

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

MEMORANDUM

DATE: May 25, 2018

TO: Mayor Gregory Hull, Council Members Jim Owen, Dawnn Robinson, Bob Tyler,
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: **May Gross Receipts Tax and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for May GRT collections. For the month, the City's GRT revenue in the General Fund totaled \$2,632,971 which was \$163,343 above the revised estimate. Collections for May (which reflects March business activity) overcame the negative variance and the collections are now reflecting a positive variance of \$139,817 of 0.5 percent year-to-date on the *revised* budget. There was a significant increase in the construction sector in May, which is showing more than double the GRT than the same period in FY17, however, the real estate sector had a large correction which resulted in deduction of \$504K from the City's distribution. Despite the large distribution for construction in May, year-to-date the sector is still low compared to the same period of FY17-- \$4.9 million compared to \$5.6 million in FY17. Compared to the prior fiscal year, there is a negative cumulative variance of \$1.1 million or 4.1 percent for the General Fund. Staff faces a significant challenge in analyzing GRT revenues as we are unable to verify the information provided by the Taxation and Revenue Department (TRD). In the absence of verifiable information, staff cannot confirm that the City is receiving all of the revenue it is due.

GRT trends for each major industry are shown in Table 4 of the Dashboard on the next page. Sectors with positive growth compared to the same period in FY 2017 are the "other" category at 26.7 percent, professional, education and other services at 12.2 percent, health care and social assistance at 11.1 percent, utilities, transportation and warehousing at 6.5 percent, accommodation and food services at 4.6 percent, retail trade at 2.4 percent, and medical distribution at 1.5 percent. Information and cultural industries experienced slightly negative growth of 1.1 percent. There is significant negative growth in the key sector of construction at 15.1 percent despite the large distribution in May, as well as negative growth in manufacturing of 10.6 percent. The food distribution is down by 23.2 percent when compared to FY 2017. As noted above, there was a large negative distribution for finance, insurance and real estate pushing that sector to a negative of 49.4 percent was compared to FY 2017.

Labor Market Indicators

Employment data for the State as a whole the seasonally adjusted unemployment rate was 5.4 percent in April 2018, down from 5.6 percent in March and 6.3 percent in April, 2017. In contrast, the national unemployment rate was 3.9 percent, down from 4.1 percent in March and 4.4 percent in April 2017. The full April *Employment News Release* (statewide numbers only) can be found here:

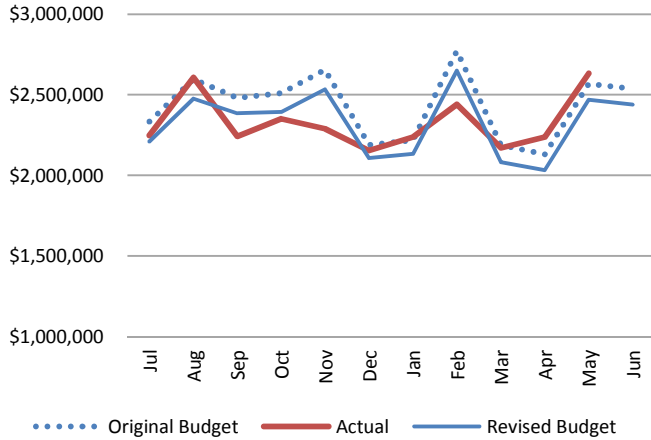
https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf_0418.pdf

Employment for the Albuquerque MSA for the month of April, 2018 increased by 1.3 percent gaining 4,900 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/lmrApr_18.pdf

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Gross Receipts Tax Monthly Revenue General Fund FY18 Original and Revised Estimates vs. Actual



