

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

MEMORANDUM

DATE: June 17, 2013

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

FROM: Olivia Padilla-Jackson, Financial Services Director

SUBJECT: **June 2013 and FY13 General Fund Gross Receipts Tax Revenue Distribution**

The General Fund Gross Receipts Tax (GRT) revenue distribution for June, which is based on April economic activity, was \$1,961,550 after adjustments, \$172,440 or 12 percent below the monthly estimate. This report includes highlights from the June distribution and an annual analysis of GRT revenues in Fiscal Year 2013. Attached is the Rio Rancho Gross Receipts Tax Dashboard, which shows notable GRT trends.

- The total June GRT distribution was 5.8 percent lower than June of 2012. Compared to last June, the Construction sector saw the largest change, declining almost 33 percent. The Utilities sector declined 35 percent from last June.
- The Construction GRT distribution in June was \$270,099, which was \$130,500 or 33 percent lower than last June. Based on the data, it appears that there was a significant refund in the construction sector, which may have been associated with the City's approved refund for the Event Center construction project. This refund, which has been anticipated for a few years and was awaiting approval from the State, is expected to be received by the City this month in the amount of approximately \$181,000.

Fiscal Year 2013 GRT Revenue

Gross Receipt Tax revenue to the General Fund for the full Fiscal Year 2013 was \$24,267,804, \$28,999 below the original budget estimate, which reflects a 0.1 percent variance. Compared to last fiscal year, the total FY13 GRT revenue was 2.9 percent lower, with 10 sectors growing and 12 sectors declining. This was the first annual decline in GRT since FY10, as FY11 and FY12 experienced 4.8 and 8.3 percent growth overall, respectively.

GRT Sector	Total Annual Distribution	Dollar Change from FY12	Percent Change from FY12
Construction	\$4,685,884	-\$1,357,662	-22.5%
Utilities	\$3,686,739	-\$219,553	-5.6%
Finance and Insurance	\$195,288	-\$186,699	-48.9%
Retail	\$8,105,359	-\$164,899	-2.0%
Educational Services	\$134,435	-\$121,077	-47.4%
Transportation and Warehousing	\$84,221	-\$93,202	-52.5%
Other Services (except Pub. Serv)	\$2,019,952	-\$34,849	-1.7%
Wholesale	\$321,321	-\$31,244	-8.9%
Information and Cultural Industries	\$2,564,734	-\$14,610	-0.6%
Arts, Entertainment and Recreation	\$132,916	-\$6,260	-4.5%
Professional, Scientific and Technical Services	\$1,104,044	-\$3,285	-0.3%
Agriculture, Forestry, Fishing and Hunting	\$4,448	-\$1,818	-29.0%
Mining and Oil and Gas Extraction	\$264	\$264	
Unclassified Establishments	\$62,996	\$13,161	26.4%
Management of Companies and Enterprises	\$22,449	\$20,010	820.6%
Real Estate and Rental and Leasing	\$520,892	\$66,737	14.7%
Accommodation and Food Services	\$2,550,202	\$75,434	3.0%
Admin and Support, Waste Mgt and Remed	\$481,890	\$84,726	21.3%
Food Distribution	\$2,798,358	\$139,331	5.2%
Medical Distribution	\$1,012,994	\$145,058	16.7%
Health Care and Social Assistance	\$1,903,010	\$285,322	17.6%
Manufacturing	\$701,788	\$399,969	132.5%
Total*	\$33,094,183	-\$1,005,143	-2.9%

*Gross amounts before deductions for Higher Education, Environmental GRT, GRIP Payments, and Debt Service Intercept Payments.

Underperforming Sectors

- The Construction sector experienced the largest decline in FY13 compared to FY12, falling 23 percent, though that negative growth diminished throughout the year from a low point of -35 percent year to date through November. This was the second year of declines for the Construction sector, as both FY11 and FY12 benefited from the hospitals. This nonresidential activity supported the construction sector during a time when residential construction reached historically low levels. Staff anticipates that the construction sector will grow moderately in FY14 as single family housing construction increases, approaching long-term historical averages.
- Other major sectors that declined overall in FY13 included Utilities (-5.6%), Finance and Insurance (-49%), core Retail (-2%) and Educational Services (-47%).

Outperforming Sectors

- The Manufacturing sector was the single strongest performing sector in FY13, growing 133 percent or by \$399,969. Most of the growth in this sector was experienced in the last half of the fiscal year and growth was seen in large spikes in certain months. See Dashboard Chart 6.
- The combined Health Care and Social Assistance and Medical Hold Harmless Distribution sectors (see Dashboard Chart 4), grew 17.3 percent in FY13 compared to

FY12.

