

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

MEMORANDUM

DATE: May 20, 2021

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

FROM: Carole Jaramillo, Director of Financial Services

SUBJECT: **May Gross Receipts Tax (GRT) and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for the May GRT distribution. The May gross receipts tax distribution (March business activity) continues to far exceed 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 continue to reflect strong business activity despite the COVID-19 pandemic. In general, the City has not seen an overall decline in business activity in the majority of sectors compared to 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 May was \$3,995,127 for the General Fund. This is above the \$2,900,040 projected for the month in the revised FY21 budget (mid-year). Compared to FY20 actuals, there is a positive variance year-to-date of \$1.8 million or 5.0 percent for the General Fund. The internet sales tax distribution is included in that figure and totals \$1,606,696,59. 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. As the City, state and nation emerge from the pandemic, there remains many questions as to the progression of the recovery as stimulus funds filter through the economy. BBER is predicting a “swoosh” shaped recovery, meaning the return to pre-COVID employment levels will be slow. 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 May, many industry sectors show positive growth compared to the same period in FY 2020. This includes retail trade at 20.5 percent, manufacturing at 15.1 percent, finance, insurance and real estate at 13.7 percent, utilities, transportation and warehousing at 10.5 percent, accommodation and food services at 6.0 percent, health care and social assistance at 3.6 percent, and “other” sectors at 2.1 percent. Sectors

showing negative growth include professional, education and other services at -3.5 percent, and information and cultural industries remains the hardest hit at -41.6 percent. The medical hold harmless has declined 33.7 percent year-over-year while the food hold harmless has declined 45.6 percent from May 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 20.9 percent compared to FY20 as development continues throughout the City.

Labor Market Indicators

Employment data has not yet been released by the Department of Workforce Solutions. Information should be released by May 31, 2021 for April 2021 and will be found 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

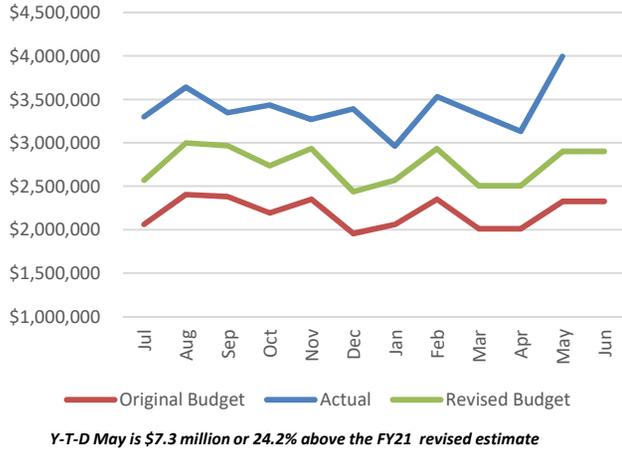


Chart 2: Gross Receipts Tax Monthly Revenue General Fund Current Year vs. Prior Years

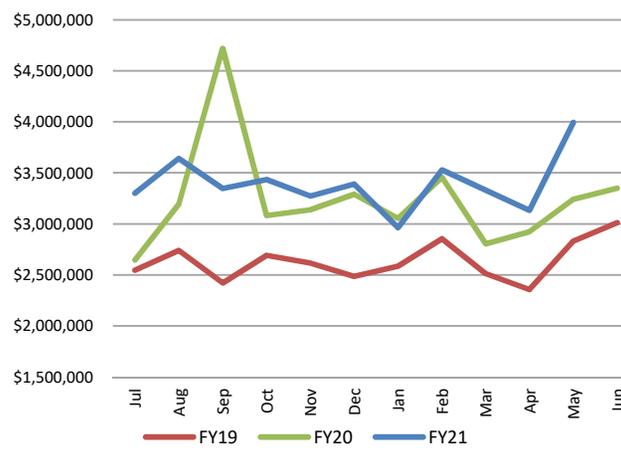


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

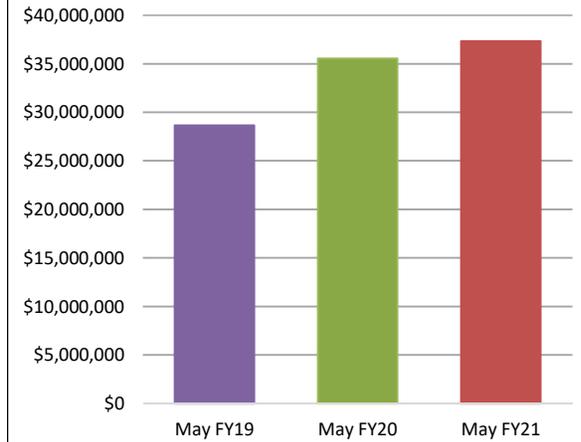


Chart 4: GRT Distribution by Industry % Change FY21 YTD compared to FY20 YTD

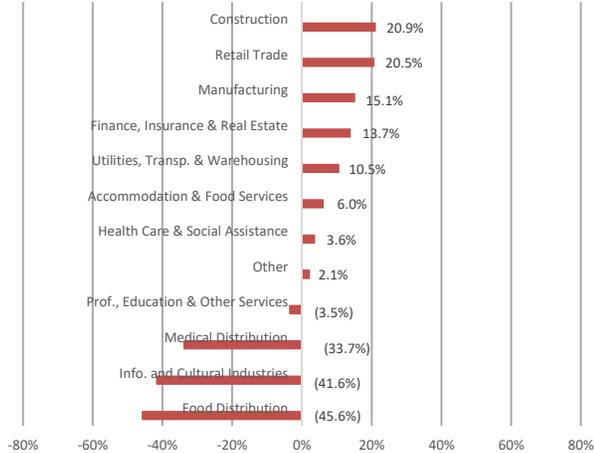


Chart 5: GRT Distribution by Industry FY21 YTD

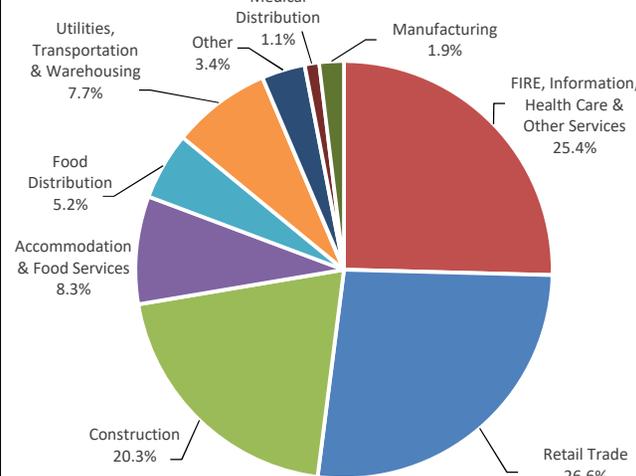


Chart 6: Changing Composition of GRT