*YTD through May is \$140K or 0.5% above the FY18 REVISED estimate

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

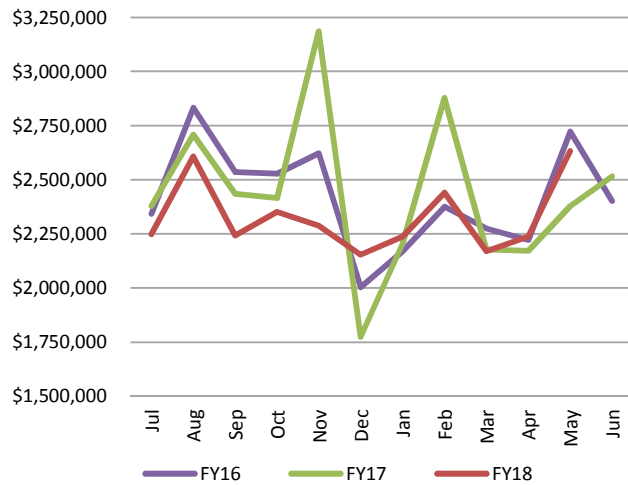


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

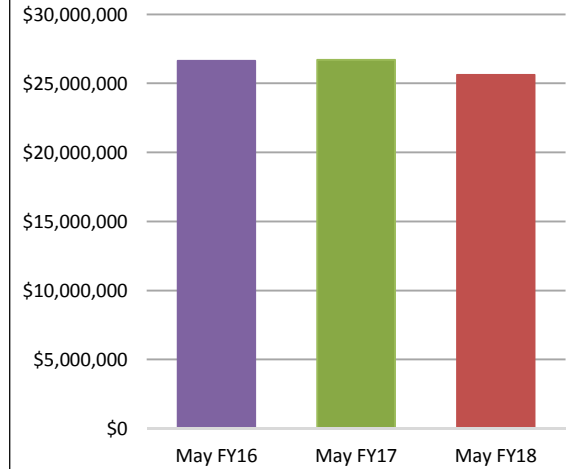


Chart 4: GRT Distribution by Industry % Change FY18 YTD compared to FY17 YTD

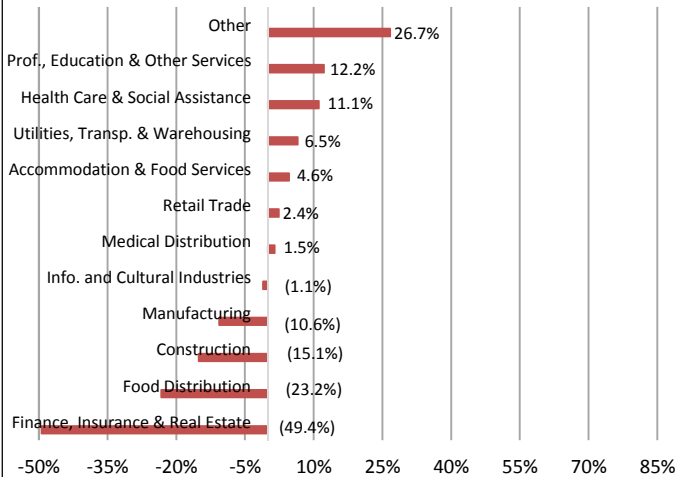


Chart 5: GRT Distribution by Industry FY18 YTD

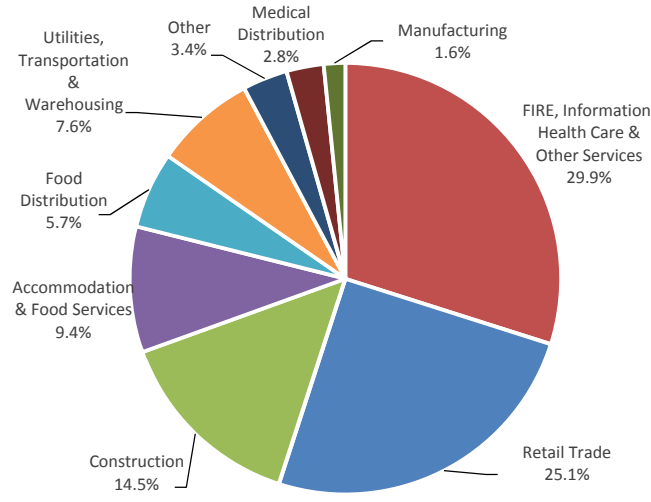


Chart 6: Changing Composition of GRT

