

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

MEMORANDUM

DATE: November 2, 2020

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

FROM: Carole Jaramillo, Director of Financial Services

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

Gross Receipts Tax

Attached please find the monthly dashboard for the October GRT distribution. The October gross receipts tax distribution (August business activity) remains well above the pessimistic projections that were used for the FY21 budget. Chart 1 of the dashboard indicates revenue levels that do not reflect adverse results from the COVID-19 pandemic. While certain categories of business have declined, the City still has not seen an overall decline. The positive variance will help weather future declines that are anticipated in our five-year plan, 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. October comparative information indicates an increase over FY20 for the month.

GRT revenue for October was \$3,436,523 for the General Fund. This is above the \$2,193,846 projected for October based on the economic data received from the UNM's Bureau of Business and Economic Research (BBER). Compared to FY20 actuals, there is a positive variance year-to-date of \$83 thousand or 0.6 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$482,009. Year-to-date comparisons between FY20 and FY21 are also skewed due to the food hold harmless payment noted above. Excluding the back-payment of food hold harmless in September 2019, FY21's positive variance would be approximately \$1.8 million.

The Financial Services Department urges continued caution with respect to the budget and City spending. There is still disagreement about the duration of the pandemic, the anticipated "shape" of the economic recovery, as well as the economic impact of the Presidential election. 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 October, many industry sectors show positive growth compared to the same period in FY 2020. This includes manufacturing at 26.9 percent, retail trade at 22.8 percent, utilities, transportation and warehousing at 13.7 percent, "other" sectors at 7.8 percent, accommodation and food services at 6.8 percent, and finance, insurance and real estate at 1.5 percent. Sectors showing negative growth include professional, education & other services at -4.3 percent, health care and social assistance at -7.7 percent, and information and cultural industries at -26.2 percent. The medical hold harmless has declined 14.6 percent year-over-year while the food hold harmless has declined 60.8 percent from October 2019. The key sector of construction has shown significant growth at 19.0 percent compared to FY20.

Labor Market Indicators

New Mexico's seasonally adjusted unemployment rate was 9.4 percent in September 2020, down from 11.4 percent in August and up from 4.8 percent in 2019. The national unemployment rate in September was 7.9 percent, down from 8.4 percent in August and up from 3.5 percent in the previous year. The full report can be found at the link below.

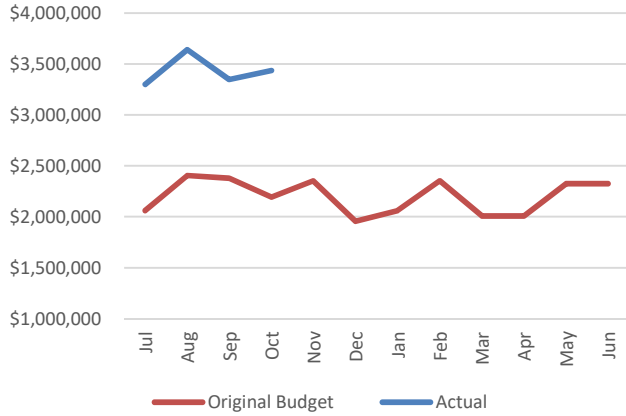
<https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0920.pdf>

Employment for the Albuquerque MSA for the month of September 2020 declined by 10,900 jobs, or 2.7 percent year-over-year. Following is the link to the *Labor Market Review* for the month of September. The full report can be found at the link below.

https://www.dws.state.nm.us/Portals/0/DM/LMI/lmr_Sept_20.pdf

Rio Rancho Gross Receipts Tax Dashboard

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



Y-T-D October 2020 is \$3.4 million or 51.9% above the FY21 estimate

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

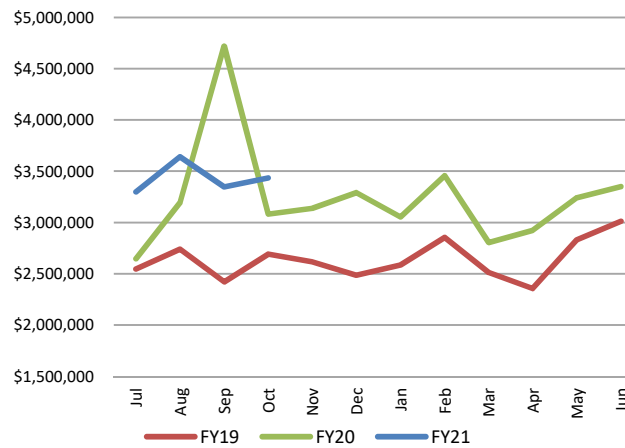


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

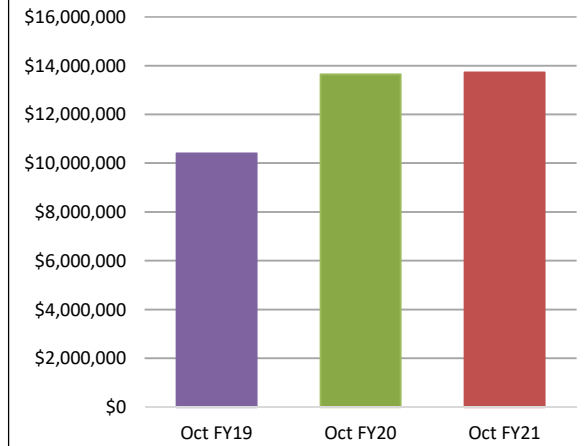


Chart 4: GRT Distribution by Industry % Change FY21 YTD compared to FY20 YTD

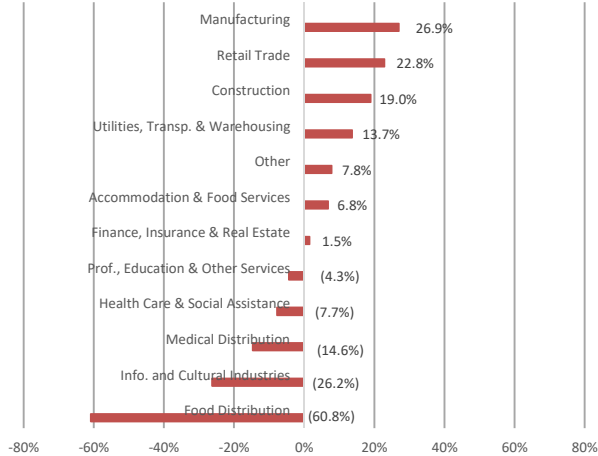


Chart 5: GRT Distribution by Industry FY21 YTD

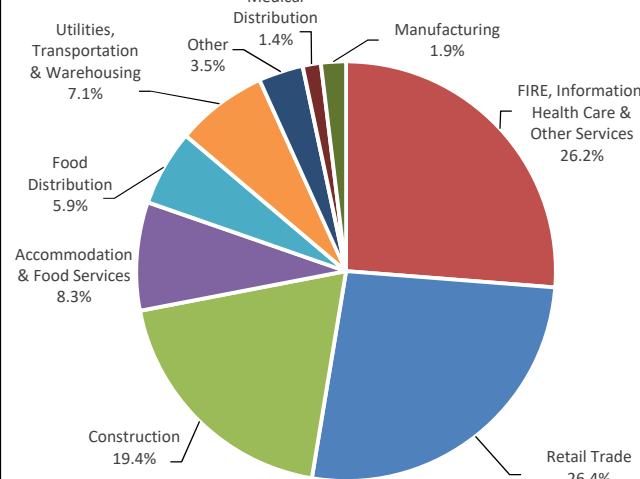


Chart 6: Changing Composition of GRT

