



THIRD QUARTER FINANCIAL REPORT

Office of the
Ulster County Comptroller
March S. Gallagher





ULSTER COUNTY OFFICE OF THE COMPTROLLER

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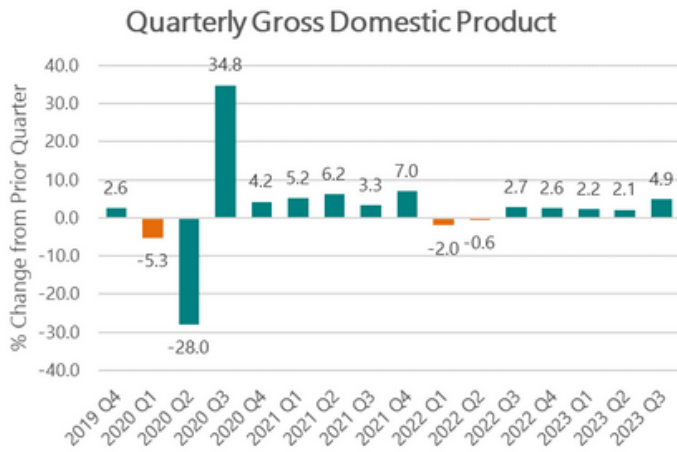
Released January 2024

This financial report provides an analysis of the financial condition of Ulster County and the local economy for the period from January 1, 2023 to September 30, 2023.¹

Economic Outlook

Gross Domestic Product (“GDP”)

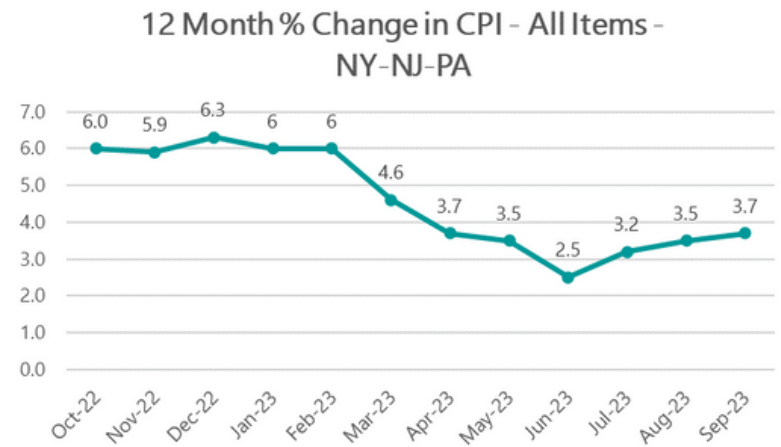
GDP continued a 5th straight quarter of growth at 4.9% for the third quarter. GDP is a comprehensive measure of the U.S. economic activity based on the value of the final goods and services produced in the United States. We provide a national number in this report because current County level GDP data lags by almost a year and Ulster County’s GDP normally mirrors the national economy.



Bureau of Economic Analysis, Gross Domestic Product, Third Quarter 2023 (Advance Estimate available at: <https://www.bea.gov/news/2023/gross-domestic-product-third-quarter-2023-advance-estimate>)

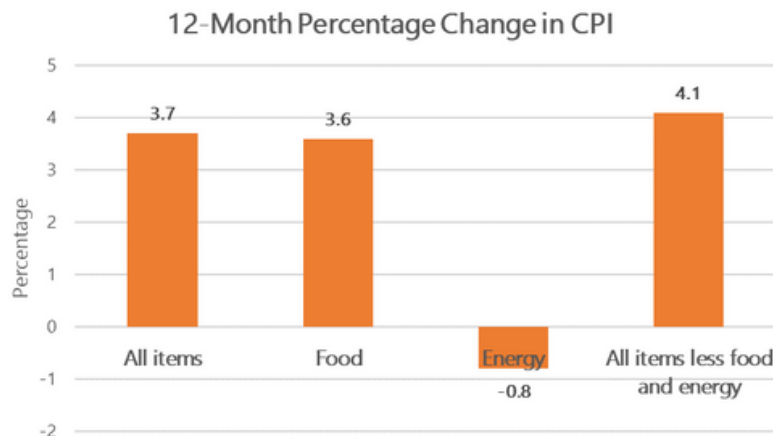
Consumer Price Index (“CPI”)

