

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

MEMORANDUM

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

Gross Receipts Tax

Attached please find the monthly dashboard for June GRT collections. Through June (April business activity), the City has experienced a very positive trend in its gross receipts collections which can be seen on charts 1 and 2 of the dashboard. As you know, GRT distributions are two months after taxable business activity takes place. June reflects the first full month of business activity after the COVID-19 pandemic closures began. We had anticipated that the June distribution would reflect a significant decline in business activity. While certain categories of business did decline, the City did not see the feared level of decline and, in fact, saw a positive variance year over year. The positive variance will help the City in its effort to increase the reserves to 25 percent for FY21. GRT revenue for May was \$3,350,620 for the General Fund. This is above the *revised* estimate for the month of \$3,203,623. Compared to FY19 actuals, the positive variance year-to-date is \$7,245,993 or 22.9 percent for the General Fund. The internet sales tax distribution is included in our positive variance and totals \$803,348 through June.

While the June GRT news is good, we anticipate the positive trend will not continue as Federal subsidies to citizens and unemployment benefits run out. The Financial Services urges continued caution with respect to the budget and City spending. 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 receives updates from UNM's Bureau of Business and Economic Research (BBER) which it uses to make revenue estimates. The Department will continue to monitor the data received and will propose budget changes as necessary.

GRT trends for each major industry are shown in chart 4 of the Dashboard on the next page. Year-to-date most industry sectors show positive growth compared to the same period in FY 2019. This includes "other" industries at 17.4 percent, manufacturing at 12.8 percent, retail trade at 11.6 percent, utilities, transportation and warehousing at 8.6 percent, finance, insurance and real estate at 7.7 percent, accommodation and food services at 8.1 percent, and information and cultural industries at 4.8 percent. Professional, education & other services, and health care and social assistance lost ground showing negative growth of -1.1 percent and -4.8 percent respectively. The medical hold harmless and declined 12.9 percent year-over-year. The key sector of construction continues to show strong growth at 22.0 percent compared to FY19. Industries most significantly impacted by the COVID-19 pandemic closures in Rio Rancho appear to be finance, insurance and real estate, professional, education and other services, and most significantly health care and social assistance.

Labor Market Indicators

Employment data for the State as a whole shows the seasonally adjusted unemployment rate climbed to 9.2 percent in May 2020, down from 11.9 in April and up from 4.9 percent in the previous year. The national unemployment rate in May, however, was 13.3 percent, down from 14.7 percent in April

and up from 3.6 percent in May 2019. This data clearly reflects the effects of the COVID-19 pandemic but did show improvement month over month for both the State and the U.S. For more employment news, follow the link below.

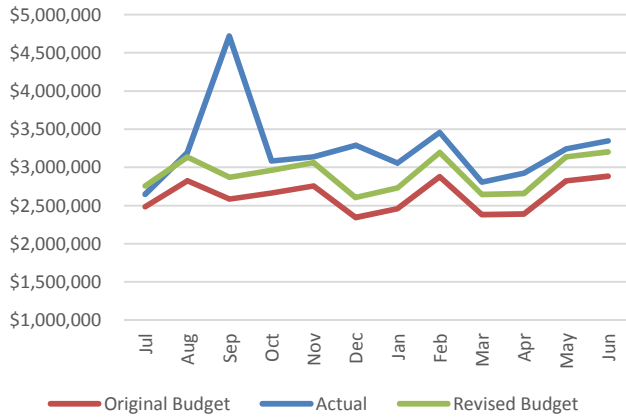
<https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0520.pdf>

Employment for the Albuquerque MSA for the month of May 2020 declined significantly shedding 40,000 jobs, or 10.0 percent year-over-year. Following is the link to the *Labor Market Review* for the month of May.

https://www.dws.state.nm.us/Portals/0/DM/LMI/lmr_May_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 June 2020 is \$3.9 million or 11.3% above the FY20 revised estimate

