

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

MEMORANDUM

DATE: June 20, 2012

TO: Mayor Thomas Swisstack,
Council Members: Chuck Wilkins, Patricia Thomas, Tamara Gutierrez, Mark Scott, Timothy Crum, and Lonnie Clayton
James Jimenez, City Manager
Laura Fitzpatrick, Assistant City Manager

FROM: Olivia Padilla-Jackson, Financial Services Director

SUBJECT: **General Fund Gross Receipts Tax Revenue -- June 2012 Year End Report**

The General Fund Gross Receipts Tax (GRT) revenue distribution for the month of June, which is based on April economic activity, was \$2,040,179.18 after adjustments, \$147,780 or 6.8 percent below the monthly estimate. Fiscal year to date, GRT revenue to the General Fund is 483,429 or 1.9 percent above the annual estimate (see attached Dashboard, Chart 2: FY12 GRT Revenue Estimate vs. Actual). Below are some highlights of this month's distribution and below that is an annual analysis of the GRT revenues.

- The June GRT distribution was approximately 16.6 percent lower than the General Fund distribution in June of 2011, with construction and services seeing the largest changes.
- Construction GRT revenue saw the second largest decline compared to last year, falling \$118,691 or 24 percent to \$367,430 before adjustments. It has been anticipated that UNM hospital construction revenue would fall sharply toward the end of the project as UNM started netting out the tax payments previously paid on tax exempt expenditures.
- After reaching record levels last month, the Services sector revenue declined slightly from last month and fell 32 percent from June of 2011. However, last June's monthly amount was unusually high, exceeding \$1 million, and appeared to be a correction for a previous month low amount.
- The Retail sector revenue was little changed from June of 2011 at \$1,032,592.
- The Utilities, Transportation and Warehousing sector increased 13 percent compared to last June.

Annual Gross Receipt Tax Revenue Performance

Total Gross Receipts Tax revenue in FY12 grew overall by 7.6 percent from FY11. This marks the second consecutive year of growth, following 5.4 percent growth in FY11. As you can see from the table below and graphically in Chart 3 in the GRT Dashboard attached, all GRT subsectors experienced growth compared to FY11 with the exception of the Construction and Professional, Scientific and Technical Services, indicating both economic recovery and continued expansion in Rio Rancho's retail and services revenue base. Out of the 21 sectors, 12 sectors, or 57 percent experienced double digit growth rates.

- The broad Retail category sector grew 8.1 percent over the fiscal year. Within the broad Retail category the Retail subsector grew 6.2 percent over the year, the Accommodation and Food Services grew 12.4 percent over the year, and the Food Hold Harmless distribution grew 4.9 percent over the year.

Over the last three years, the Retail subsector expanded at an annual average growth of 4.0 percent, the Accommodation and Food Services grew at an annual average rate of 9.0 percent and the Food Hold Harmless grew 2.1 percent.

- The broad Services category grew 11.7 percent over the fiscal year. Within the broad Services category, Information and Cultural Industries experienced the highest growth rate of over 35 percent. The Health Care and Social Assistance and Medical Hold Harmless Distribution saw 25.4 and 31.3 percent growth, respectively, over the year.

Over the last three fiscal years, Information and Cultural Industries has experienced an annual average growth rate of 45.6 percent. As noted previously, this subsector is largely made up of telecommunications companies. Health Care and Social Assistance and Medical Hold Harmless Distribution grew at an annual average rate of 18.3 and 15.0 percent, respectively.

- Over the fiscal year, the Utilities subsector saw the largest dollar growth and enjoyed growth of 22.1 percent, part of which is attributable to increased PNM rates.

Over the past three years, this sector has seen annual average growth of 12 percent. A significant portion of this GRT reporting sector is related to the sale of electricity and will be a sector to watch over the coming year as 2012 legislation (HB184/256) becomes effective in July, expanding existing GRT deductions to include property consumed in the manufacturing process. The City anticipates that Intel will utilize this deduction for electricity usage, however, information on how much this will impact our GRT payments is not available.

Annual Change (FY12-FY11) by Subsector (Gross Distribution)		
	\$ Change	% Change
Utilities	\$706,840	22.1%
Information and Cultural Industries	\$670,728	35.1%
Retail	\$481,791	6.2%
Health Care and Social Assistance	\$327,571	25.4%
Accommodation and Food Services	\$273,803	12.4%
Medical Distribution	\$206,755	31.3%
Food Distribution	\$123,067	4.9%
Other Services (except Pub. Serv)	\$109,890	5.7%
Wholesale	\$69,004	24.3%
Transportation and Warehousing	\$58,584	49.3%
Manufacturing	\$56,429	23.0%
Admin and Support, Waste Mgt and Remed	\$54,997	16.1%
Finance and Insurance	\$31,186	8.9%
Educational Services	\$26,527	11.6%
Arts, Entertainment and Recreation	\$14,994	12.1%
Real Estate and Rental and Leasing	\$14,181	3.2%
Unclassified Establishments	\$11,551	30.2%
Agriculture, Forestry, Fishing and Hunting	\$5,078	NA
Management of Companies and Enterprises	\$1,523	NA
Professional, Scientific and Technical Services	(\$322,725)	-22.6%
Construction	(\$499,351)	-7.6%

