

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

MEMORANDUM

DATE: August 24, 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: August Gross Receipts Tax and Recent Labor Market Indicators

Gross Receipts Tax

Attached please find the monthly dashboard for August GRT collections. The August gross receipts tax distribution (June business activity) does not yet reflect any adverse effects of the COVID-19 pandemic. Charts 1 and 2 of the dashboard indicate revenue levels above those seen in FY20. As you know, GRT distributions are two months after taxable business activity takes place. We had anticipated that distributions in August would reflect much lower than normal business activity. While certain categories of business did decline, the City still has not seen significant declines and, in fact, has seen a positive variance year over year. The positive variance will help weather future declines as the full effects of the COVID recession are felt, particularly going into FY22.

GRT revenue for August was \$3,641,481 for the General Fund. This is above the \$2,405,301 projected for August based on the economic data received from the UNM's Bureau of Business and Economic Research (BBER). Compared to FY20 actuals, the positive variance year-to-date is \$1.1 million or 18.8 percent for the General Fund. The internet sales tax distribution is included in our positive variance and totals \$160,668. We do not anticipate the positive variance to continue as a trend and will carefully analyze the revised economic data recently released this month.

The Financial Services Department urges continued caution with respect to the budget and City spending. Economists are currently predicting a slow recovery from the recession brought on by the COVID 19 pandemic. The Financial Services Department receives regular updates from 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. In August, many industry sectors show positive growth compared to the same period in FY 2020. This includes retail trade at 30.0 percent, manufacturing at 25.0 percent, utilities, transportation and warehousing at 10.4 percent, accommodation and food services at 3.0 percent, and information and cultural industries at 1.7 percent. Sectors showing negative growth include "other" industries at -0.4 percent, professional, education & other services at -3.2 percent, finance, insurance and real estate at -14.6 percent, and health care and social assistance at -19.8 percent. The medical hold harmless has declined 34.1 percent year-over-year while the food hold harmless has increased by 6.6 percent over August 2019. The key sector of construction has shown the highest growth of any sector at 30.3 percent compared to FY20.

Labor Market Indicators

Employment data for the State as a whole shows the seasonally adjusted unemployment rate increased to 12.7 percent in July 2020, up from 8.4 in June and up from 4.8 percent in the previous year. The national unemployment rate in July, however, was 10.2 percent, down from 11.1 percent in June and

up from 3.7 percent in July 2019. This data clearly reflects the effects of the COVID-19 pandemic and shows a significant decline from June at the State level but shows improvement month over month for the U.S. as a whole. For more employment news, follow the link below.

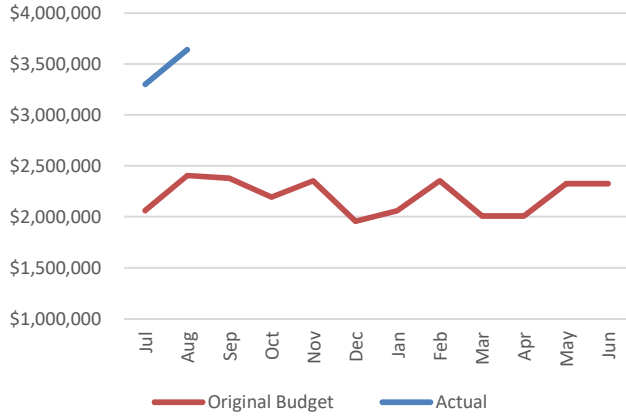
<https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0720.pdf>

Employment data for the Albuquerque MSA for the month of July 2020 has not yet been released, but will be available in the near future at the link below.

