

**CITY OF RIO RANCHO
DEPARTMENT OF FINANCIAL SERVICES**

MEMORANDUM

DATE: December 22, 2016

TO: Mayor Gregory Hull, Council Members Jim Owen, Dawnn Robinson, Cheryl Everett, Marlene Feuer, Jennifer Flor, and Dave Bency
Keith Riesberg, City Manager
John Craig, Deputy City Manager

FROM: Carole H. Jaramillo, Director of Financial Services

SUBJECT: **December Gross Receipts Tax and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for December GRT collections. For the month, the City's GRT distribution to the General Fund totaled \$1,774,612 which was \$431,161 below the projection. The primary cause of this negative variance is the result of a *negative* distribution for the medical hold harmless which accounts for \$350,585 of the variance. You may recall that in the month of November the City received an unusually large medical hold harmless distribution. The State of New Mexico is attributing the problem with the GRT distributions to their upgrade of the tax system, GenTax. During the upgrade process there was an accounting error which resulted in a slight overpayment in October and a large overpayment in November to entities across the State. These overpayments were adjusted during the month of December. Year-to-date there is still a positive budget to actual variance of \$396,101 or 2.7 percent. Compared to the prior fiscal year, the cumulative variance is \$33,698 or .7 percent.

GRT trends for each major industry are shown in Table 4 of the Dashboard on the next page. Note that accommodation and food services has the most significant increase, 11.4 percent compared to the prior fiscal year for the same period of time; other sectors with positive growth are retail trade at 5.8 percent, health care and social assistance at 5.1 percent, professional, education and other services at 3.2 percent, and information and cultural industries at 2.6 percent. In contrast, and most significantly, finance, insurance and real estate and manufacturing sectors are contracting 27.3 percent and 23.2 percent respectively. Other industries that are contracting are utilities, transportation and warehousing at 17.7 percent, food distribution at 11.2 percent, and the "other" category at 7.5 percent. Construction, while still showing negative growth compared to the same period in fiscal year 2016, has improved and is just 2.5 percent less than the prior year.

Labor Market Indicators

Employment information for the Albuquerque MSA for the month of October grew 0.5 percent over the year, adding 1,900 jobs. Following is the link to the state's monthly *Labor Market Review* reporting web page:

https://www.dws.state.nm.us/Portals/0/DM/LMI/lmrOct_16.pdf

For the state as a whole, New Mexico's seasonally adjusted unemployment rate was 6.7 percent in November, unchanged from 6.7 percent from October and up from 6.6 percent a year ago. In

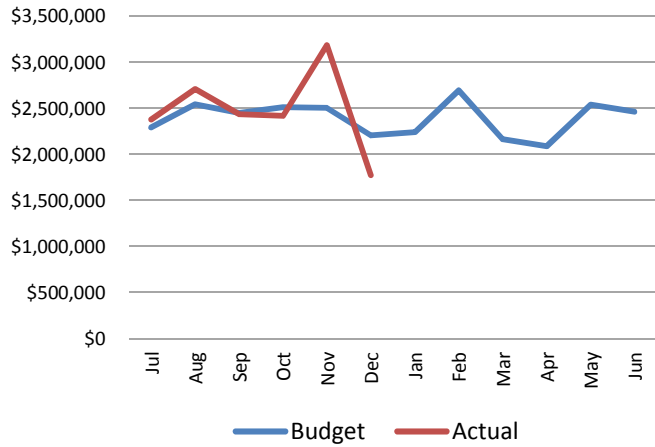
contrast, the national unemployment rate was 4.6 percent, down from 4.9 percent in October, 2016 and down from 5.0 in November 2015. The full December *Employment News Release* (statewide numbers only) can be found here:

https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf_1116.pdf

Wishing you a safe and happy holiday and New Year.

