

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

MEMORANDUM

DATE: March 25, 2025

TO: Mayor Gregory Hull, Council Members Deb Dapson, Jeremy Lenentine, Bob Tyler, Paul Wymer, Karissa Culbreath, Nicole List
Matt Geisel, City Manager

FROM: Carole Jaramillo, Director of Financial Services

SUBJECT: March Gross Receipts Tax (GRT) and Recent Labor Market Indicators

Gross Receipts Tax

Attached please find the monthly dashboard for the March GRT distribution. The gross receipts tax distribution in March (January business activity) decreased from the prior month and exceeded the month's original projection by \$594,106 or 11.5 percent and was greater than the revised projection by \$102,106 or 1.8 percent for the General Fund. In total, year to date, the GRT has exceeded the original budget by \$8.2 million or 17.2 percent and the revised budget by \$3.6 million or 6.9 percent. We have seen more fluctuations in GRT this fiscal year than is typical. Chart 1 of the dashboard reflects actual revenue levels as compared to the City's very conservative budget estimates. Chart 1 also shows the anticipated monthly fluctuations in GRT which follow roughly the same pattern year after year. Adjustments made to GRT distributions continue to skew the City's year-over-year comparisons. These fluctuations from the TRD adjustments for each year are clearly seen in Chart 2 and described below.

GRT revenue for March was \$5,742,697 for the General Fund. This is above the \$5,640,592 revised estimate for the month of February. Compared to FY24 actuals, there is a positive variance year-over-year of \$3.0 million or 5.6 percent for the General Fund. For March (December business activity), the City's compensating tax distribution was \$30,481 for the General Fund. Year-over-year, compensating tax revenue continues to be lower than in the same period in FY24 coming in at \$343,754 compared to \$526,486 in FY24. This source of revenue has proven difficult to project and, since its inception, has not followed a predictable pattern of collections as do GRT and property taxes.

Chart 2 reflects month by month changes in each fiscal year 2023, 2024 and 2025. Chart 2 also illustrates the impacts of adjustments made by TRD that make true year-over-year comparisons challenging. In January 2024, a very large adjustment was made to the City's food hold harmless distribution. This adjustment was due to amended returns filed for the period 7/1/21 to 10/31/23. TRD adjustments also impact the year-over-year growth rates reported below and shown in Chart 4.

GRT trends for each major industry are shown in Chart 4 of the Dashboard on the last page of this report. Through January, positive growth was shown in most industry sectors compared to the same period in FY 2024. Growth was seen in manufacturing at 33.0 percent (likely the result of a TRD adjustment), "other" industries at 15.6 percent, information and cultural industries at 7.9 percent, healthcare and social assistance at 6.7 percent, accommodation and food services at 5.1 percent, and professional, education and other services at 2.8 percent. Negative growth was seen in utilities, transportation and warehousing at -15.1 percent, and finance, insurance and real estate at -0.8 percent. Retail shows slowing growth in business activity and experienced year-over-year growth of 3.4 percent for the period. The medical hold harmless distribution shows an increase year-over-year of 12.3 percent, while the food hold harmless distribution shows a decrease of 44.0 percent due to the inflated

amount received last January. The key sector of construction shows growth of 31.1 percent compared to the same period in FY24.

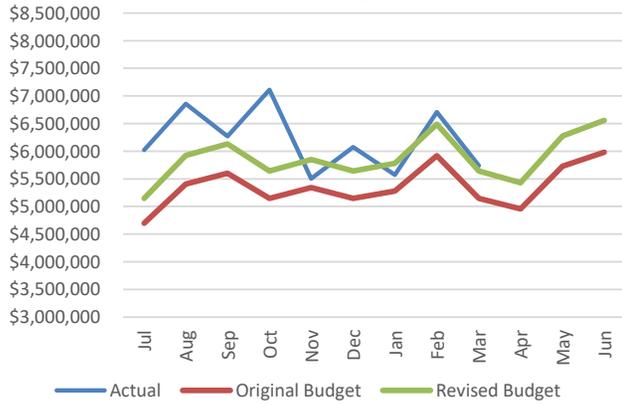
Labor Market Indicators

Information about the unemployment, as well as the labor market for the Albuquerque MSA, is not yet available. The full reports, when published, can 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 FY25 Original Budget vs. Revised Budget vs. Actual



YTD Marc is \$8.2 million or 17.2% above the FY25 original estimate, and \$3.6 million or 6.9% above the revised estimate.