Consumer Price Index (“CPI”) is a statistic used to measure inflation, as it analyzes the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI within the region has declined from a high of 6.3% at the end of 2022, to 3.7% at the close of the third quarter of 2023, reported in the graph below.



Aggregated from Bureau of Labor Statistics, Over-the-year percent change in CPI-U, New York-Newark-Jersey City, NY-NJ-PA, available at https://www.bls.gov/regions/northeast/news-release/2023/consumerpriceindex_newyork_20231012.htm

According to a report by the Bureau of Labor Statistics (“BLS”), over the year, the index for all items less food and energy increased 3.7% over a 12-month period. The cost of household energy changed substantially with prices dropping 2.7% between September of 2022 and September of 2023. This change was led by a 14.6% drop in piped natural gas prices while electricity prices rose 2.9% over the last 12 months.



Bureau of Labor Statistics, Consumer Price Index, New York-Newark-Jersey City — September 2023, available at https://www.bls.gov/regions/northeast/news-release/2023/consumerpriceindex_newyork_20231012.htm

[1] We have used unaudited and unofficial amounts as reported within Ulster County’s financial management system as of November 27, 2023 for the purposes of this review. Financial information is not finalized until external audit procedures are completed, which may include audit adjustments.

The Open Market Committee of the Federal Reserve Bank raised interest rates once during the third quarter of 2023 from 5.25% to 5.50%. This was in addition to three previous rate hikes in 2023 that raised rates from 4.50% in February of 2023.² Analysts seem to be in consensus that we may see rate reductions in 2024 if the economy continues to cool.³ These increases have changed the cost of borrowing for consumers as well as local government. The County is impacted both through increased earnings on its deposited cash and increased costs due to higher interest rates on Bonds and shorter-term Bond Anticipation Notes (BANS). Ulster County's BANS went from paying an interest rate of 4.500% to yield 3.200% in 2022 to an interest rate of 5.250% to yield 4.020% in 2023. This is nearly a point higher on the effective yield. Bond rates have been at 4% for 2022 and 2023. These increased costs for the County can be more than offset with effective investment strategy as noted in our recent [Investment Follow Up Audit](#). Interest rate increases and the restart of post-pandemic student loan repayment could dampen consumer spending and therefore lower County sales tax revenues.

Employment

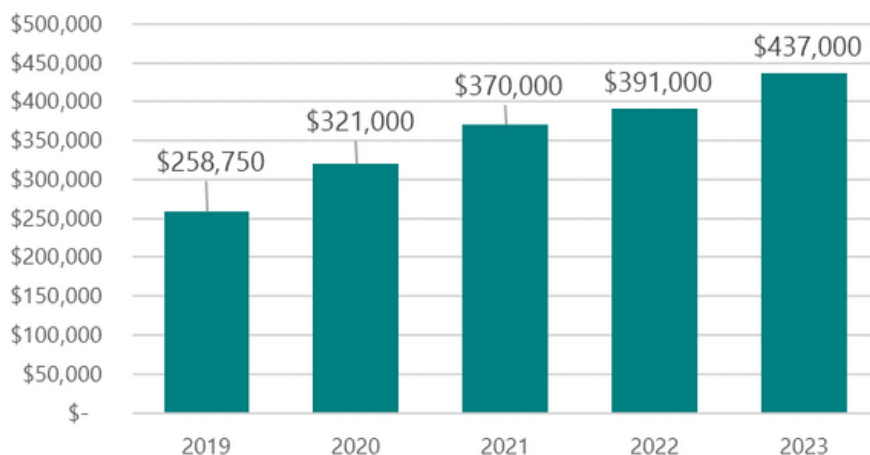
Employment levels continue to slightly increase in Ulster County with annual employment rising 600 jobs in the last twelve months which is a 1.0% increase. The largest overall increases were in the Leisure and Hospitality sector. Leisure and Hospitality saw an increase of 500 jobs. Education and Health Services, Local Government, Retail Trade, and Other Services saw increases of 100 jobs over the prior 12 months. These offset losses in State Government (-200 jobs) and Manufacturing (-100 jobs). All other sectors remained flat.