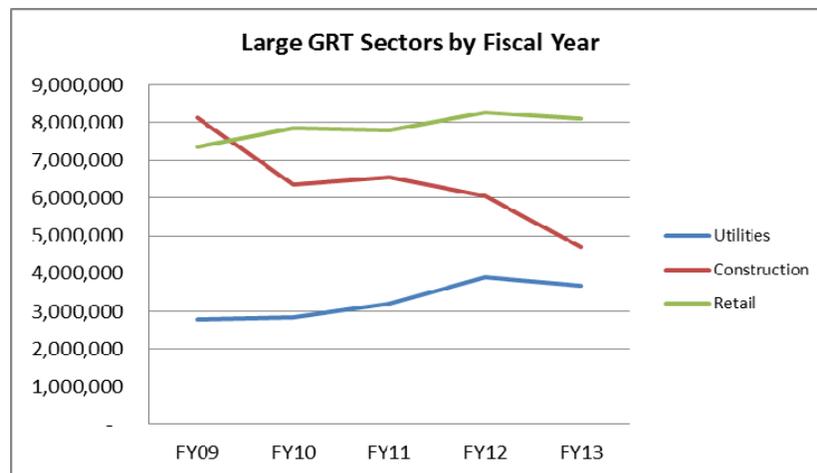
- Accommodation and Food Services grew 3 percent in FY13 after growing 12.4 and 10.7 the previous two fiscal years. The related Food Hold Harmless distribution grew 5.2 percent in FY13 after growing 4.9 percent in FY12 and 3.4 percent in FY11.

Five-Year Trend by GRT Sector Size

Since FY09, there have been some major changes in Rio Rancho's GRT sector activity. Below, there are three charts depicting annual growth in large sectors (>\$3 million annually), medium sectors (>\$1 million and < \$3 million), and small sectors (< \$1 million annually).

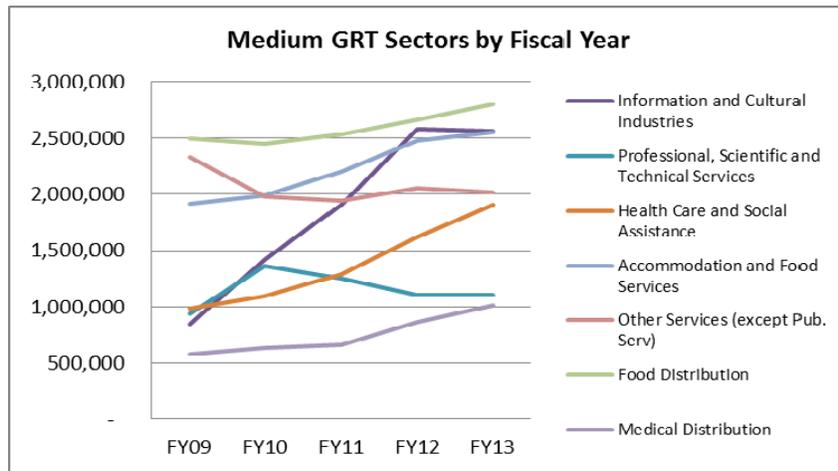
Large GRT Sectors

Notable changes in the large GRT sectors include a significant decline in the Construction GRT, slow, but steady growth in Retail, and growth in the Utilities sector in FY12 and FY13.



Medium GRT Sectors

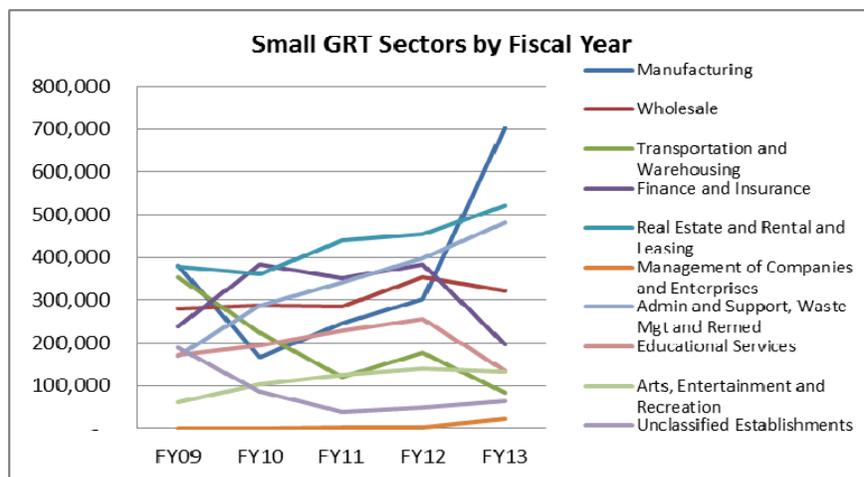
Notable changes in the medium GRT sectors include growth in various service related sectors, including significant growth in Information and Cultural Industries, Health Care and Social Assistance, and the Medical Hold Harmless distribution. Also of note, the Accommodation and Food Services sector has grown 33 percent since FY09. The Food Hold Harmless distribution has grown steadily, closely following the overall Retail sector noted above.



Small GRT Sectors

Of the small GRT sectors, there are three sectors that have grown dramatically over the last five years. These include Manufacturing, with much of the growth being experienced in the second half of the fiscal year. Real Estate and Rental Leasing has grown steadily, growing 14.7 percent in FY13 and breaking above the \$500,000 level in FY13. Lastly, Admin and Support, Waste Management and Remediation has also grown considerably, experiencing double digit growth each of the last few years, experiencing 21 percent growth in FY13 and approaching the \$500,000 level. This sector includes office administrative services, landscaping services, janitorial services, and waste management among others.