<https://www.dws.state.nm.us/en-us/Researchers/Publications/Economic-News>

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Gross Receipts Tax Monthly Revenue General Fund FY21 Original Budget vs. Actual



Y-T-D August 2020 is \$2.5 million or 51.41% above the FY21 estimate

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

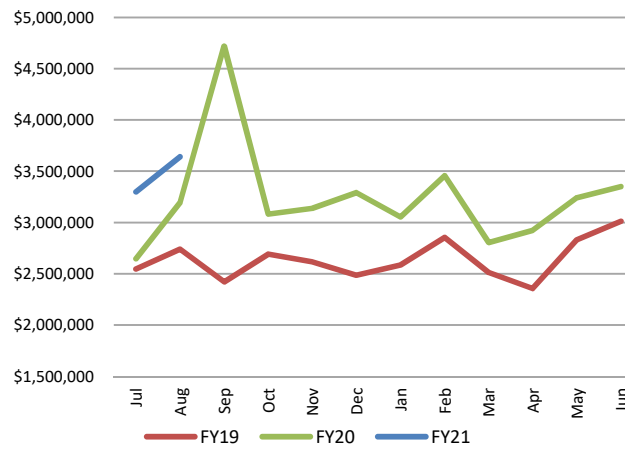


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

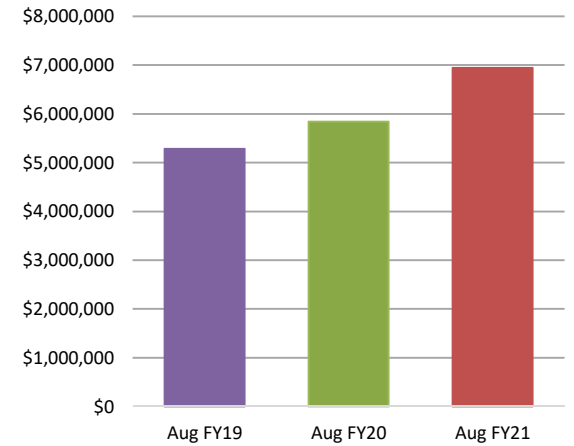


Chart 4: GRT Distribution by Industry % Change FY21 YTD compared to FY20 YTD

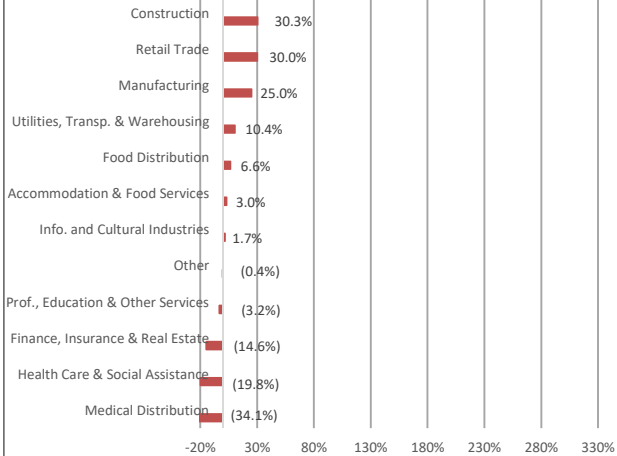


Chart 5: GRT Distribution by Industry FY21 YTD

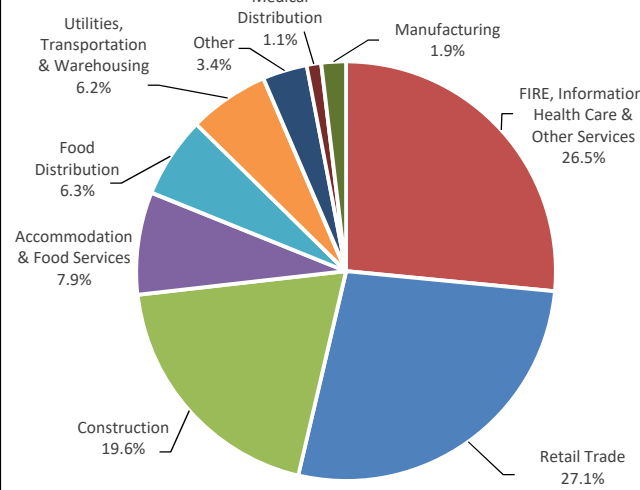


Chart 6: Changing Composition of GRT

