CITY OF RIO RANCHO
DEPARTMENT OF FINANCIAL SERVICES

MEMORANDUM

DATE: November 23, 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: November Gross Receipts Tax (GRT) 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) exceeds the projection for the month continuing the positive variance trend that has been present for more than 24 months. Chart 1 of the dashboard indicates revenue levels that continue to reflect strong business activity compared to the City’s very conservative budget estimates. In general, the City has seen business activity growth in all but one business sector, information and cultural industries. Please note that in Chart 1 of the dashboard, the month by month budget estimates were revised in October to reflect an updated five-year trend analysis however the overall budget did not change. The monthly budget represents the percentage of the total GRT collected in any given month and is based on a 5-year average.

Chart 2 reflects month by month changes in each fiscal year 2020, 2021 and 2022. An obvious spike occurred in September 2019 (FY20) due to a large back-payment of food hold harmless (approximately $1.75 million), then in February 2021 (FY21) 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. In June of this year (FY21), the City again received a positive adjustment to the food hold harmless distribution which led to a positive adjustment of approximately $100 thousand. These random adjustments made by TRD skew the year-over-year comparisons in the impacted months, however, it is clear that the City has seen consistent positive GRT revenue changes year over year.

Beginning in September (July business activity), the Taxation and Revenue Department ceased making population-based distributions of internet sales tax of $160,669.53 per month. Gross receipts tax distributions now reflect actual internet sales activity. Internet sales are not separated from other activity within impacted sectors thus, we can only estimate their impact. We can see an obvious increase in the retail sector: $433 thousand higher than November 2020 and $334 thousand higher than August 2021 (the last month before actual internet sales were distributed).

GRT revenue for November was $4,424,718 for the General Fund. This is $1.3 million above the $3,154,506 projected for the month in the FY22 budget and $4.7 million year-to-date based on the updated month-by-month trend analysis mentioned above. Again, the overall budget for the year did not change. Compared to FY21 actuals, there is a positive variance year-to-date of $3.2 million or 18.7 percent for the General Fund. In addition to gross receipts tax impacts, the legislative changes noted above have also resulted in receipt of compensating tax. The November distribution for compensating tax was $83 thousand for the General Fund. This is a new source of revenue and was not budgeted in FY22. The Finance Department will track this source of revenue and include it, as appropriate, in future budget estimates.
GRT trends for each major industry are shown in chart 4 of the Dashboard on the next page. In November, most industry sectors show positive growth compared to the same period in FY 2021. This includes “other” industries at 57.0 percent, finance, insurance and real estate at 53.7 percent, manufacturing at 21.9 percent, professional, education and other services at 17.9 percent, health care and social assistance at 17.3 percent, accommodation and food services at 16.1 percent, and utilities, transportation and warehousing at 12.1 percent. As mentioned above, retail had another excellent month and experienced year over year growth of 22.4 percent. The only sector showing negative growth was information and cultural industries which remains very hard hit at -13.6 percent. The medical hold harmless distribution is approximately level year-over-year showing 0.4 percent growth while the food hold harmless distribution declined 22.5 percent from November 2021. The key sector of construction continues to report very solid growth of 18.3 percent compared to FY21 as development continues throughout the City.

**Labor Market Indicators**

New Mexico’s seasonally adjusted unemployment rate was 6.5 percent in October, down from 8.5 percent in September and down from 8.5 percent from the previous year. Nationally the unemployment rate was 4.6 for the month of October, down from 4.8 percent in September and down from 6.9 percent in October 2020. The full report can be found at the link below:

https://www.dws.state.nm.us/Portals/0/DM/LMI/pr-pdf-1021.pdf

Employment data for October has not yet been released by the Department of Workforce Solutions. Information should be released by November 30, 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 FY22 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 FY22 YTD compared to FY21 YTD

Chart 5: GRT Distribution by Industry FY22 YTD

Chart 6: Changing Composition of GRT

Y-T-D October is $4.7 million or 30.0% above the FY22 estimate
(Note: Monthly budgeted amounts were reallocated in October to reflect updated trend analysis. Annual budget did not change.)

11/22/2021