Ulster County Employment by Sector	Sept 2023	Sept 2022	Net Year	% Year
Educational and Health Services	9,300	9,200	100	1.1%
Leisure and Hospitality	9,000	8,500	500	5.9%
Local Government	8,800	8,700	100	1.1%
Retail Trade	8,200	8,100	100	1.2%
State Government	4,600	4,800	-200	-4.2%
Professional and Business Services	4,500	4,500	0	0.0%
Manufacturing	3,500	3,600	-100	-2.8%
Mining, Logging and Construction	3,000	3,000	0	0.0%
Other Services	2,800	2,700	100	3.7%
Financial Activities	2,000	2,000	0	0.0%
Wholesale Trade	1,500	1,500	0	0.0%
Transportation, Warehousing and Utilities	1,500	1,500	0	0.0%
Information	900	900	0	0.0%
Federal Government	400	400	0	0.0%
Total	60,000	59,400	600	1.0%

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 \$178,250 (or 69%) between September 2019 and September 2023. The County continues to experience a housing crisis with very limited rental and for sale inventory. As of the end of September 2023 the Ulster County housing market had 4.7 months of inventory supply (defined by NYSAR as “The inventory of homes for sale at the end of a given month, divided by the average monthly pending sales from the last 12 months”) and the number of homes for sale decreased 20.3% from a year earlier.

September Median Home Sale Price



[2] New York Federal Reserve Bank, Federal Funds Chart, <https://www.newyorkfed.org/markets/reference-rates/effr>.

[3] The Summary of Economic Projections indicates that the median FOMC member anticipates 75 basis points of interest rate cuts in 2024, 25 basis points more than at the September meeting. The Conference Board, Summary of Economic Projections, <https://www.conference-board.org/brief/global-economy/FOMC-december-2023#:~:text=Importantly%2C%20the%20SEP%20projects%20that,rate%20gradually%20converging%20to%202.5%25.>

Fund Balance

As of the date of this report, the County has yet to complete its financial reporting for the 2022 calendar year. The incomplete financial records and the potential need for adjustments for prior periods are reflective of significant challenges in the Department of Finance as result of significant turnover. The County has not yet finalized the 2022 financial records and the external audit of the 2022 financial statements is still ongoing as of January 5, 2024. Due to the lag in completed data we are unable to accurately provide a 2022 fourth quarter report or report on the beginning fund balance amount for 2023. Incomplete financial data prevents stakeholder's from accurately analyzing County finance's and making informed decisions regarding County spending.

American Rescue Plan Act of 2021 (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF)

In June of 2021 and in June of 2022, the County received two equal payments of \$17,245,737 from the Federal Government totaling \$34,491,474 under the ARPA SLFRF program. These cash receipts were appropriately recorded as a liability by the County. As the County spends these federal dollars in accordance with grant requirements, entries must be made to reduce the liability and recognize federal grant revenue on the County's financial statements. For calendar years 2021 and 2022 the County recognized \$1.77 million and \$4.61 million, respectively. A review of the activity in the account shows that during 2023 \$3.67 million in ARPA revenues have been recognized.

Revenues

Overall, Ulster County budgeted an increase to revenues of \$28.4 million for 2023 mainly due to higher projections in sales tax collections and State Aid revenues. Revenues through the third quarter of \$253.4 million show the County had a decrease of \$4.8 million compared to the same period in 2022.

