items less food and energy increased 4.1%. Higher prices for new vehicles (16.4%) and for used cars and trucks (8.0%) contributed to a 12.2% increase in prices for new and used motor vehicles. Shelter prices were up 2.1%; owners' equivalent rent rose 3.1%, and residential rent increased 2.3%. Medical care prices rose 6.8%, the largest 12-month advance since October 1992. Despite continued year-over-year increases, in May of 2022, declines in the prices for motor vehicles and household furnishings slightly reduced the rate of increase in consumer prices.

[1] We have used unaudited and unofficial amounts as reported within Ulster County's financial management system as of August 18, 2022 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.

12-month percentage change in CPI



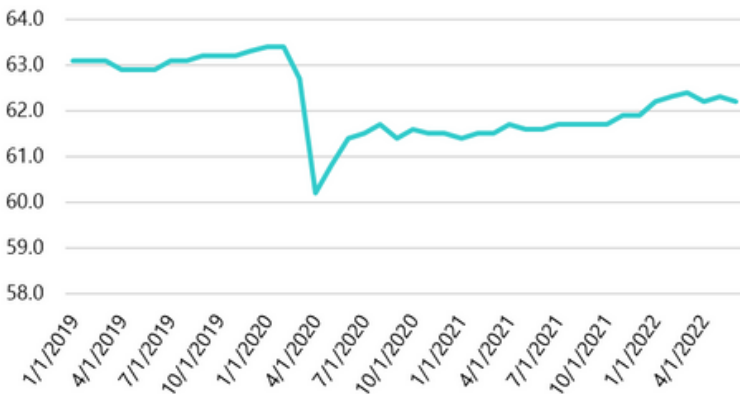
After raising the federal funds rate from .25% to .5% in March, the Open Market Committee of the Federal Reserve Bank raised interest rates twice during the second quarter first to 1.00% and then to a rate of 1.75%. Substantial increases continue into the third quarter as inflation has yet to cool. These changes have changed the cost of borrowing for consumers as well as local government. Increased borrowing costs could dampen consumer spending and therefore sales tax revenues.

Employment

Employment levels continue to increase in Ulster County with annual employment jumping 1,900 jobs which is a 3% increase year-over-year. The largest overall increase was in the Leisure and Hospitality sector which saw nearly half of all job creation in the County for the previous 12-month period as the sector went from 8,000 jobs in June of 2021 to 8,900 jobs in June of 2022. Every other sector added between 100 and 400 jobs in the 12-month period with the exception of Business Services which lost 100 positions.

Employment by Sector	June 2022	June 2021	Change	% Change
Leisure and Hospitality	8,900	8,000	900	11%
Government	13,700	13,300	400	3%
Education and Health Services	9,300	9,100	200	2%
Manufacturing	3,400	3,300	100	3%
Wholesale Trade	1,500	1,400	100	7%
Retail Trade	8,400	8,300	100	1%
Information	900	800	100	13%
Other Services	2,800	2,700	100	4%
Natural Resources, Mining, and Construction	2,900	2,900	0	0%
Transportation, Warehousing, and Utilities	1,500	1,500	0	0%
Financial Activities	2,000	2,000	0	0%
Professional and Business Services	4,800	4,900	-100	-2%
Total	60,100	58,200	1,900	3%

Labor Force Participation Rate

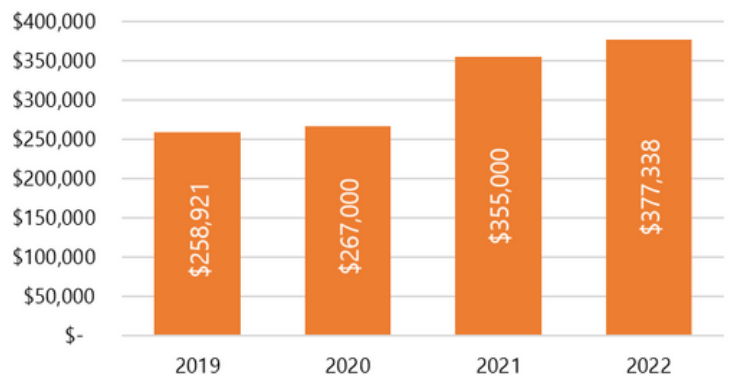


Despite increases in jobs by industry sector, the labor force participation rate nationally still lags pre-pandemic levels. Total non-farm jobs were 58,900 in March 2022 compared to the pre-pandemic level of 61,600 in February of 2020. Many employers report anecdotal difficulty in finding staff.

Housing

The region has also seen unprecedented increases in the cost of housing. There has been a significant increase in median home sale price, as home sale prices have increased \$118,471 (or 45.7%) between June 2019 and June 2022. The County continues to experience a housing crisis with very limited rental and for sale inventory. In May 2022 Ulster County approved Capital Project 630 for \$1.5 million to demolish the old jail in preparation for the building of 160 units of mixed income housing by Pennrose at Golden Hill.

