

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

MEMORANDUM

DATE: September 18, 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: September Gross Receipts Tax and Recent Labor Market Indicators

Gross Receipts Tax

Attached please find the monthly dashboard for the September GRT distribution. The September gross receipts tax distribution (July business activity) does not yet reflect any adverse effects of the COVID-19 pandemic. Chart 1 of the dashboard indicates revenue levels well above the budget, however we anticipate seeing declines next month as the effects of the end of the Federal unemployment benefits are felt. As you know, GRT distributions are two months after taxable business activity takes place. We had anticipated that distributions in September would reflect lower than normal business activity. While certain categories of business have declined, the City still has not seen a decline. The positive variance will help weather future declines as the full effects of the COVID recession are felt, particularly going into FY22.

Chart 2 indicates the increase in GRT over FY20 in July and August. The comparative September figures are skewed by a large back-payment of food hold harmless (approximately \$1.75 million) which took place in September of last fiscal year. That spike is clearly seen on the chart. Monthly comparative information should return to normal.

GRT revenue for September was \$3,349,727 for the General Fund. This is above the \$2,378,869 projected for September based on the economic data received from the UNM's Bureau of Business and Economic Research (BBER). Compared to FY20 actuals, there is a negative variance year-to-date of \$270 thousand or -2.6 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$321,338. Year-to-date comparisons between FY20 and FY21 are also skewed due to the food hold harmless payment noted above.

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 September, many industry sectors show positive growth compared to the same period in FY 2020. This includes manufacturing at 27.9 percent, retail trade at 24.7 percent, utilities, transportation and warehousing at 11.0 percent, "other" sectors at 5.3 percent, and accommodation and food services at 4.7 percent. Sectors showing negative growth include professional, education & other services at -1.6 percent, finance, insurance and real estate at -5.8 percent, health care and social assistance at -15.6 percent and information and cultural industries at -17.2 percent. The medical hold harmless has declined 25.7 percent year-over-year while the food hold harmless has declined 68.8 percent from September 2019. The key sector of construction has shown the significant growth at 26.1 percent compared to FY20.

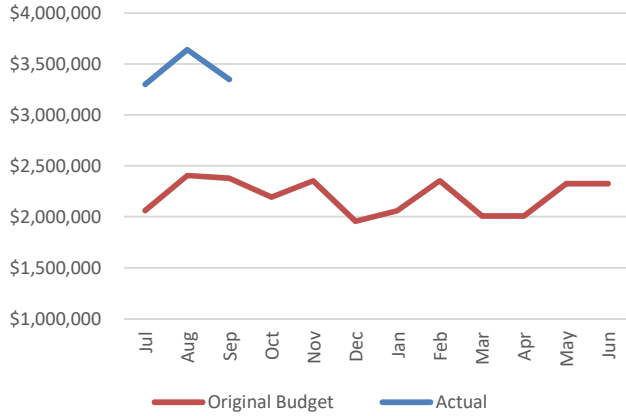
Labor Market Indicators

Employment data for the State as a whole and the Albuquerque MSA for the month of August 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 September 2020 is \$3.4 million or 40.8% above the FY21 estimate

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

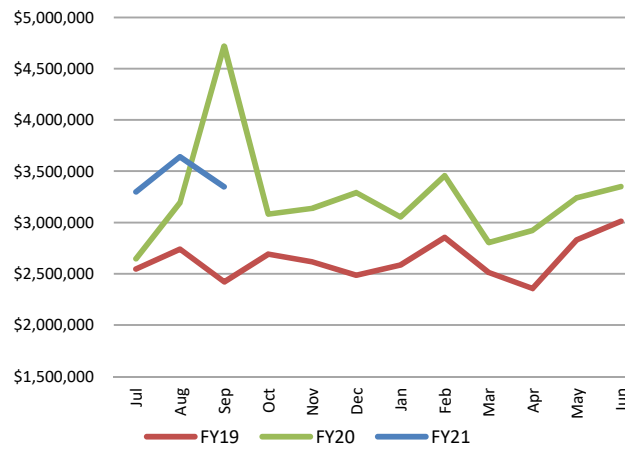


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

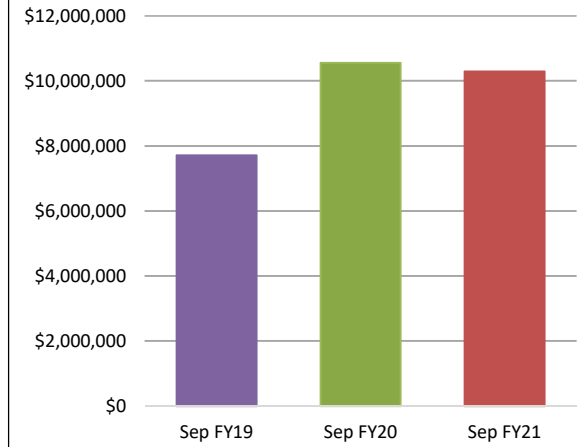


Chart 4: GRT Distribution by Industry % Change FY21 YTD compared to FY20 YTD

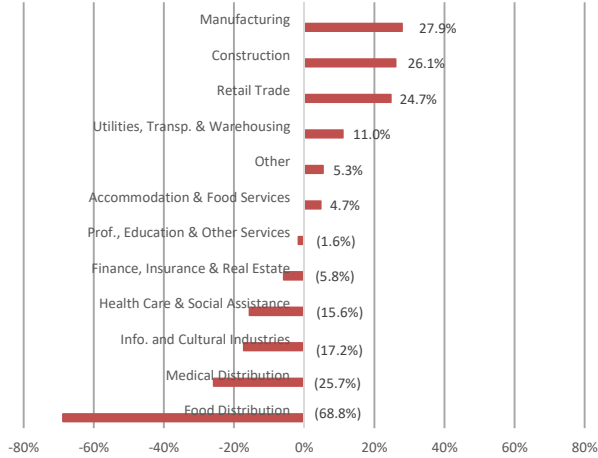


Chart 5: GRT Distribution by Industry FY21 YTD

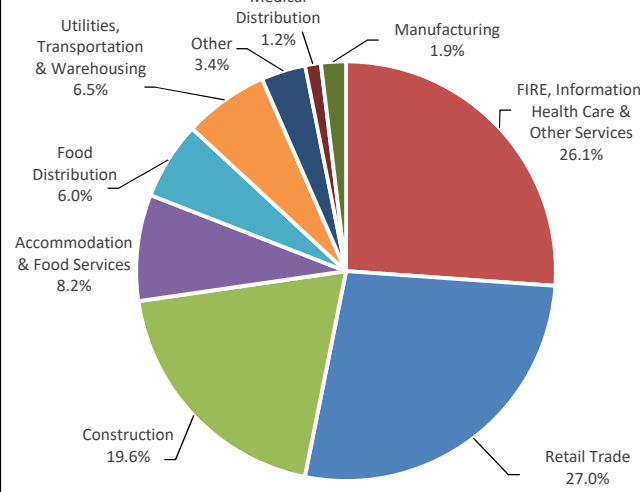


Chart 6: Changing Composition of GRT

