

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

MEMORANDUM

DATE: April 30, 2020

TO: Mayor Gregory Hull, Council Members Jim Owen, Jeremy Lenentine, Bob Tyler,
Paul Wymer, Jennifer Flor, and Dan Stoddard
Peter Wells, Acting City Manager

FROM: Carole Jaramillo, Director of Financial Services

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

Gross Receipts Tax

Attached please find the monthly dashboard for April GRT collections. Through April (February business activity), the City has experienced a very positive trend in its gross receipts collections for FY2020 which can be seen on charts 1 and 2 of the dashboard. Because the GRT distributions are two months after the business activity takes place, they have not yet shown a decline due to the COVID-19 pandemic. We anticipate that the May distribution will reflect a significant decline with declines in the June distribution even more significant. A large one-time adjustment to the City's food hold harmless distribution was received in September. As a result, the City's GRT revenue in the General Fund spiked for that month as can be seen on charts 1 and 2 of the dashboard. The positive year-to-date variance in GRT collections experienced thus far will help the City weather declines for the remainder of this fiscal year as well as assist its effort to increase the reserves to 25 percent for FY21. During the mid-year budget review, the GRT budget was revised upward to reflect the one-time food hold harmless correction and positive variance. Revenue for April was \$2,924,977 for the General Fund. This is above the *revised* estimate for the month of \$2,656,608. Compared to FY19 actuals, the positive variance year-to-date is \$6,498,282 or 25.2 percent for the General Fund. The internet sales tax distribution is included in our positive variance and totals \$642,677 through April.

As noted above, GRT will not be impacted by the current crisis until May. Economists are currently predicting a recession resulting from the COVID 19 pandemic but disagree on how quickly the economy will recover. The Financial Services Department is revisiting its FY21 revenue estimates and will have more information in the coming month.

GRT trends for each major industry are shown in chart 4 of the Dashboard on the next page. Year-to-date almost all sectors show positive growth compared to the same period in FY 2019. This includes "other" industries at 18.5 percent, finance, insurance and real estate at 17.1 percent, retail trade at 12.4 percent, accommodation and food services at 11.2 percent, manufacturing at 10.2 percent, health care and social assistance at 10.0 percent, utilities, transportation and warehousing at 9.6 percent, professional, education & other services at 7.7 percent, and information and cultural industries at 5.6 percent. The key sector of construction continues to show strong growth at 19.6 percent compared to FY19. Year-to-date only the medical hold harmless distribution is showing negative growth compared to same period in FY19 at -10.1 percent.

Labor Market Indicators

Employment data for the State as a whole shows the seasonally adjusted unemployment rate was 5.9 percent in March 2020, up from 4.8 in February and up from 5.0 percent in the previous year. The national unemployment rate in March, however, was 4.4 percent, up from 3.5 percent in February and up from 3.8 percent in March 2019. For more employment news, follow the link below.

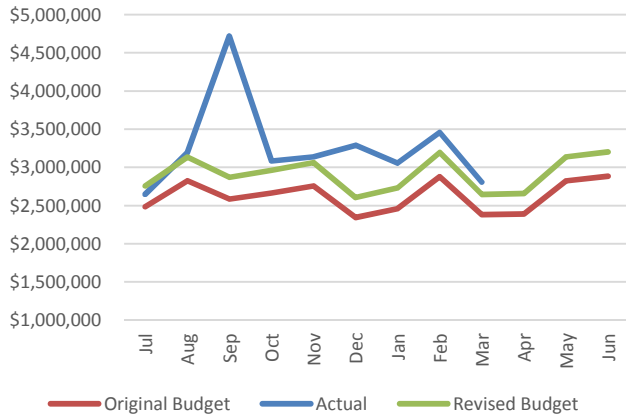
<https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0320.pdf>

Employment for the Albuquerque MSA for the month of March 2020 increased by 4,600 jobs, or 1.2 percent year-over-year. Following is the link to the *Labor Market Review* for the month of March.

https://www.dws.state.nm.us/Portals/0/DM/LMI/lmr_Mar_20.pdf

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Gross Receipts Tax Monthly Revenue General Fund FY20 Original and Revised vs. Actual