June Median Homesale Price



In 2009, Ulster County conducted a Tri-County Housing Study that identified that the County needed to build 6,624 units of housing by 2020 to meet housing demand. Instead, only 2,844 units were constructed during that time period. On top of that, the short-term rental market proliferated using a conservatively drawn 2,633 units of housing, leaving a current total housing gap of 6,413. It would take building 40 projects the size of Pennrose at Golden Hill to meet current demand. As of the end of June 2022, the Ulster County housing market had 3.9 months of inventory supply and the number of homes for sale an increase of 21.9% from a year earlier.²

Revenues

Overall, Ulster County budgeted an increase to revenues of 5.6% or \$18.6 million for 2022, mid-year revenues of \$186.1 million show the County had an increase of \$6.4 million compared to the same period in 2021. Most revenues categories as a percentage of adopted budget align with the respective performance of the prior year mid-year results.

Revenues by Category Through June 30th						
Category	2021 YTD Transactions	2021 Adopted Budget	% of 2021 Adopted Budget	2022 YTD Transactions	2022 Adopted Budget	% of 2022 Adopted Budget
Non-Property Tax Items (incl. Sales Tax)	\$ 59,725,304	\$ 124,564,288	48%	\$ 66,465,515	\$ 147,880,000	45%
Real Property Taxes	76,317,761	75,567,758	101%	76,317,761	75,317,758	101%
State Aid	15,355,024	52,910,151	29%	13,992,879	50,307,888	28%
Federal Aid	8,597,847	33,837,478	25%	10,173,390	38,407,333	26%
Interfund Transfers In	-	-	0%	-	-	0%
Other Financing Sources (incl. Fund Balance)	-	13,213,967	0%	-	6,500,340	0%
Departmental Income	4,491,693	10,992,154	41%	3,719,615	10,527,690	35%
Intergovernmental Charges	6,696,587	7,762,387	86%	6,396,355	7,511,884	85%
Real Property Tax Items	3,118,860	5,681,911	55%	3,456,322	5,794,000	60%
Interfund Revenues	3,079,157	4,783,913	64%	3,125,989	4,666,812	67%
Sale of Property & Compensation for Loss	761,280	1,566,950	49%	857,039	3,156,950	27%
Use of Money and Property	645,819	1,558,637	41%	866,563	979,830	88%
Miscellaneous Local Sources	420,880	1,046,900	40%	252,585	1,115,100	23%
Fines and Forfeitures	142,949	376,000	38%	204,305	326,000	63%
Licenses and Permits	338,565	498,170	68%	294,634	475,160	62%
Grand Total	\$ 179,691,725	\$ 334,360,664	54%	\$ 186,122,953	\$ 352,966,745	53%

State and Federal Aid

State Aid is down \$1.4 million in actual revenue at this point compared to the prior year. Considering current year budgeted state aid is down \$2.6 million, the County is still on track to achieve budgeted revenues. Federal Aid is up \$1.6 million in actual revenue at this point compared to the prior year and current year budgeted federal aid is up \$4.6 million. The majority of both State and Federal Aid is recognized in the second half of the year, which means these areas are still not predictable for the remainder of the year.

Non-Property Tax Items Revenues Through June 30th						
Non-Property Tax Items	2021 YTD Transactions	2021 Adopted Budget	% of 2021 Adopted Budget	2022 YTD Transactions	2022 Adopted Budget	% of 2022 Adopted Budget
Sales & Use Tax	\$ 57,286,362	\$ 120,559,288	48%	\$ 64,069,046	\$ 143,000,000	45%
Occupancy Tax	1,392,687	2,000,000	70%	1,437,200	2,875,000	50%
Automobile Use Tax	645,029	1,200,000	54%	544,108	1,200,000	45%
Emergency Phone System Tax	401,226	805,000	50%	415,162	805,000	52%
Non-Property Tax Items Total	\$ 59,725,304	\$ 124,564,288	48%	\$ 66,465,515	\$ 147,880,000	45%

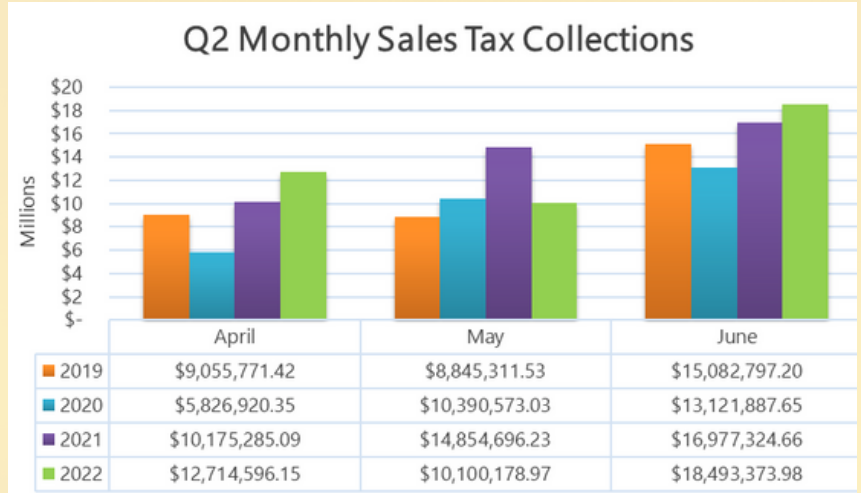
[2] New York State Association of Realtors, June 2022 Housing Market Report (available at https://www.nysar.com/wp-content/uploads/2022/07/NYSAR_MMI_2022-06.pdf).