Revenues by Category Through September 30th						
Category	2022 YTD Transactions	2022 Adopted Budget	% of 2022 Adopted Budget	2023 YTD Transactions	2023 Adopted Budget	% of 2023 Adopted Budget
Non-Property Tax Items (incl. Sales Tax)	\$ 102,574,320	\$ 147,880,000	69%	\$ 105,497,230	\$ 172,165,000	61%
Real Property Taxes	76,317,761	75,317,758	101%	74,028,225	73,028,225	101%
State Aid	32,695,304	50,307,888	65%	30,692,504	58,114,554	53%
Federal Aid	21,810,646	38,407,333	57%	15,692,004	38,393,974	41%
Interfund Transfers In	-	-	0%	-	-	0%
Other Financing Sources (incl. Fund Balance)	-	6,500,340	0%	-	5,577,697	0%
Departmental Income	5,489,544	10,527,690	52%	5,623,097	9,888,360	57%
Intergovernmental Charges	6,706,192	7,511,884	89%	6,930,887	8,020,184	86%
Real Property Tax Items	4,186,267	5,794,000	72%	2,863,073	5,619,000	51%
Interfund Revenues	3,494,055	4,666,812	75%	3,583,242	4,611,842	78%
Sale of Property & Compensation for Loss	1,084,213	3,156,950	34%	1,219,682	2,733,048	45%
Use of Money and Property	2,106,228	979,830	215%	5,457,784	1,521,115	359%
Miscellaneous Local Sources	973,271	1,115,100	87%	1,114,298	808,350	138%
Fines and Forfeitures	317,288	326,000	97%	289,324	354,300	82%
Licenses and Permits	393,934	475,160	83%	386,174	506,867	76%
Grand Total	\$ 258,149,023	\$ 352,966,745	73%	\$ 253,377,524	\$ 381,342,516	66%

State and Federal Aid

State Aid revenues are down \$2.0 million at this point compared to the prior year while current year budgeted State Aid is up \$7.8 million. Federal Aid is down \$6.1 million at this point compared to the prior year while current year budgeted federal aid is on par with the prior year. Some of this is explained by entries not yet recorded to recognize the Federal and State Aid revenue that the County has earned. Some of these federal and state funding streams require grant application and management across a multitude of departments and programs. The County is in the process of developing a grants management function that will assist in the review and tracking of potential and anticipated funding streams.

Use of Money & Property

Interest revenues on cash held in financial institutions was up drastically from year to year causing the total amount of revenues in this area to more than triple over the same period. The cash section elaborates on the influx of interest revenues on cash assets maintained by the County and reflected within the Use of Money and Property increase.

Non-Property Tax Items Revenues Through September 30th						
Non-Property Tax Items	2022 YTD Transactions	2022 Adopted Budget	% of 2022 Adopted Budget	2023 YTD Transactions	2023 Adopted Budget	% of 2023 Adopted Budget
Sales & Use Tax	\$ 98,437,802	\$ 143,000,000	69%	\$ 101,085,945	\$ 167,000,000	61%
Occupancy Tax	2,635,410	2,875,000	92%	2,865,912	3,155,000	91%
Automobile Use Tax	887,491	1,200,000	74%	973,421	1,200,000	81%
Emergency Phone System Tax	613,617	805,000	76%	571,952	810,000	71%
Non-Property Tax Items Total	\$ 102,574,320	\$ 147,880,000	69%	\$ 105,497,230	\$ 172,165,000	61%

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 2023 budgeted occupancy tax collections increased 9.7% from the previous year's budget. Occupancy tax revenues have increased by 8.7% during the first three quarters of 2023 when compared to the same period in 2022. With ample occupancy tax to be received in the last quarter of the year, this area is on pace to achieve or exceed budgetary expectations.

