

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

MEMORANDUM

DATE: June 27, 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: **June Gross Receipts Tax and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for June GRT collections. For the month, the City's GRT revenue in the General Fund totaled \$2,584,307 which was \$145,647 above the revised estimate. Collections for June (which reflects April business activity) increased the positive variance for the fiscal year which is now \$285,465 or 1.0 percent year-to-date on the *revised* budget. Despite a large adjustment to the distribution for construction in May, year-to-date that sector is still low compared to the FY17-- \$5.2 million compared to \$6.1 million. Compared to the prior fiscal year, there is a negative cumulative variance of \$1.0 million or 3.5 percent for the General Fund. Staff continues to face significant challenges 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 FY 2017 are the "other" category at 24.7 percent, health care and social assistance at 13.5 percent, professional, education and other services at 10.2 percent, utilities, transportation and warehousing at 6.5 percent, accommodation and food services at 3.8 percent, retail trade at 2.4 percent, and medical distribution at 0.3 percent. Information and cultural industries experienced slightly negative growth of 1.2 percent. There is significant negative growth in the key sector of construction at 14.5 percent despite the large adjustment to the distribution in May, as well as negative growth in manufacturing of 16.9 percent. The food distribution is down by 22.3 percent when compared to FY 2017. There was a large negative distribution for finance, insurance and real estate in May which pushed that sector to a significant negative of 43.6 percent as compared to FY 2017. The negative adjustment in the finance, insurance and real estate sector was due to a reallocation of gross receipts tax between sectors which correspondingly led to the positive adjustment in construction in the month of May.

Labor Market Indicators

Employment data for the State as a whole the seasonally adjusted unemployment rate was 5.1 percent in May 2018, down from 5.4 percent in April and 6.2 percent in May, 2017. In contrast, the national unemployment rate was 3.8 percent, down from 3.9 percent in April and 4.3 percent in May 2017. The full May *Employment News Release* (statewide numbers only) can be found here:

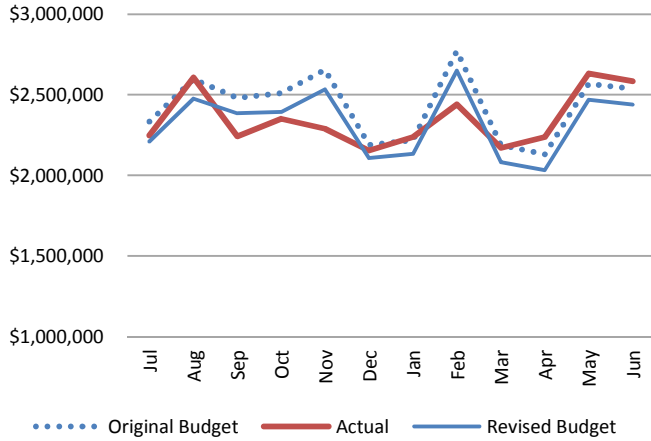
https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf_0518.pdf

Employment for the Albuquerque MSA for the month of May, 2018 increased by 1.9 percent gaining 7,300 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/lmrMay_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

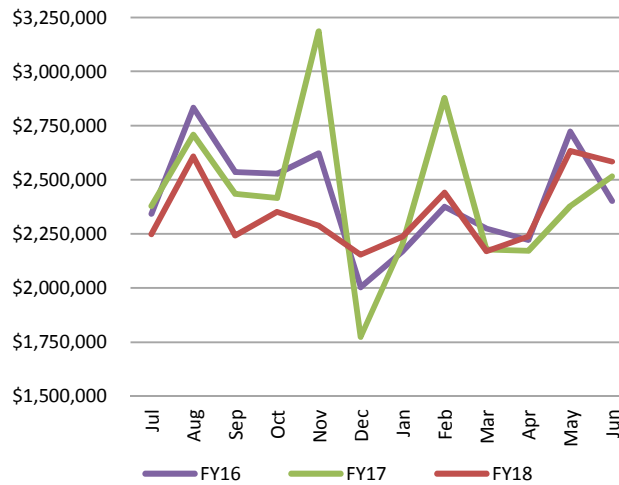


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

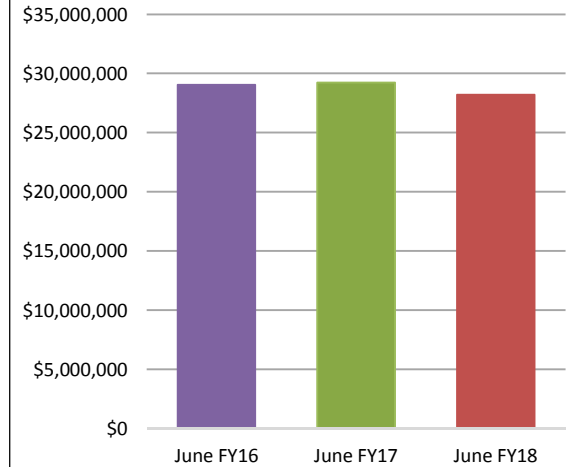


Chart 4: GRT Distribution by Industry % Change FY18 YTD compared to FY17 YTD

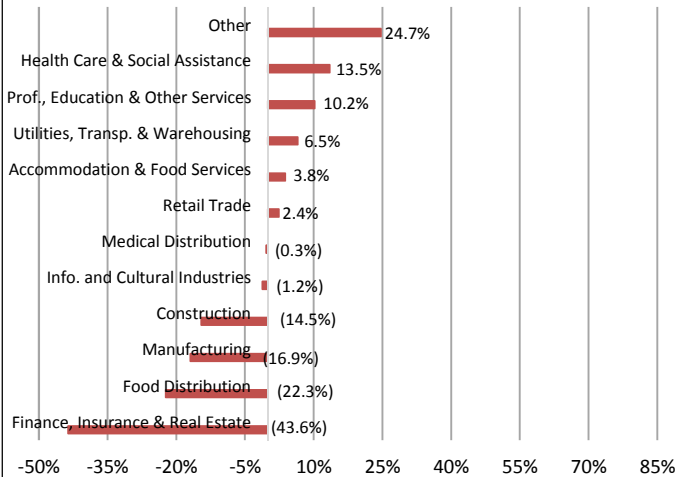


Chart 5: GRT Distribution by Industry FY18 YTD

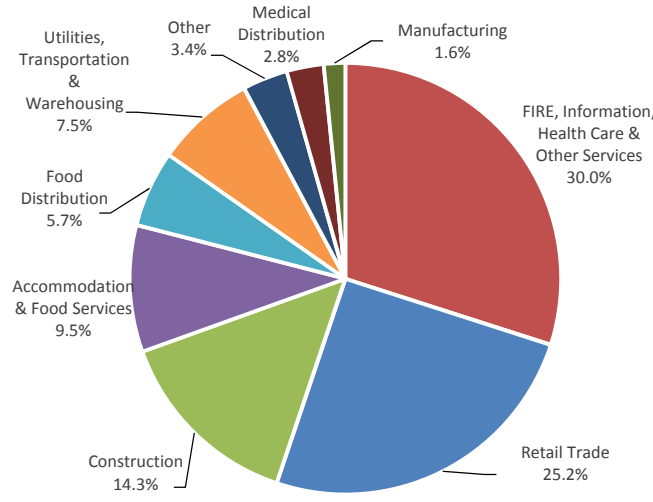


Chart 6: Changing Composition of GRT