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

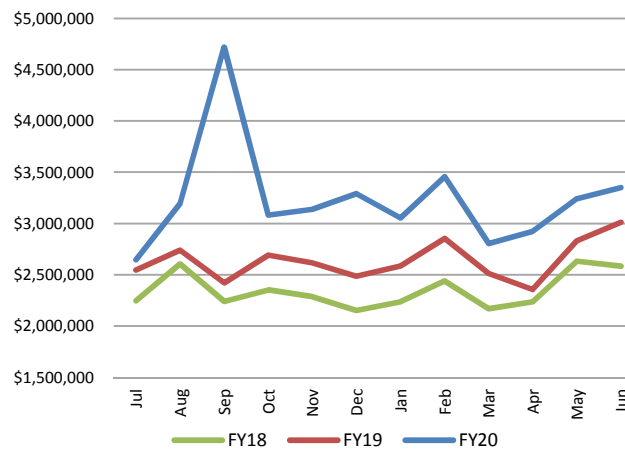


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

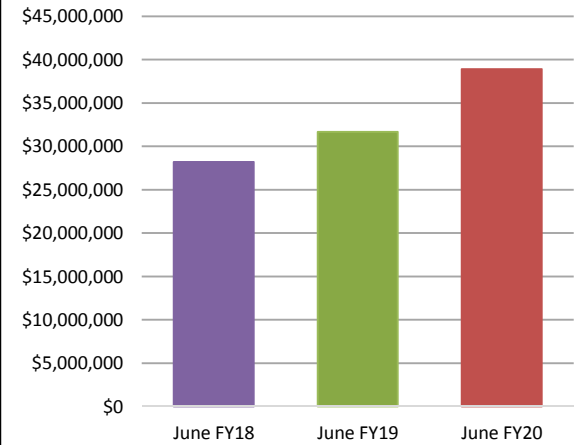


Chart 4: GRT Distribution by Industry % Change FY20 YTD compared to FY19 YTD

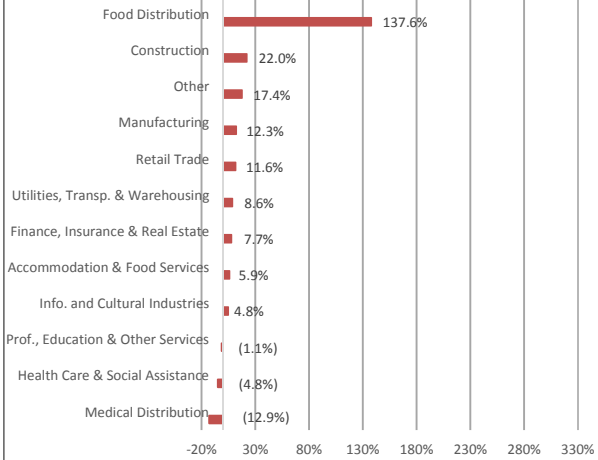


Chart 5: GRT Distribution by Industry FY20 YTD

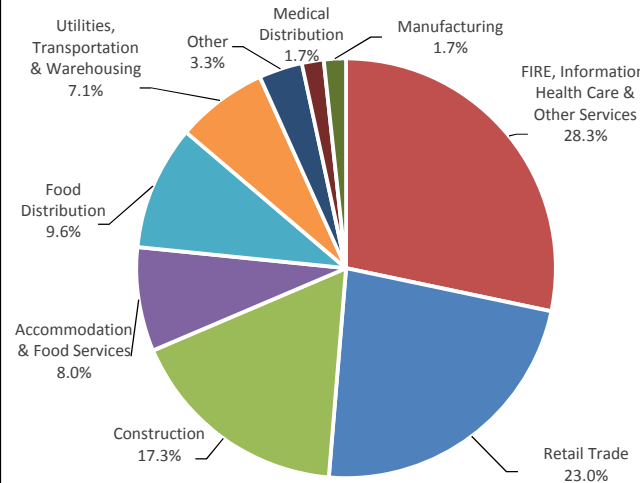


Chart 6: Changing Composition of GRT