Sales Tax

The County received \$101.1 million in sales tax revenue by the end of the third quarter, a 2.7% increase compared to \$98.4 million collected by Q3 of 2022.⁴ Sales tax revenues in 2022 totaled \$165.4 million by the end of the year. Based on recent collections subsequent to the end of Q3, we anticipate that the County will exceed budgeted sales tax revenues of \$167 million for 2023. We also note that the County passed gas tax reduction legislation that negatively affected sales tax collections from June through December of 2022 and no such reductions exist in 2023, further indicating growth in taxable sales purchases during this period.

Expenditures

By the end of the third quarter, 2023 and 2022 expenditures were at 58% and 61% of total annual budgeted amounts, respectively. The 2023 actual spending increased about \$7.7 million when compared to the prior year, from \$214.7 million to \$222.4 million, which is slightly below expectations considering the substantial increase of \$28.4 million in total budgeted spending.

Expenditures by Category Through September 30th						
Category	2022 YTD Transactions	2022 Adopted Budget	% of 2022 Adopted Budget	2023 YTD Transactions	2023 Adopted Budget	% of 2023 Adopted Budget
Contractual Expenses	\$ 122,406,673	\$ 185,404,957	66%	\$ 128,715,295	\$ 203,046,488	63%
Personnel Services	67,770,835	97,782,105	69%	70,101,877	104,882,392	67%
Employee Benefits	22,000,727	53,089,021	41%	20,792,867	54,832,568	38%
Debt Service	1,289,200	13,865,466	9%	1,364,625	15,367,654	9%
Equipment & Capital Outlay	1,207,792	2,825,196	43%	1,386,174	3,213,414	43%
Grand Total	\$ 214,675,227	\$ 352,966,745	61%	\$ 222,360,838	\$ 381,342,516	58%

[4] 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.

Payroll Expenditures

Through the end of the third quarter of 2023 the County paid a total of \$75.3 million in gross wages to employees compared to \$72.9 million in the same period of 2022. Gross wages are based on paycheck date and represent all amounts paid to employees, including certain employee benefits comprising of health insurance buyouts, employee payouts upon retirement or separation, and other contractual compensation and reimbursable expenses. This included \$960k in health insurance buyout payments for employees declining coverage under the County's plan, which was very similar compared to \$952k in buyout payments made through Q3 of 2022. Overtime paid totaled \$5.28 million through the third quarter of 2023, compared to \$4.46 million in overtime in the same period of 2022. The Ulster County Comptroller's office has released a payroll dashboard which shows all County employees annual earnings for calendar year 2022. It can be accessed here: [Ulster County Comptroller's 2022 Pay Dashboard](#).

Cash

The average cash balance for all County accounts in the third quarter of 2023 was \$237.9 million compared to \$214.6 million in the third quarter of 2022. The total 2023 interest revenue earned on bank accounts through the third quarter was \$5.02 million compared to the prior year of only \$1.02 million. However, the County could have generated even more revenue had we more strategically invested a larger portion of the Deposit account balance.

The County maintained an average of \$101.8 million in the Deposit account earning minimal interest at 1% during the quarter. The County currently maintains two accounts that earn better interest rates: the County's Deposit PLUS which had an average value during the quarter of \$69.1 million, and the County's IntraFi account which had an average of \$50.7 million. The average annual percentage yield for the second quarter of 2023 for the Deposit PLUS account was 5.21%, and 5.06% in the IntraFi account. While these three accounts are diversified in type, they total an average balance of \$221.6 million for the quarter. These, coupled with several other accounts at the Bank of Greene County, account for over 96.7% of County financial resources being held with one institution.

The Comptroller's Office recently conducted a follow up audit of investment activity covering the period of January 2022 through September 2023, which can be accessed here: <https://comptroller.ulstercountyny.gov/audit-reports/ulster-county-follow-investment-audit>

Conclusion:

The County appears to remain healthy from a financial perspective with significant fund balance, however, increased spending and economic trends should be closely monitored to ensure continued financial stability in the long term.