- In Q1 of 2013, 93 companies reported in the Manufacturing sector, of which 49 percent were located in New Mexico and 38 percent located in Rio Rancho. Companies reporting in this sector were located in 23 different states.



Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Total Monthly GRT Distribution

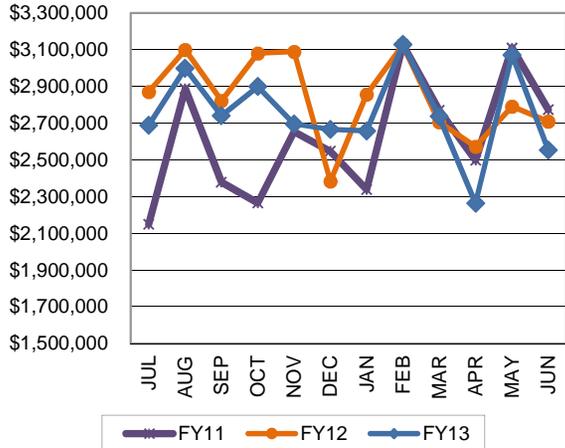


Chart 2: FY13 Gross Receipts Tax Monthly Revenue General Fund Estimate vs. Actual

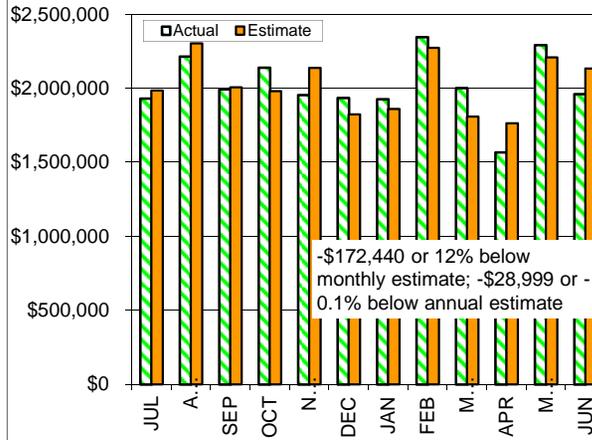


Chart 3: FY13 YTD Total GRT Distribution compared to FY12 YTD through June

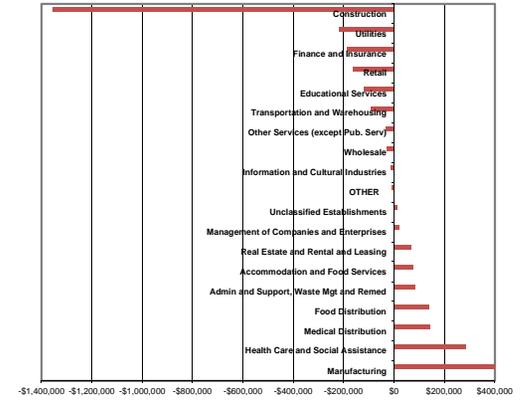


Chart 4: Health Care and Social Assistance and Medical Hold Harmless Distribution

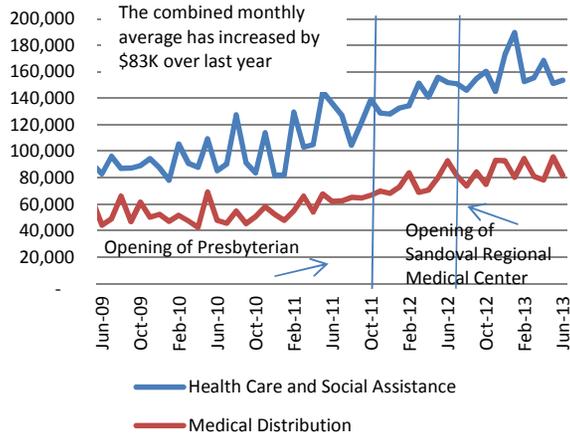


Chart 5: Accommodation and Food Services and Food Hold Harmless Distribution

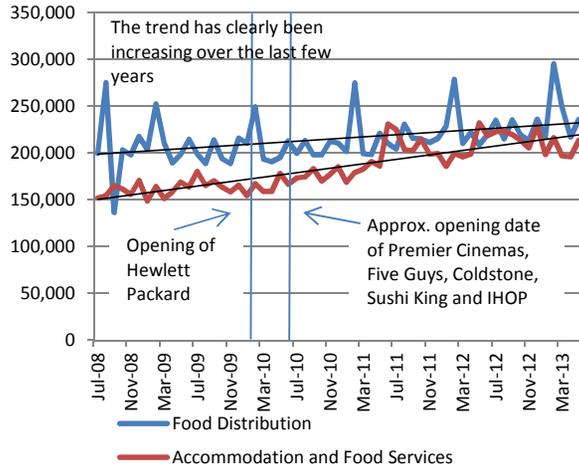


Chart 6: Manufacturing GRT Distribution

