

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

MEMORANDUM

DATE: February 26, 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: **February Gross Receipts Tax and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for the February GRT distribution. The February gross receipts tax distribution (December business activity) remains well above the pessimistic projections that were used for the original FY21 budget, as well as the more optimistic mid-year budget. Chart 1 of the dashboard reports revenue levels that reflects strong business activity despite 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 February comparative information reflects a positive variance from FY20 in each month except January, 2021 where GRT dipped slightly below the prior year. This positive variance for February is despite a negative adjustment of \$111 thousand made to the medical hold harmless distribution in February. The adjustment was made by TRD to retroactively correct for certain taxpayer(s) CRS tax returns back to July 1, 2015.

GRT revenue for February was \$3,530,663 for the General Fund. This is above the \$2,932,995 projected for the month in the revised FY21 budget (mid-year). Compared to FY20 actuals, there is a positive variance year-to-date of \$298 thousand or 1.1 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$1,124,687.53. Year-to-date comparisons between FY20 and FY21 are also skewed due to the food hold harmless payment and the negative medical hold harmless adjustment noted above.

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 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 February, many industry sectors show positive growth compared to the same period in FY 2020. This includes manufacturing at 21.5 percent, retail trade at 17.3 percent, utilities, transportation and warehousing at 8.6 percent, finance, insurance and real estate at 5.4 percent, “other” sectors at 4.3

percent, and accommodation and food services at 3.9 percent. Sectors showing negative growth include health care and social assistance at -2.1 percent, professional, education & other services at -4.2 percent, and information and cultural industries at -39.3 percent. The medical hold harmless has declined 38.8 percent year-over-year while the food hold harmless has declined 50.0 percent from January 2020 (both hold harmless distributions skewed by the adjustments noted above). The key sector of construction continues to be strong in FY21, showing significant growth of 18.6 percent compared to FY20 as development continues around the City.

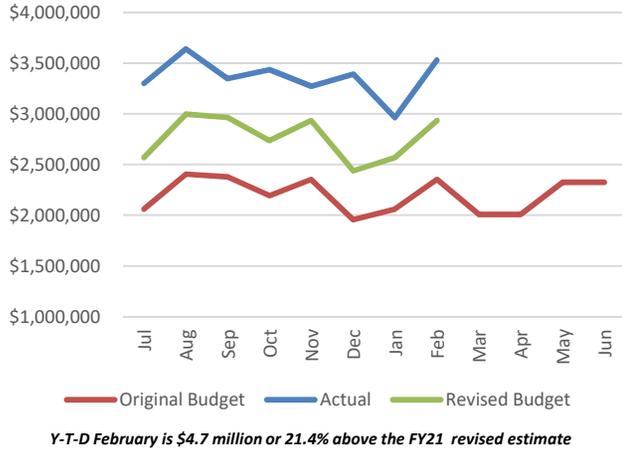
Labor Market Indicators

Employment data for the New Mexico and the Albuquerque MSA for the month of January 2021 has not yet been released, but will be available in the near future at the link below.

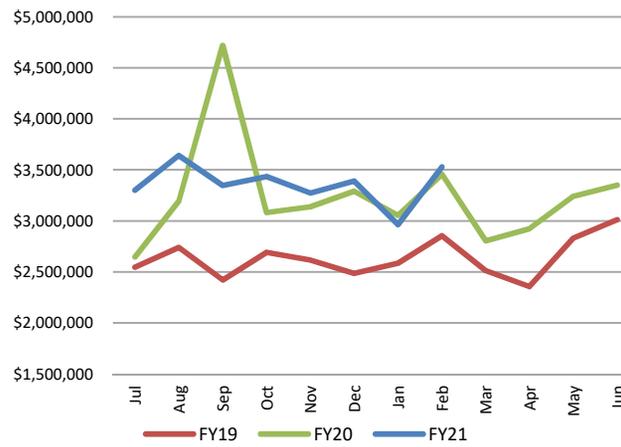
<https://www.dws.state.nm.us/en-us/Researchers/Publications/Economic-News>

Rio Rancho Gross Receipts Tax Dashboard

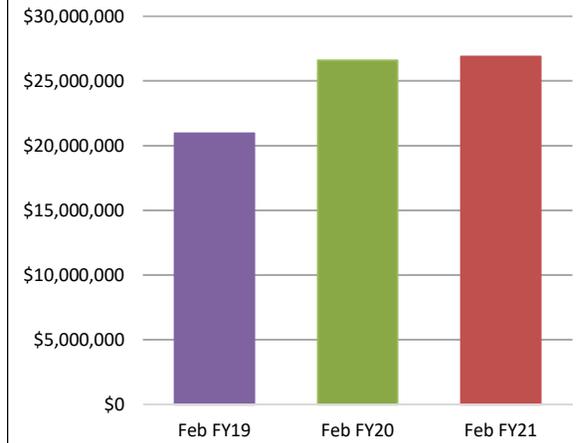
**Chart 1: Gross Receipts Tax Monthly Revenue
General Fund FY21 Original Budget vs. Actual**



**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

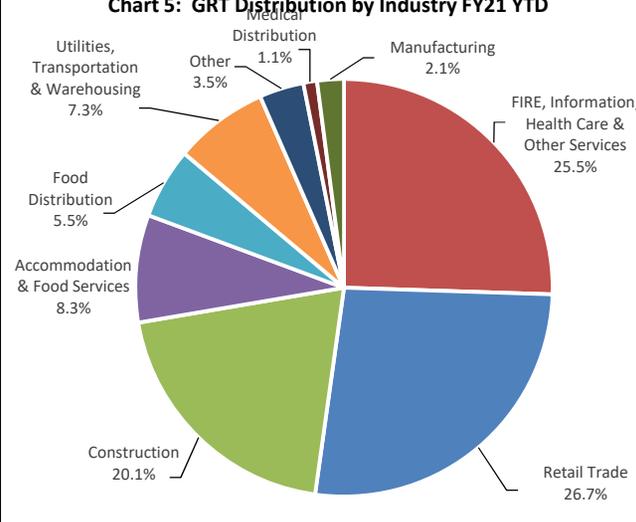


Chart 6: Changing Composition of GRT