Occupancy Tax

While occupancy taxes collected on short term rentals and hotel stays represent less than one percent of the total budgeted County revenues, they can be a strong indicator of local tourism and economic trends. The 2022 budgeted occupancy tax collections increased 44% from the previous budget. The 2021 occupancy tax revenue was at \$1.4 million at midyear and finished at \$3.4 million, which indicates that the second half of the year generates most of the annual revenues. The slight increase in occupancy tax for 2022 compared to 2021 at mid year indicates that the budget of \$2.88 million is achievable.

Sales Tax

The County received \$64.1 million in sales tax revenue by mid-year, a 11.8% increase compared to \$57.3 million collected by the middle of 2021.³ Sales tax revenues in 2021 totaled \$154.9 million by the end of the year and considering revenues in 2022 are \$6.8 million higher than 2021 at midyear, the County is trending to surpass the budgeted goal of \$143 million, even anticipating a Gas Tax Holiday decrease. Based on historical trends of sales tax receipts we expect current year sales tax revenues to surpass the \$154.9 million received in 2021.



Expenditures

The 2022 and 2021 expenditures were at 38% and 37% of total annual budgeted amounts, respectively. The 2022 actual spending increased about \$9 million in the first half from the prior year, from \$124.1 million to \$133.1 million, which is in line with expectations due to an increase in total budgeted spending.

Category	2021 YTD Transactions	2021 Adopted Budget	% of 2021 Budget	2022 YTD Transactions	2022 Adopted Budget	% of 2022 Budget
Contractual Expenses	\$ 70,382,167	\$ 180,608,675	39%	\$ 75,016,023	\$ 185,404,957	40%
Personnel Services	38,654,280	85,617,312	45%	42,941,851	97,782,105	44%
Employee Benefits	12,947,921	51,632,092	25%	13,060,020	53,089,021	25%
Debt Service	1,560,188	14,145,698	11%	1,289,200	13,865,466	9%
Equipment & Capital Outlay	566,393	2,356,887	24%	767,484	2,825,196	27%
Grand Total	\$ 124,110,948	\$ 334,360,664	37%	\$ 133,074,580	\$ 352,966,745	38%

Payroll Expenditures

The payroll budget increased \$12.2 million from 2021 to 2022 as the 2021 budget did not account for several unions that were working without a current contract. In the first half of 2022 the County expended \$4.2 million more than the prior year, \$42.9 million in 2022 compared to \$38.7 million in the first half of 2021. Payroll expenditures at the end of the year in 2021 finished over budget at \$86.8 million, trends indicate that personnel services could finish under the budgeted total of \$97.8 million for 2022.

The County accumulated \$2.57 million in overtime paid by midyear 2022 out of an annual adopted budget of \$4.16 million, 62% of budgeted total. Comparatively, 2021 midyear overtime was \$2.14 million out of a total annual budget of \$3.39 million, a 63% usage at midyear. The annual overtime amount at the close of 2021 was well over budget at \$4.63 million. The current usage at the close of the second quarter indicates that the 2022 overtime paid is on track to go over the adopted budget amount.

[3] Note: 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 each year and therefore will not agree to figures reported in the Mid-Year Sales Tax Report due to timing differences of the information reported.

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 second quarter of 2022 was \$207.4 million compared to \$129.8 million in the second quarter of 2021.

In March 2022, the Comptroller's Office issued an audit report on the investment policy which highlighted the importance of utilizing cash as an asset to maximize interest earnings. Subsequently, on April 4, 2022, the County opened a Deposit PLUS account with initial transfer from the Deposit account of \$70 million and an initial yield of 0.50%. In May 2022, the County transferred an additional \$33 million to the Deposit PLUS account as the yield percentage rose to 0.90%. At the end of the second quarter the County had invested \$103 million in the deposit PLUS account.

In the second quarter of 2022, Cash reserves held by the County and maintained in the County's "Deposit account" had an average value of \$97.7 million, which indicates this account had excess cash available for investment that would have generated more interest revenue in other investments. The Deposit account had a 0.42% average annual percentage yield for the quarter and increased to 1.0% at the end of July 2022. The Deposit PLUS account had an average value during the second quarter of \$81.9 million and a 0.60% average annual percentage yield. In August 2022, the yield percentage increased to 2.43% and the County transferred an additional \$10 million.

Comptroller's Quarterly Report Responsibilities Under the Ulster County Charter § C-57, Powers and Duties.

The Comptroller shall be the chief auditing officer of the County. Except as may otherwise be provided in this Charter, he or she shall:

(I) Submit to the County Legislature and Executive, and post on the County website as frequently as he or she deems necessary, but at least quarterly, reports on the financial condition of the County and the economy, efficiency and/or effectiveness with which the County government or any of its departments, agencies or programs is managed.