Y-T-D April 2020 is \$3.7 million or 12.9% above the FY20 revised estimate

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

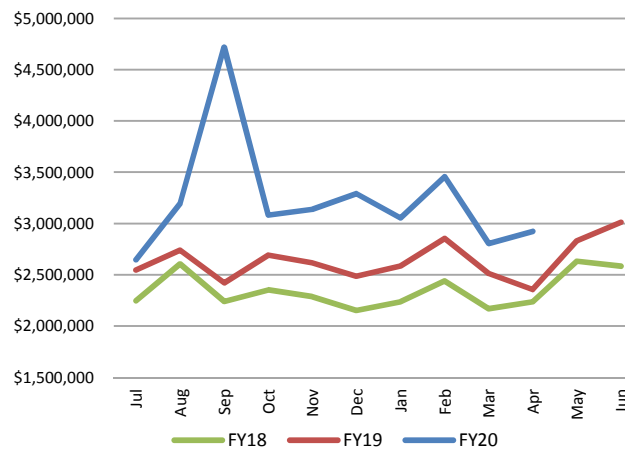


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

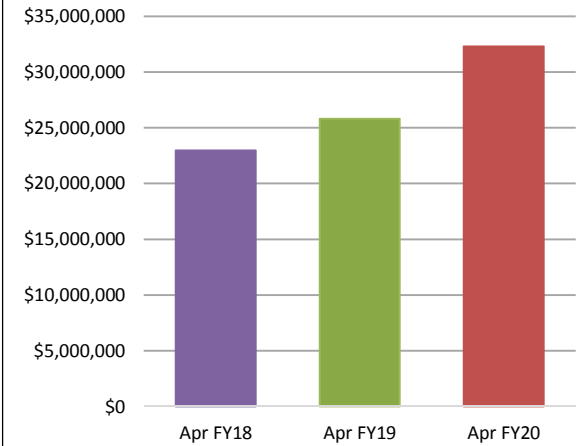


Chart 4: GRT Distribution by Industry % Change FY20 YTD compared to FY19 YTD

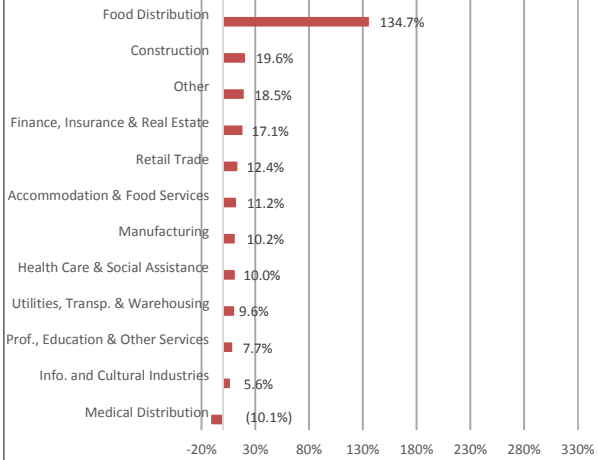


Chart 5: GRT Distribution by Industry FY20 YTD

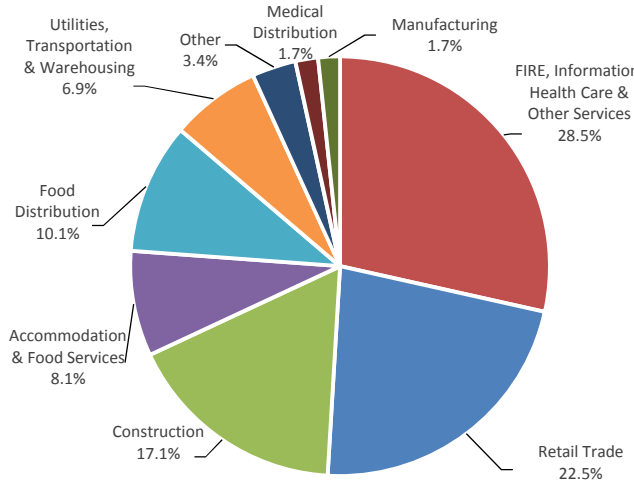


Chart 6: Changing Composition of GRT

