

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

MEMORANDUM

DATE: April 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: **April Gross Receipts Tax (GRT) and Recent Labor Market Indicators**

Gross Receipts Tax

Attached please find the monthly dashboard for the April GRT distribution. The gross receipts tax distribution in April (February business activity) was flat compared to the prior month and exceeded the month's original projection by \$799,938 or 16.1 percent and was greater than the revised projection by \$326,388 or 6.0 percent for the General Fund. In total, year to date, the GRT has exceeded the original budget by \$9.0 million or 17.1 percent and the revised budget by \$4.0 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 conservative budget estimates. Chart 1 also shows the anticipated monthly fluctuations in GRT which have historically followed roughly the same pattern year after year. In the last several years, however, 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 April was \$5,755,458 for the General Fund. This is essentially flat compared to the \$5,742,697 in March. Compared to FY24 actuals, there is a positive variance year-over-year of \$3.3 million or 5.6 percent for the General Fund. For April (February business activity), the City's compensating tax distribution was \$52,049 for the General Fund. Year-over-year, compensating tax revenue continues to be lower than in the same period in FY24 coming in at \$395,804 compared to \$556,301 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 February, positive growth was shown in most industry sectors compared to the same period in FY 2024. Growth was seen in manufacturing at 34.2 percent (likely the result of a TRD adjustment), "other" industries at 16.7 percent, information and cultural industries at 6.8 percent, accommodation and food services at 5.4 percent, healthcare and social assistance at 3.8 percent, and professional, education and other services at 1.8 percent. Negative growth was seen in utilities, transportation and warehousing at -12.2 percent, and finance, insurance and real estate at -3.1 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 11.3 percent, while the food hold harmless distribution shows a decrease of 41.3 percent due to the inflated

amount received last January. The key sector of construction shows growth of 29.6 percent compared to the same period in FY24.

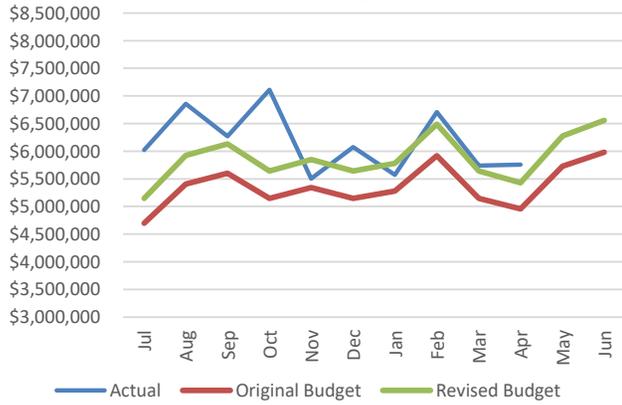
Labor Market Indicators

New Mexico's seasonally adjusted unemployment rate was 4.3 percent in March, down from 4.4 percent in February and up from 3.9 percent in the previous year. The national unemployment rate was 4.2 percent, up from 4.1 percent in February and up from 3.9 percent in March 2024. Year-over-year the Albuquerque MSA grew by 9,000 jobs, or 2.1 percent in total nonfarm employment. Additional labor market indicators 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 April is \$9.0 million or 17.1% above the FY25 original estimate, and \$4.0 million or 6.9% above the revised estimate.

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

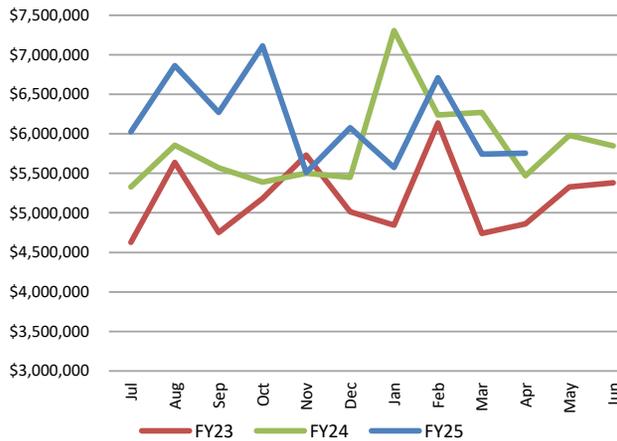


Chart 3: Gross Receipts Tax Year-to-Date Revenue General Fund Current vs. Prior Years

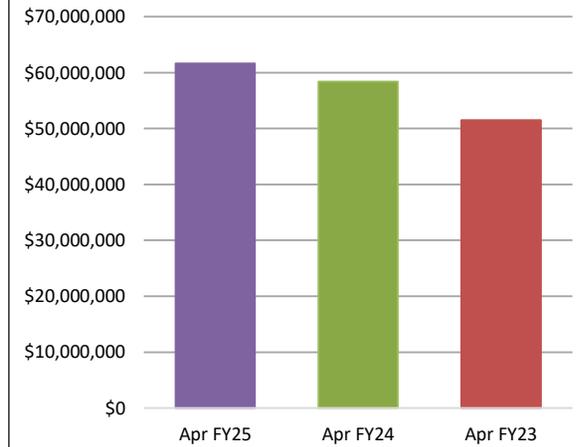


Chart 4: GRT Distribution by Industry % Change FY25 YTD compared to FY24 YTD

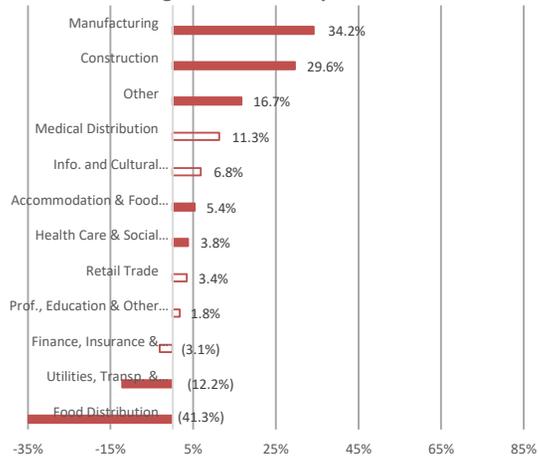


Chart 5: GRT Distribution by Industry FY25 YTD

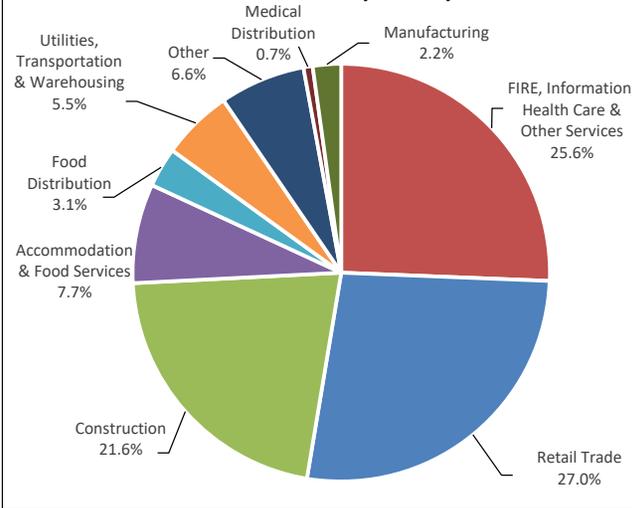


Chart 6: Changing Composition of GRT