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Total Monthly GRT Distribution to General Fund

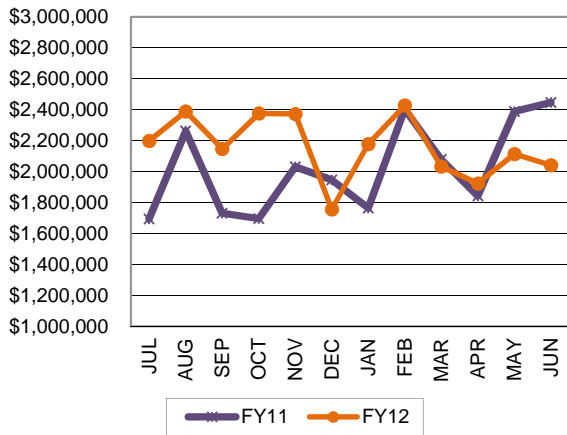


Chart 2: FY12 Gross Receipts Tax Monthly Revenue Estimate vs. Actual

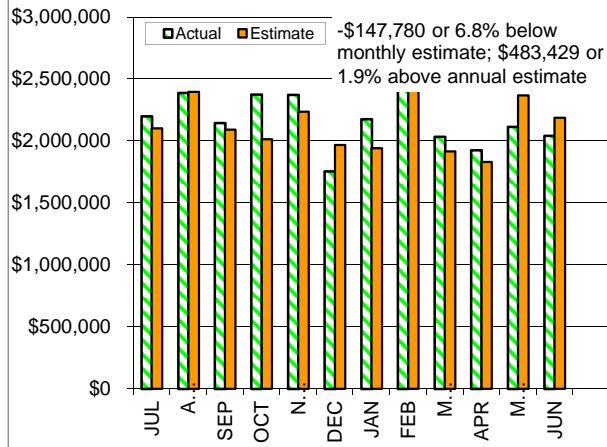


Chart 3: June Total GRT Distribution: Dollar Change compared to FY11

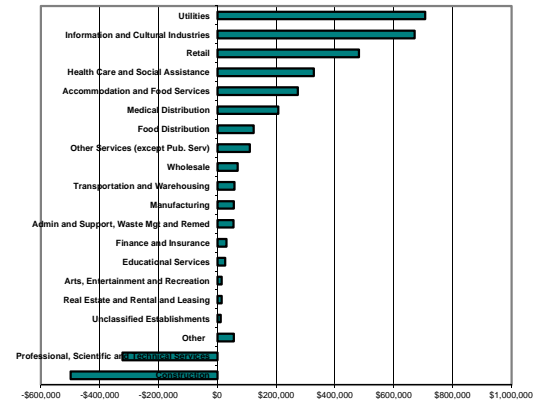


Chart 4: Health Care and Social Assistance plus Medical Hold Harmless Distribution

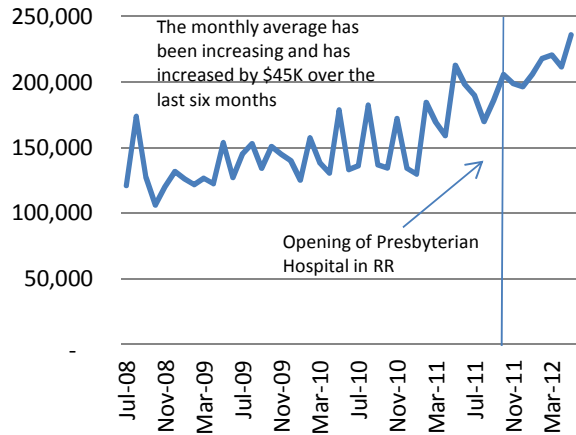


Chart 5: Retail, Accommodation and Food Services plus Food Hold Harmless

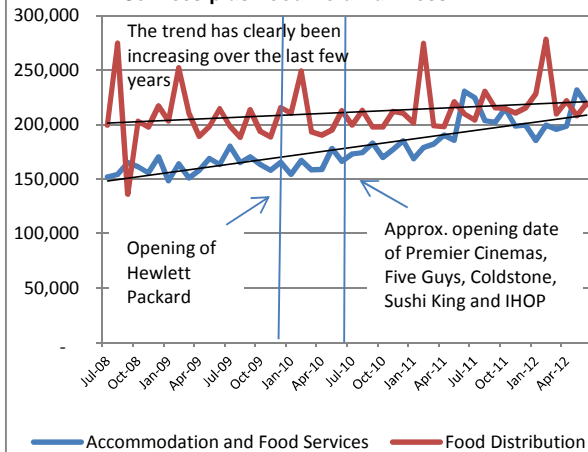


Chart 6: Information and Cultural Industries

