

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

MEMORANDUM

DATE: November 20, 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: **November Gross Receipts Tax and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for the November GRT distribution. The November gross receipts tax distribution (September 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 an 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 and November comparative information indicates an increase over FY20 in each month.

GRT revenue for November was \$3,272,276 for the General Fund. This is above the \$2,352,437 projected for the month 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 \$217 thousand or 1.3 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$642,679. 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 \$2.0 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 and the anticipated "shape" of the economic recovery. Further, the new round of closures that have resulted from an explosion of COVID-19 cases will have an unknown impact on GRT for the remainder of the fiscal year. 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 26.8 percent, retail trade at 23.8 percent, "other" sectors at 12.5 percent, utilities, transportation and warehousing at 10.9 percent, accommodation and food services at 6.3 percent, and finance, insurance and real estate at 1.5 percent. Sectors showing negative growth include professional, education & other services at -5.9 percent, health care and social assistance at -7.6 percent, and information and cultural industries at -30.5 percent. The medical hold harmless has declined 15.5 percent year-over-year while the food hold harmless has declined 58.4 percent from November 2019.

The key sector of construction continues to be strong in FY21, showing significant growth of 21.6 percent compared to FY20.

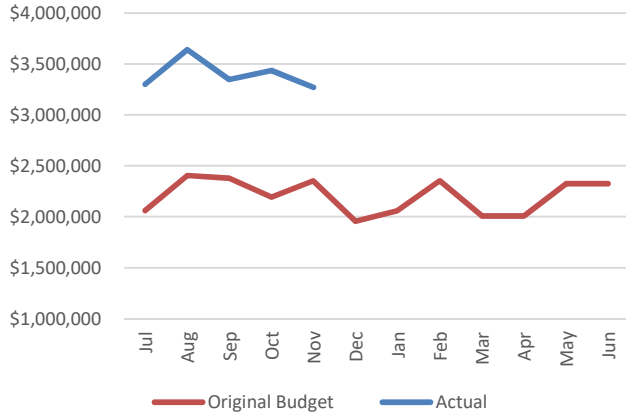
Labor Market Indicators

Statewide employment data and data for the Albuquerque MSA for the month of October 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 November 2020 is \$5.6 million or 49.2% above the FY21 estimate*

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

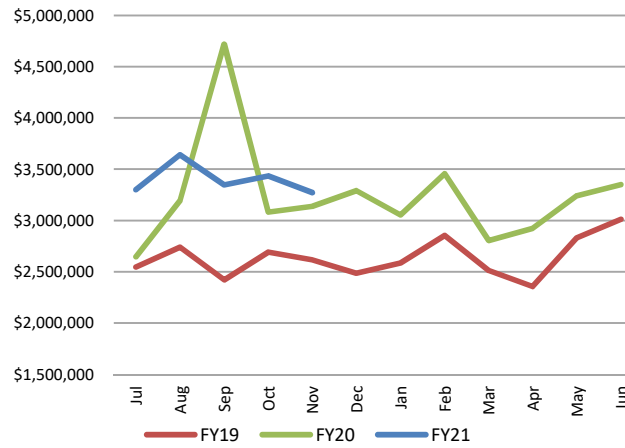


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

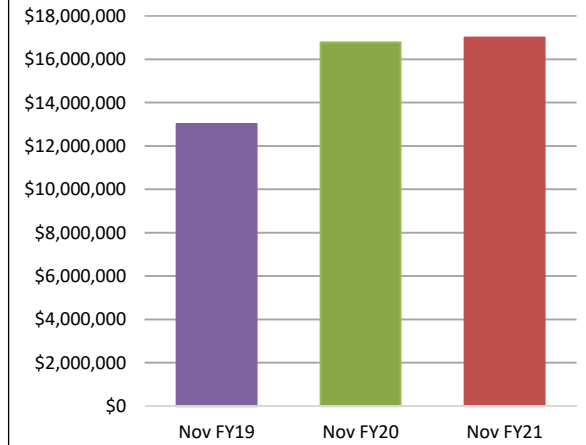


Chart 4: GRT Distribution by Industry % Change FY21 YTD compared to FY20 YTD

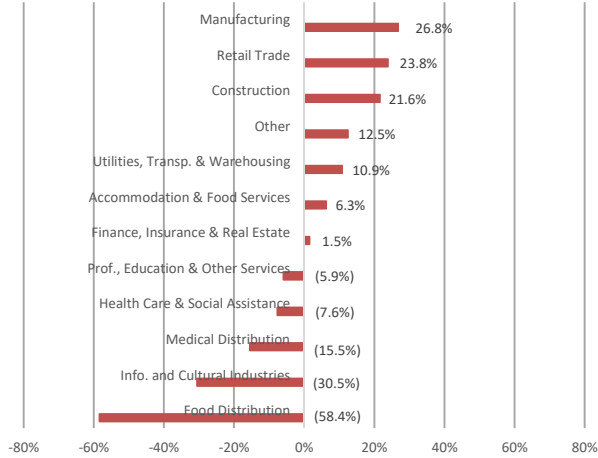


Chart 5: GRT Distribution by Industry FY21 YTD

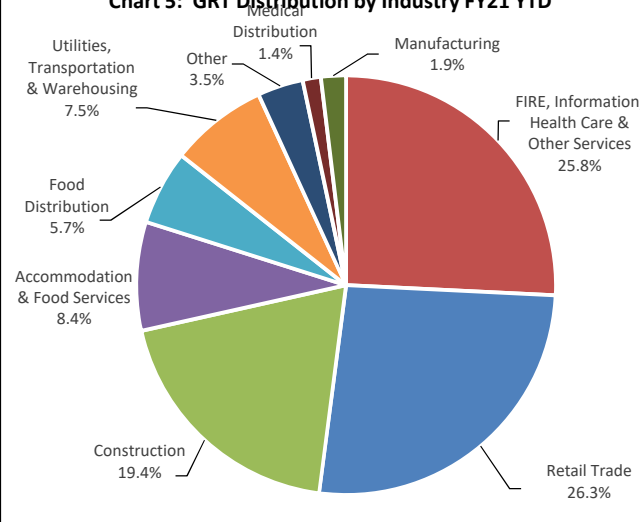
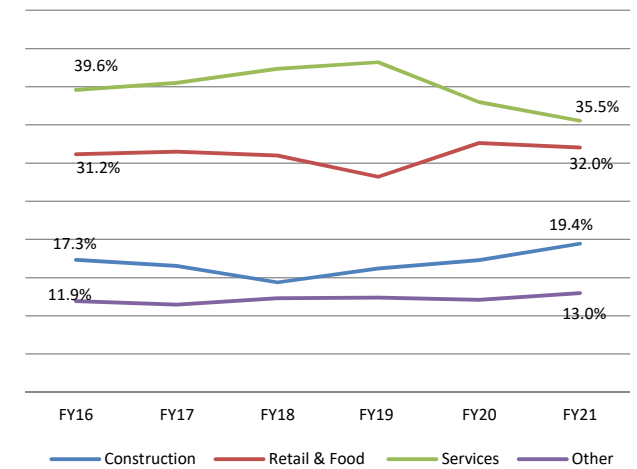


Chart 6: Changing Composition of GRT



*Y-T-D information from October was erroneously reported as \$3.4 million above the FY21 estimate. The amount should have been \$4.7 million above the FY21 estimate. The percentage (51.9%) was reported correctly.