## CITY OF RIO RANCHO DEPARTMENT OF FINANCIAL SERVICES

## **MEMORANDUM**

DATE: September 18, 2011

TO: Mayor Thomas Swisstack

Michael J. Williams, Council Member Patricia Thomas, Council Member Tamara L. Gutierrez, Council Member Steven L. Shaw, Council Member Timothy C. Crum, Council Member Kathleen Colley, Council Member James Jimenez, City Manager

Laura Fitzpatrick, Assistant City Manager

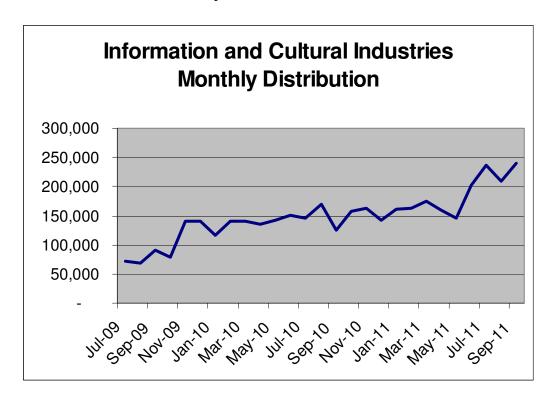
FROM: Olivia Padilla-Jackson, Financial Services Director

**SUBJECT:** September 2011 General Fund Gross Receipts Tax Revenue Distribution

The General Fund Gross Receipts Tax (GRT) revenue distribution for the month of September, which is based on July economic activity, was \$2,145,698 after adjustments, \$78,738 or 3.8 percent above the monthly estimate (see Attachment 1, FY12 Gross Receipts Tax Revenue Estimate vs. Actual). Year to date, the GRT estimate is \$220,954 or 3.4 percent above the annual estimate. Below are some highlights of this month's distribution.

- The September GRT distribution increased 24 percent from the September 2010 distribution. Fiscal year to date, the General Fund distribution is almost 19 percent higher compared to the same period in Fiscal Year 2010. The primary sectors contributing to this month's strength versus last September were Services, Retail, Utilities and Construction.
- The Services sector revenue increased 28 percent from September of 2010 to \$692,848, which compares to the 5-year monthly average of 402,000, the 3-year monthly average of 557,000, and the average for FY11 of 618,000. Fiscal year to date, Services sector revenue is over 32 percent higher compared to same period last year. The Services Sector is one of the key indicators for Rio Rancho economic activity and overall health and has shown steady annual growth, averaging 11.8 percent over the last five years.
  - One of the Service subsectors that has done exceptionally well fiscal year to date is the Information and Cultural Industries sector. Fiscal year to date, revenue from this sector is almost \$250,000 higher than the same period last year. The average monthly distribution in this sector over the last two years has been approximately

\$138,000 and over the last fiscal year, the monthly average distribution was \$159,000. However, in June of 2011, this distribution amount jumped to the highest amount on record at \$202,400, and has remained above the \$200,000 level, at \$240,821 in September.



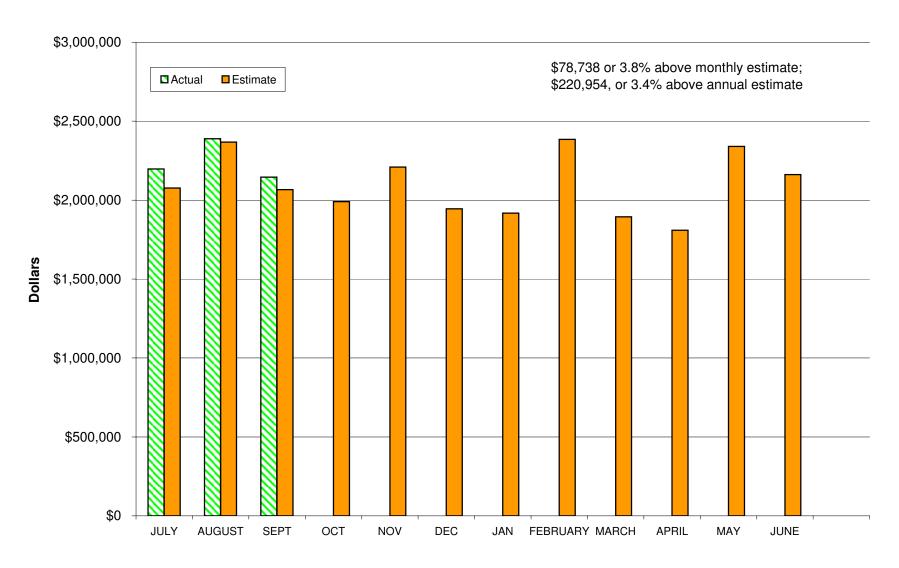
- O Based on a report from the Taxation and Revenue Department, it appears that Rio Rancho Premier Cinemas filed their first distribution in June of 2011, which would mean the City would receive those receipts in July. The TRD RP-80 report would allow us to determine the actual dollar impact of the Premier Cinemas, since it would be the only company filing under the Motion Picture and Video NAICS code, however, these reports are not updated monthly and the latest report available is for the May distribution. Without additional information, it is impossible to determine the exact impact of the movie theatre, however, future data from TRD and our GRIP project should shed light on the true impact to the General Fund.
- Retail sector revenue, the largest category type in terms of revenue, grew 11 percent from September of 2010 to \$1,006,568. Fiscal year to date, retail revenue is almost 6 percent higher than the same period last year. This revenue has been fairly steady, occasionally experiencing \$1 million plus spikes related to Christmas sales and occasionally in certain summer months. However, revenue from this sector has enjoyed its fifth consecutive \$1 million plus distribution (there has never been more than two consecutive \$1 million plus months). Retail sector revenue growth slowed over the last few fiscal years, experiencing

