DATE: January 21, 2022

TO: Mayor Greggory 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: January Gross Receipts Tax (GRT) 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), again, exceeds the projection for the month. This positive trend began before the pandemic and has continued despite dire predictions. Chart 1 of the dashboard reflects revenue levels that are well above the City’s very conservative budget estimates which are based on the most pessimistic economic forecast. However, in general, the City has seen business activity growth across sectors.

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 2021, 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: $617 thousand higher than January 2021, and $421 thousand higher than August 2021 (the last month before actual internet sales were distributed).

GRT revenue for January was $4,117,435 for the General Fund. This is $1.3 million above the $2,824,384 projected for the month in the FY22 budget and $7.2 million year-to-date based on an updated month-by-month trend analysis. Compared to FY21 actuals, there is a positive variance year-to-date of $5.0 million or 21.4 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 December distribution for compensating tax was $27 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 last page of this report. In January, all industry sectors show positive growth compared to the same period in FY 2021. This includes “other” industries at 77.4 percent, finance, insurance and real estate at 58.8 percent, professional, education and other services at 21.4 percent, accommodation and food services at 15.
percent, health care and social assistance at 13.9 percent, utilities, transportation and warehousing at 13.3 percent, manufacturing at 7.8 percent, and information and cultural industries at 1.5 percent. As mentioned above, retail continues to show growth in business activity and experienced year over year growth of 30.6 percent. The medical hold harmless distribution has declined slightly year-over-year showing -2.4 percent growth while the food hold harmless distribution declined 21.5 percent from January 2021. The key sector of construction continues to report very solid growth of 21.8 percent compared to FY21 as development continues throughout the City.

**Labor Market Indicators**

Unemployment and labor market data for December has not yet been released by the Department of Workforce Solutions. Information should be released by January 31, 2022 and will be found at the link below:

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 Year 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 January is $7.2 million or 34.2% above the FY22 estimate (Note: Monthly budgeted amounts were reallocated in October to reflect updated trend analysis. Annual budget did not change.)