

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

MEMORANDUM

DATE: November 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: **November Gross Receipts Tax and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for November GRT collections. For the month, the City's GRT revenue in the General Fund totaled \$2,617,928, which was \$11,953 below the revenue estimate. However, year-to-date the City has a positive budget to actual gross receipts tax variance of 5.0 percent. Compared to the prior fiscal year actuals, there is a positive variance of \$1.3 million or 10.9 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. Actual GRT collections throughout the first six months of fiscal year 2018 were significantly below the original estimates necessitating a downward revision of the estimates at mid-year by \$1.3 million. Staff is not able to validate the GRT revenue received from the Taxation and Revenue Department (TRD) due to the limited information we are able to obtain. As a result, we are faced with significant challenges analyzing and projecting gross receipts tax revenues.

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 32.4 percent, professional, education and other services at 16.6 percent, health care and social assistance at 13.4 percent, "other" industries at 6.4 percent, retail trade at 6.1 percent, accommodation and food services at 1.6 percent, utilities, transportation and warehousing at 1.3 percent, and the food distribution at 0.3 percent. The key sector of construction, which reflected negative growth throughout fiscal year 2018, is now showing positive growth of 28.8 percent. This is a large swing and may be due to adjustments as well as the increased construction activity visible throughout the City. There is significant negative growth in the medical distribution of 9.0 percent, finance, insurance and real estate of 6.7 percent, and information and cultural industries of 5.2 percent.

Labor Market Indicators

Employment data for the State as a whole shows the seasonally adjusted unemployment rate was 4.6 percent in October 2018, unchanged from September and down from 6.0 percent in October 2017. In contrast, the national unemployment rate was 3.7 percent, also unchanged from September and down from 4.1 percent in October 2017. The full October *Employment News Release* (statewide numbers only) can be found here:

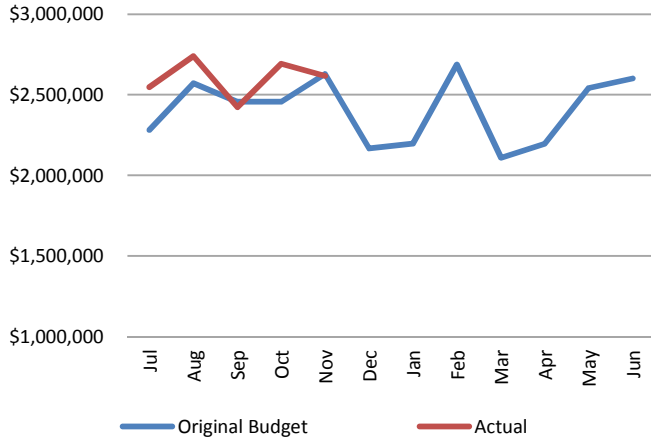
https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf_1018.pdf

Employment for the Albuquerque MSA for the month of October 2018 increased by 11,000 jobs, or 2.8 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_Oct_18.pdf

Rio Rancho Gross Receipts Tax Dashboard

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



**Y-T-D November 2018 is \$624K or 5.0% above the FY19*

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

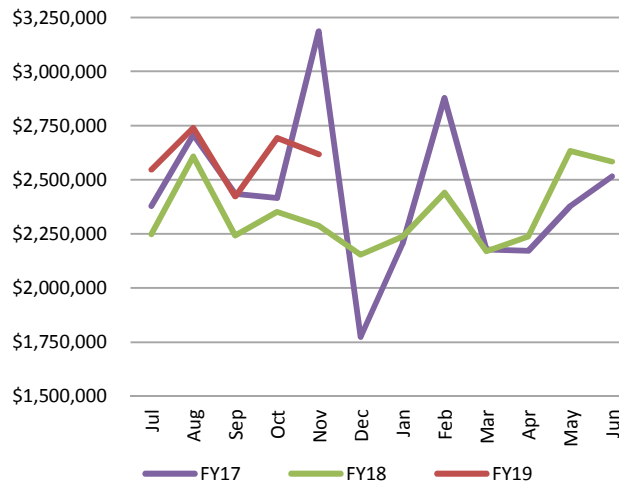


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

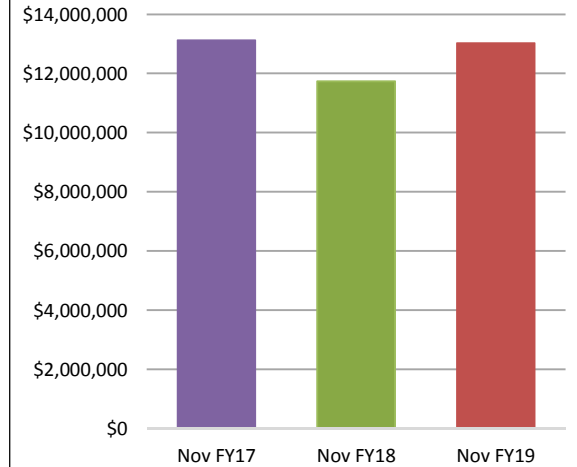


Chart 4: GRT Distribution by Industry % Change FY19 YTD compared to FY18 YTD

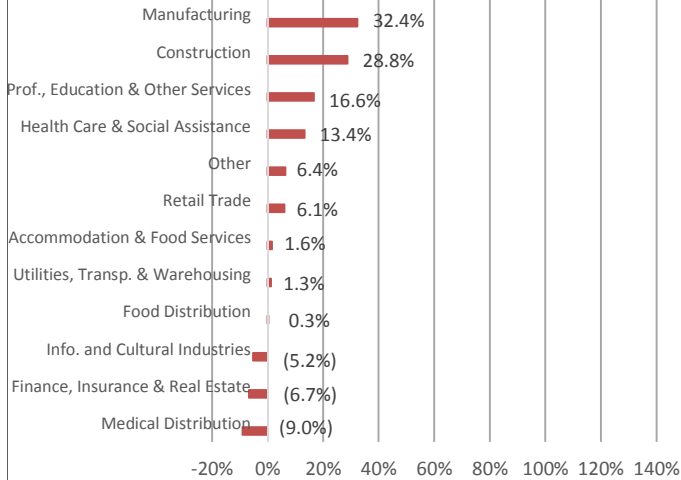


Chart 5: GRT Distribution by Industry FY19 YTD

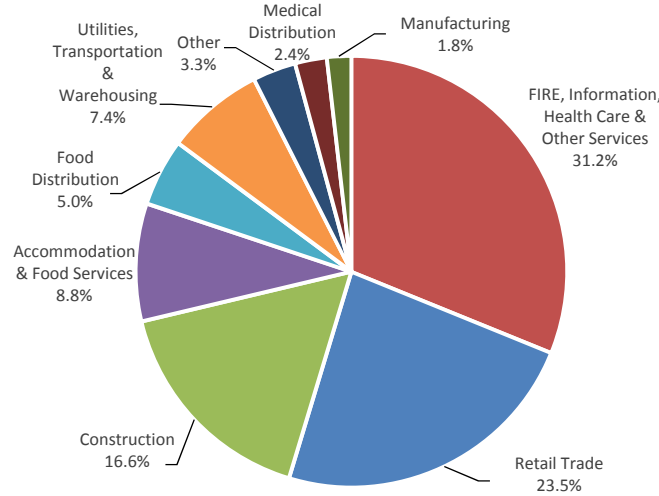


Chart 6: Changing Composition of GRT