only 0.6 percent growth last fiscal year.

- O Analysis of the three retail subsectors (Retail, Accommodation and Food Services, and the Food Hold Harmless distribution) shows that the most significant gains year to date are in the Accommodation and Food Services sector, which grew 18.9 percent or over \$100,000 fiscal year to date. The Food Hold Harmless distribution is 6.6 percent higher fiscal year to date, or \$40,125 higher, while the retail sector is about 2.2 percent higher or \$45,879 higher.
- The Transportation, Communications, and Utilities (TCU) sector saw a 40 percent increase from the amount received one year ago to \$345,442. Aside from the August 2010 high, this month saw the highest monthly distribution since April of 2009. Fiscal year to date, this sector revenue is 24 percent higher than the amount received in the same period last year.
- Construction GRT revenue increased about 21 percent from September of 2010 to \$448,935. Fiscal year to date, construction GRT revenue is over 28 percent higher than the same period last year. Commercial construction activity continues to provide the primary support for the Construction GRT revenue. According to UNM, monthly revenue from the Sandoval County Regional Medical Center is fairly strong currently, but is expected to slow toward the end of calendar year 2011.
- Wholesale Trade increased 24 percent from September of 2010 to \$23,130, more than double its long-term average amount.

Attachment 2 shows the amounts of GRT collected by NAICS category and compares YTD revenue and percent of total to the prior fiscal year. Attachments 3 and 4 illustrate the trends in Gross Receipts Tax revenues by monthly totals and major sector activity.

## FY12 Gross Receipts Tax Revenue Estimate vs. Actual



	September (July Activity)	FY12 Y-T-D	FY11 Y-T-D	Y-T-D % Change Over FY11	Y-T-D \$ Change Over FY11
Construction	\$448,935 16.01%	\$1,508,694 17.26%	\$1,175,201 15.59%	28.38%	\$333,493
Manufacturing	\$29,288 1.04%	\$83,530 0.96%	\$58,484 0.78%	42.83%	\$25,047
Trans/Comm/Util	\$345,442 12.32%	\$943,634 10.79%	\$758,275 10.06%	24.44%	\$185,359
Wholesale Trade	\$23,130 0.82%	\$109,000 1.25%	\$74,623 0.99%	46.07%	\$34,377
Retail Trade	\$1,006,568 35.89%	\$3,100,541 35.47%	\$2,926,534 38.82%	5.95%	\$174,007
Fin/Ins/Real Estate	\$73,218 2.61%	\$204,964 2.34%	\$177,662 2.36%	15.37%	\$27,301
Services	\$692,848 24.70%	\$2,156,129 24.66%	\$1,631,161 21.64%	32.18%	\$524,968
Other	\$185,497 6.61%	\$635,783 7.27%	\$736,427 9.77%	-13.67%	(\$100,644)
Total GRT Receipts	\$2,804,927	\$8,742,275	\$7,538,367	15.97% <u> </u>	\$1,203,908
Adjustment/Reclass*	(\$659,230)	(\$2,010,440)	(\$1,871,455)		
General Fund	\$2,145,698	\$6,731,835	\$5,666,912	18.79%	\$1,064,922

<sup>\*</sup>Includes Environmental and Higher Education GRT distributions, which are deposited into the respective special funds for a dedicated purpose as required in State statute and amounts set aside for GRT bond\loan payments.