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Gross Receipts Tax Monthly Revenue General Fund FY17 Estimate vs. Actual



**YTD through December is \$396K or 2.7% above the FY17 estimate*

Chart 2: Gross Receipts Tax Monthly Revenue General Fund Current Year vs. Prior Years

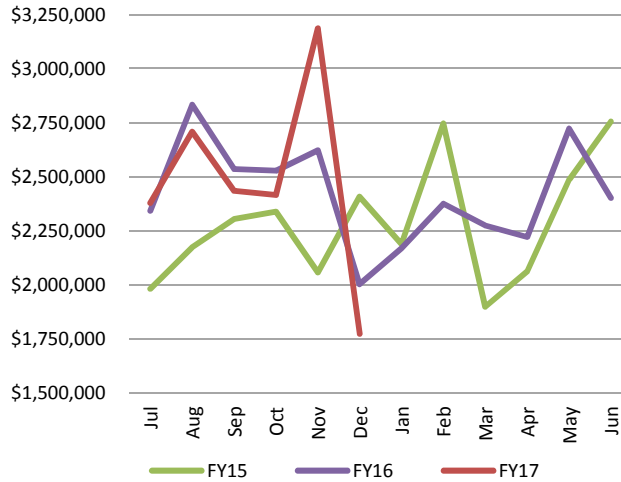
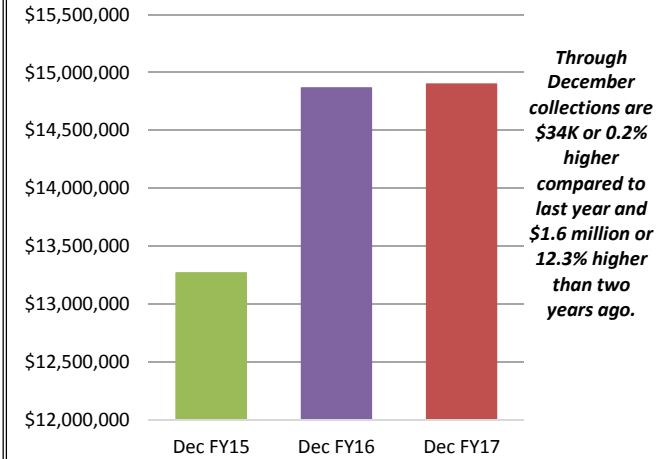


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years



Through December collections are \$34K or 0.2% higher compared to last year and \$1.6 million or 12.3% higher than two years ago.

Chart 4: GRT Distribution by Industry FY17 YTD compared to FY16 YTD

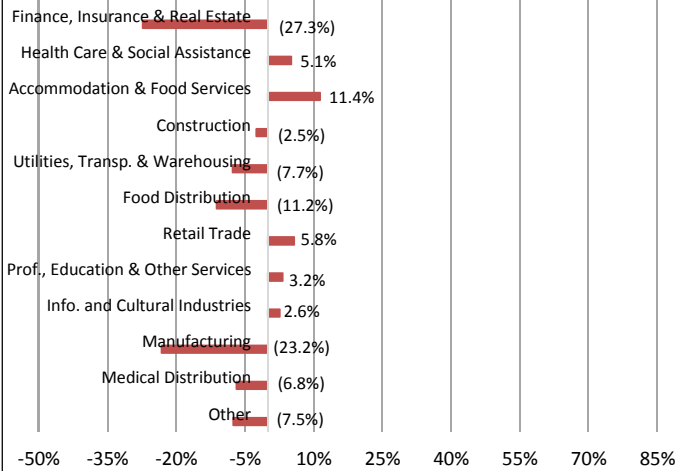


Chart 5: GRT Distribution by Industry FY17 YTD

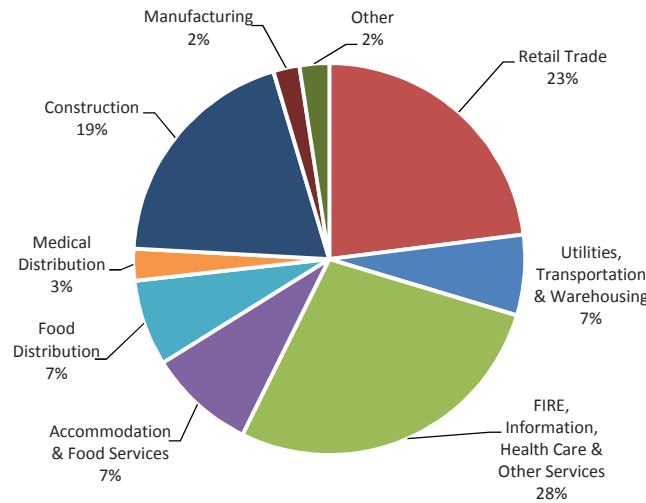


Chart 6: Changing Composition of GRT

