

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

MEMORANDUM

DATE: April 23, 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: **April Gross Receipts Tax (GRT) and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for the April GRT distribution. The April gross receipts tax distribution (February 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. In general, the City has not seen an overall decline in business activity although two sectors have declined and one is just slightly above the same time last year. The City continues to record a positive variance which has contributed to the extremely healthy reserve levels.

Chart 2 reflects month by month variances experienced in each fiscal year 2019, 2020 and 2021. An obvious spike occurred in September 2019 due to a large back-payment of food hold harmless (approximately \$1.75 million), then in February 2021 a negative adjustment to the medical hold harmless distribution reduced a positive variance in that distribution by \$111 thousand to retroactively correct for certain taxpayer(s) CRS returns dating back to July 2015. These random adjustments made by TRD skew the year-over-year comparisons in those months, however, it is clear that the City has seen consistent positive GRT revenue variances from the prior years in fiscal years 2020 and 2021.

GRT revenue for April was \$3,131,979 for the General Fund. This is above the \$2,504,580 projected for the month in the revised FY21 budget (mid-year). Compared to FY20 actuals, there is a positive variance year-to-date of \$1.0 million or 3.2 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$1,446,027.06. In addition, beginning in March 2021 (January business activity), the amended dedication for the Environmental GRT took effect which shifts approximately \$75 thousand in revenue from a special fund to the general fund. 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 reserve levels. 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 tiered reopening plan which may or may not be offset with Federal stimulus funded activity 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 April, many industry sectors show positive growth compared to the same period in FY 2020. This includes retail trade at 19.4 percent, manufacturing at 18.3 percent, utilities, transportation and warehousing at

10.4 percent, finance, insurance and real estate at 9.8 percent, accommodation and food services at 3.8 percent, “other” sectors at 1.9 percent, and health care and social assistance at 0.8 percent. Sectors showing negative growth include professional, education and other services at -3.6 percent, and information and cultural industries at -41.6 percent. The medical hold harmless has declined 36.6 percent year-over-year while the food hold harmless has declined 46.2 percent from April 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 19.4 percent compared to FY20 as development continues throughout the City.

Labor Market Indicators

New Mexico’s seasonally adjusted unemployment rate was 8.3 percent in March which is unchanged from February and up from 5.4 percent in the previous year. By comparison the national unemployment rate in March was 6.0 percent, down from 6.2 percent in February and up from 4.4 percent in March 2020. The full report can be found at the below link:

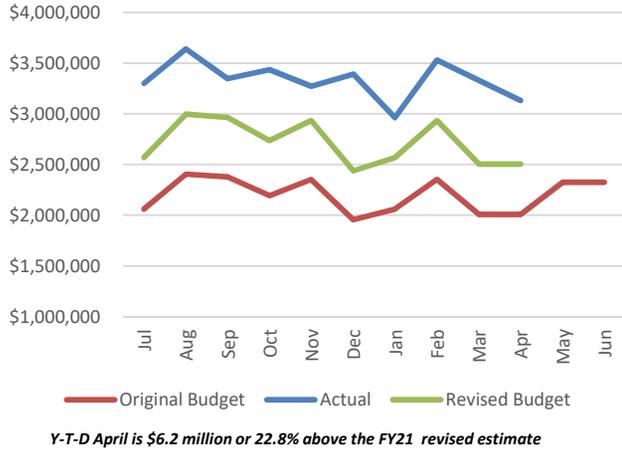
<https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-0321.pdf>

Employment data for New Mexico and the Albuquerque MSA for the month of March 2021 shows year-over-year decreases of 65,600 jobs (7.7 percent), and 23,500 job (5.9 percent) respectively. The full *Labor Market Review* report can be found at the below link:

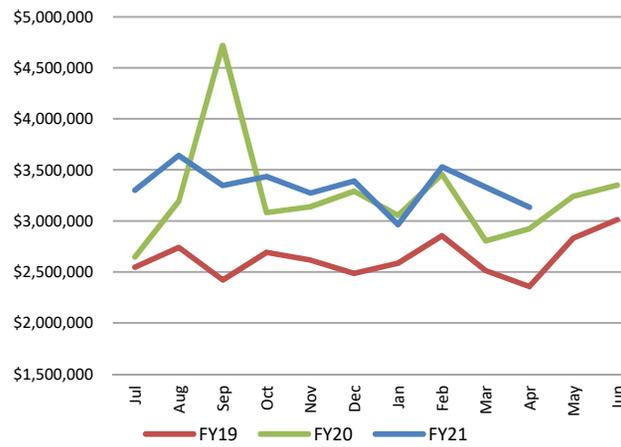
https://www.dws.state.nm.us/Portals/0/DM/LMI/LMR_Mar_2021_.pdf

Rio Rancho Gross Receipts Tax Dashboard

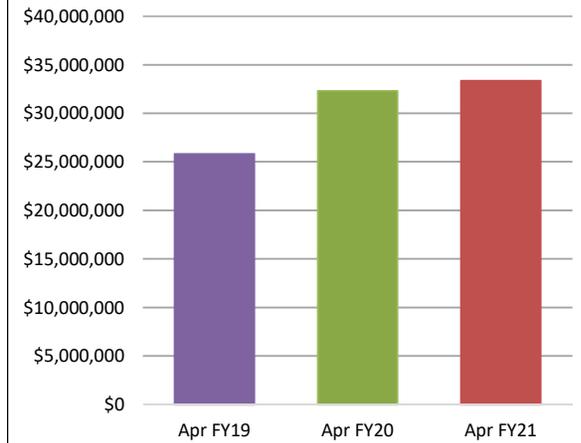
**Chart 1: Gross Receipts Tax Monthly Revenue
General Fund FY21 Original Budget vs. Actual**



**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**

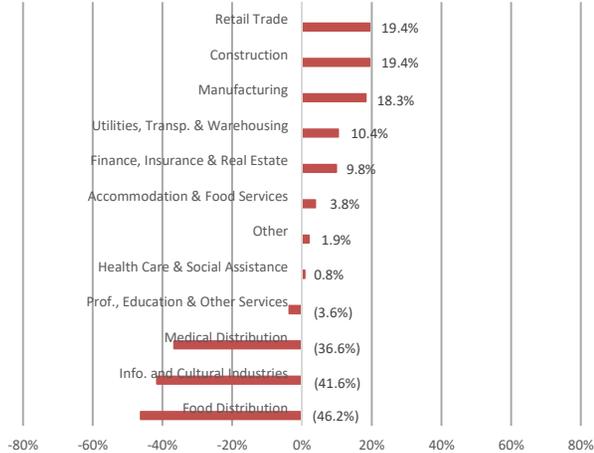


Chart 5: GRT Distribution by Industry FY21 YTD

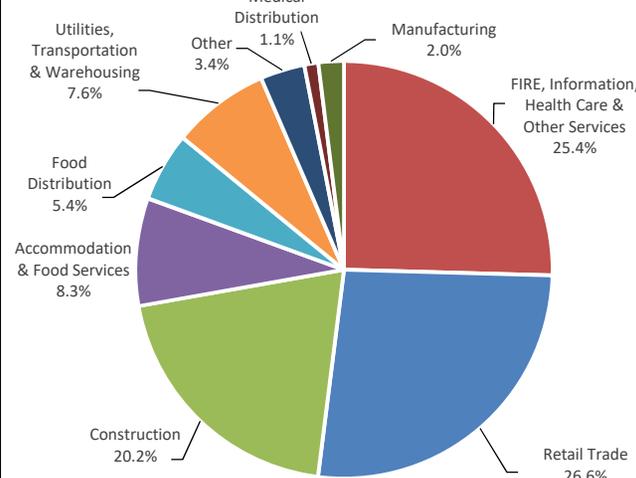


Chart 6: Changing Composition of GRT