Chart 2: Gross Receipts Tax Monthly Revenue General Fund Current Year vs. Prior Years

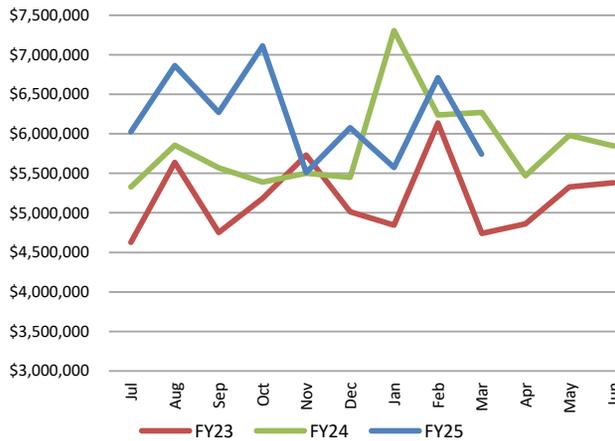


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

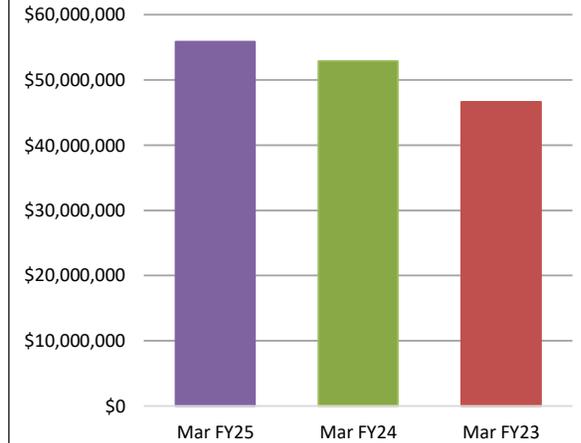


Chart 4: GRT Distribution by Industry % Change FY25 YTD compared to FY24 YTD

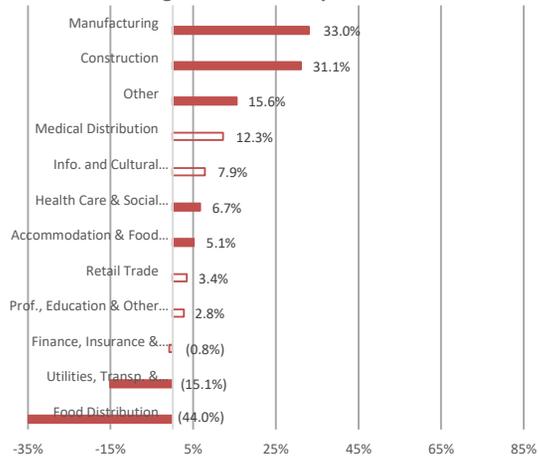


Chart 5: GRT Distribution by Industry FY25 YTD

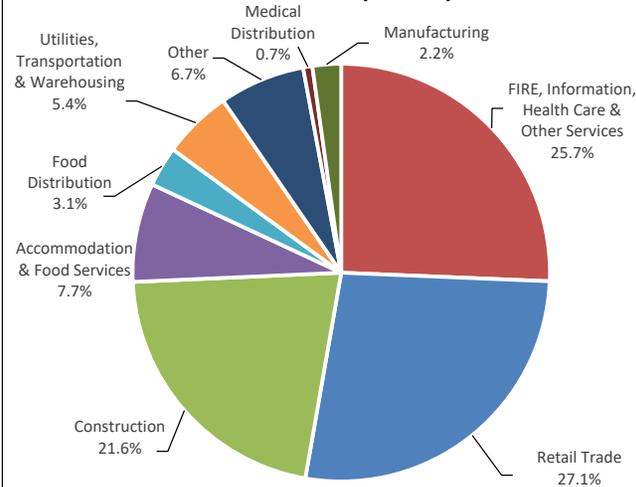


Chart 6: Changing Composition of GRT

