

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

MEMORANDUM

DATE: October 30, 2018

TO: Mayor Gregory Hull, Council Members Jim Owen, Dawnn Robinson, Bob Tyler,
Marlene Feuer, Jennifer Flor, and Dave Bency
John Craig, Acting City Manager

FROM: Carole H. Jaramillo, Director of Financial Services

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

Gross Receipts Tax

Attached please find the monthly dashboard for October GRT collections. For the month, the City's GRT revenue in the General Fund totaled \$2,693,604, which was \$237,122 above the revenue estimate. Year-to-date the City has a positive budget to actual gross receipts tax variance of 6.5 percent. Compared to the prior fiscal year, there is a positive variance of \$952,678 or 10.1 percent for the General Fund. This is a significant year over year variance that we do not believe is entirely related to increased business activity. You may recall that throughout the first two quarters of fiscal year 2018, the City experienced GRT collections well below the estimate that led to a downward revision of the General Fund GRT budget of \$1.3 million. Staff is faced with significant challenges analyzing and projecting gross receipts tax revenues and validating GRT revenue due to the limited information the Taxation and Revenue Department (TRD) provides and other challenges.

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 2018 are manufacturing at 47.6 percent, professional, education and other services at 14.5 percent, health care and social assistance at 13.4 percent, retail trade at 5.9 percent, "other" industries at 5.8 percent, accommodation and food services at 1.9 percent, and the food distribution at 1.4 percent. The key sector of construction, which reflected negative growth throughout fiscal year 2018, is now showing positive growth of 26.9 percent. This is a large swing and may be due to adjustments as well as the increased construction activity that we see all over the City. There is significant negative growth in the medical distribution of 6.7 percent, information and cultural industries of 6.2 percent, utilities, transportation and warehousing of 4.3 percent, and finance, insurance and real estate of 4.1 percent.

Labor Market Indicators

Employment data for the State as a whole shows the seasonally adjusted unemployment rate was 4.6 percent in September 2018, unchanged from August and down from 6.0 percent in September 2017. In contrast, the national unemployment rate was 3.7 percent, down from 3.9 percent in August and 4.2 percent in September 2017. The full September *Employment News Release* (statewide numbers only) can be found here:

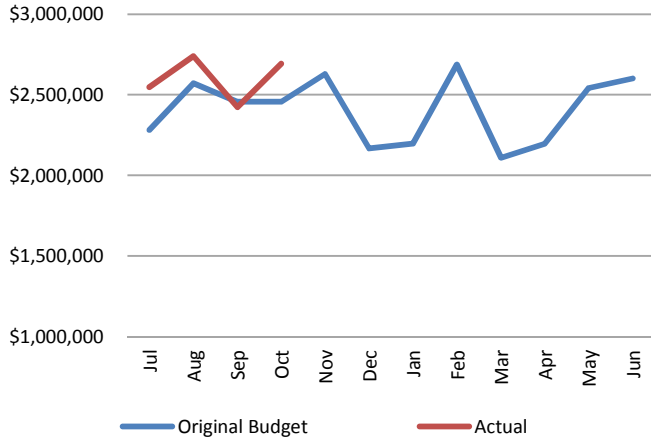
https://www.dws.state.nm.us/Portals/0/DM/pr-pdf_0918.pdf

Employment for the Albuquerque MSA for the month of September 2018 increased by 9,000 jobs, or 2.3 percent. Following is the link to the *Labor Market Review* for the month of October:

https://www.dws.state.nm.us/Portals/0/DM/LMI/lmr_Sept_18.pdf

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Gross Receipts Tax Monthly Revenue General Fund FY19 Original vs. Actual



