

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

MEMORANDUM

DATE: January 22, 2021

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

FROM: Carole Jaramillo, Director of Financial Services

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

Gross Receipts Tax

Attached please find the monthly dashboard for the January GRT distribution. The January gross receipts tax distribution (November business activity) remains well above the pessimistic projections that were used for the FY21 budget. Chart 1 of the dashboard reports revenue levels that do not reflect any adverse impact from the COVID-19 pandemic. While certain business sectors have declined, the City has not seen an overall decline, and is performing well year-over-year and compared to the budget. The positive variance will help weather future declines that have been projected in our five-year plan, particularly going into FY22.

Chart 2 indicates a positive variance 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 2019. That spike is clearly seen on the chart. October through January comparative information reflects a positive variance from FY20 in each month through December and then a small dip below FY20 in January.

GRT revenue for January was \$2,963,801 for the General Fund. This is above the \$2,061,686 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 \$224 thousand or 1.0 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$964,018. 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 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. BBER is predicting a "swoosh" shaped recovery, meaning the return to pre-COVID will be slow. Further, the recent closures and tiered reopening plan that occurred after the explosion of COVID-19 cases in recent weeks 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 January, many industry sectors show positive growth compared to the same period in FY 2020. This includes manufacturing at 28.2 percent, retail trade at 17.9 percent, utilities, transportation and warehousing at 8.7 percent, "other" sectors at 7.6 percent, accommodation and food services at 3.8 percent, and finance, insurance and real estate at 1.7 percent. Sectors showing negative growth include health care and social assistance at -1.9 percent, professional, education & other services at -4.6 percent, and

information and cultural industries at -37.3 percent. The medical hold harmless has declined 16.7 percent year-over-year while the food hold harmless has declined 51.9 percent from January 2020. The key sector of construction continues to be strong in FY21, showing significant growth of 16.1 percent compared to FY20. However, construction did show a significant decline from last month. We will monitor this closely to understand any trend that develops.

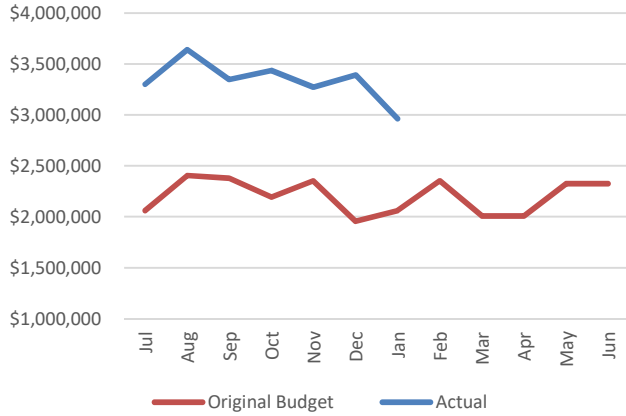
Labor Market Indicators

Employment data for the New Mexico and the Albuquerque MSA for the month of December 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 January is \$7.9 million or 51.6% above the FY21 estimate

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

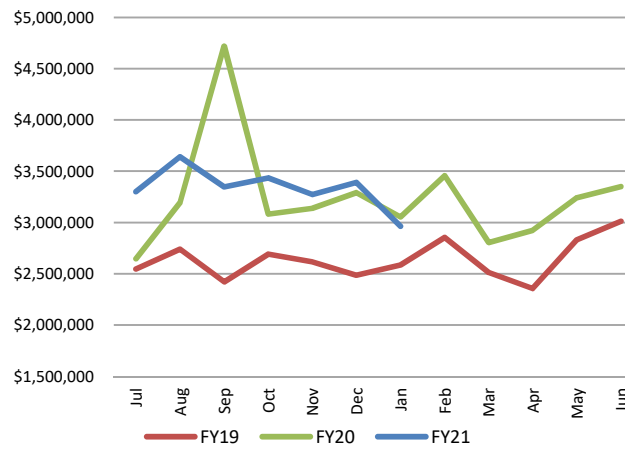


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

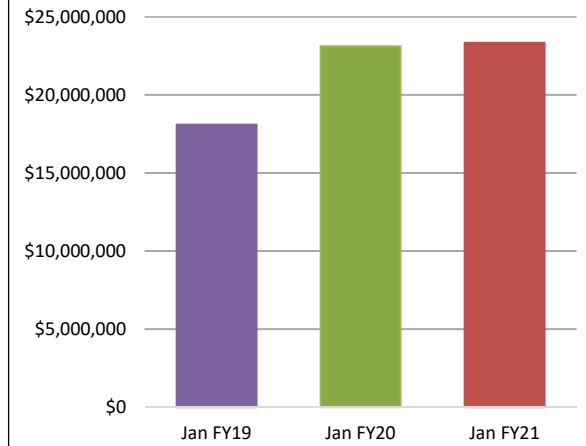


Chart 4: GRT Distribution by Industry % Change FY21 YTD compared to FY20 YTD

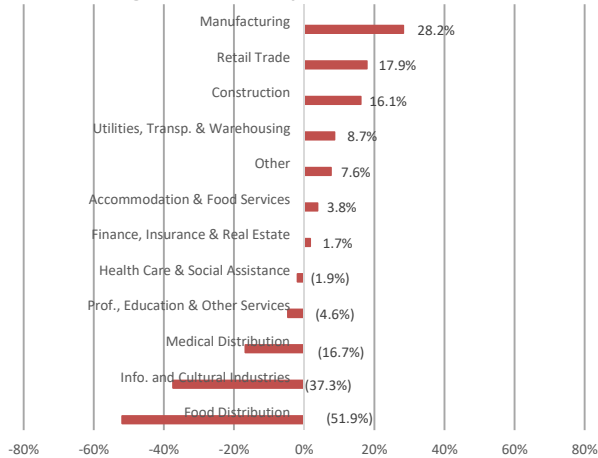


Chart 5: GRT Distribution by Industry FY21 YTD

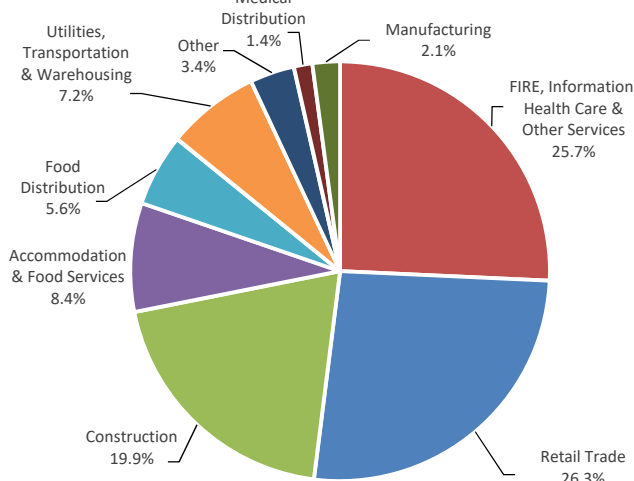


Chart 6: Changing Composition of GRT