**October 2018 is \$636K or 6.5% above the FY19 estimate*

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

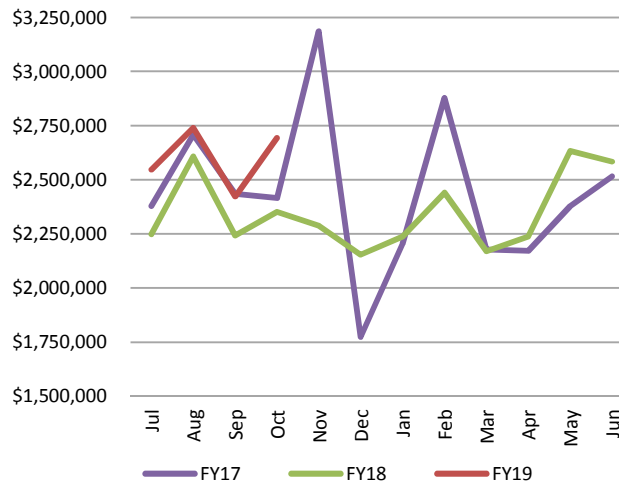


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

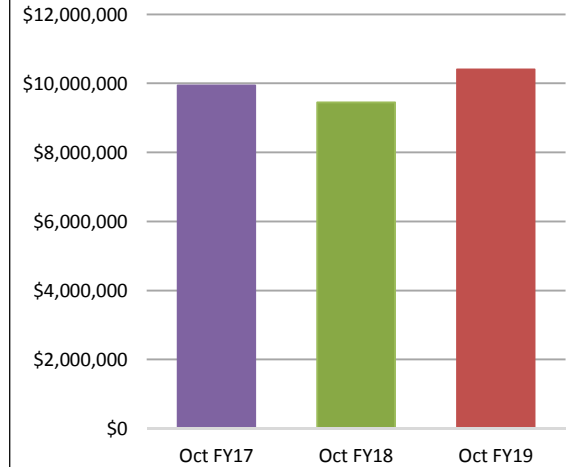


Chart 4: GRT Distribution by Industry % Change FY19 YTD compared to FY18 YTD

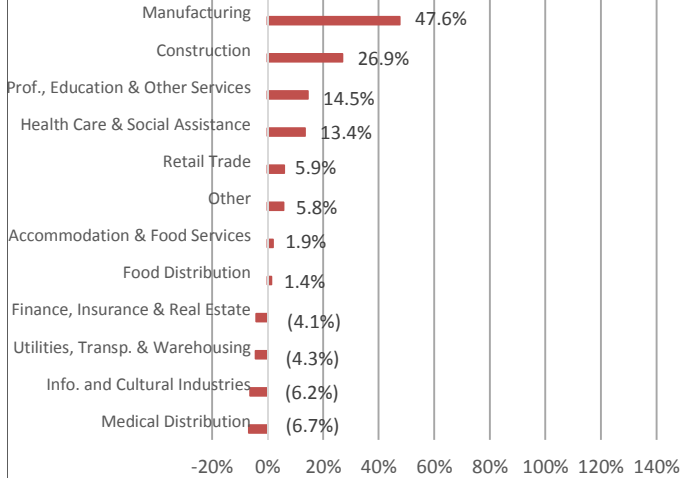


Chart 5: GRT Distribution by Industry FY19 YTD

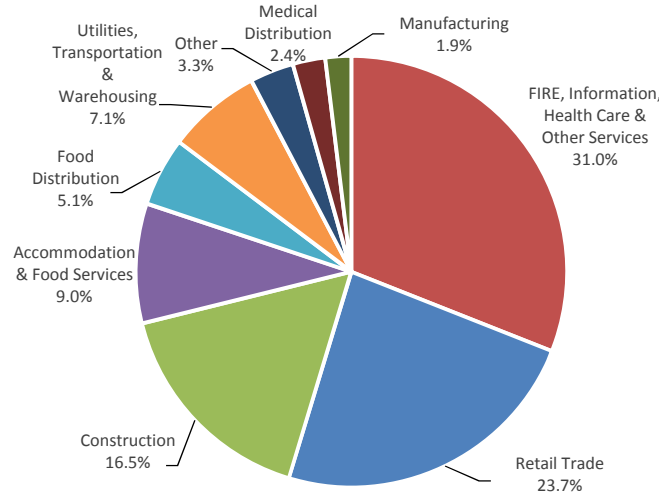


Chart 6: Changing Composition of GRT

