

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

MEMORANDUM

DATE: May 27, 2025

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

FROM: Stephanie Yara, Director of Financial Services

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

Gross Receipts Tax

Attached please find the monthly dashboard for the May GRT distribution. The gross receipts tax distribution in May (March business activity) was up from the prior month by 13.4 percent, exceeded the month's original projection by \$797,053 or 13.9 percent, and was greater than the revised projection by \$249,703 or 4.0 percent for the General Fund. In total, year to date, the GRT has exceeded the original budget by \$9.8 million or 15.2 percent and the revised budget by \$4.2 million or 6.0 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 May was \$6,524,862 for the General Fund. This is an increase of 13.4 percent from the \$5,755,458 received in April. Compared to FY24 actuals, there is a positive variance year-over-year of \$3.8 million or 5.9 percent for the General Fund. For May (March business activity), the City's compensating tax distribution was \$18,042 for the General Fund. Year-over-year, compensating tax revenue continues to be lower than in the same period in FY24 coming in at \$413,845 compared to \$628,006 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 March, positive growth was shown in most industry sectors compared to the same period in FY 2024. Growth was seen in manufacturing at 30.0 percent (likely the result of a TRD adjustment), "other" industries at 25.3 percent, information and cultural industries at 8.6 percent, accommodation and food services at 5.1 percent, healthcare and social assistance at 4.5 percent, and professional, education and other services at 2.2 percent. Negative growth was seen in utilities, transportation and warehousing at -11.3 percent, and finance, insurance and real estate at -3.6 percent. Retail shows slowing growth in business activity and experienced year-over-year growth of 3.5 percent for the period. The medical hold harmless distribution shows an increase year-over-year of 16.9 percent, while the food hold harmless distribution shows a decrease of 38.3 percent due to the inflated

amount received last January. The key sector of construction shows growth of 27.5 percent compared to the same period in FY24.

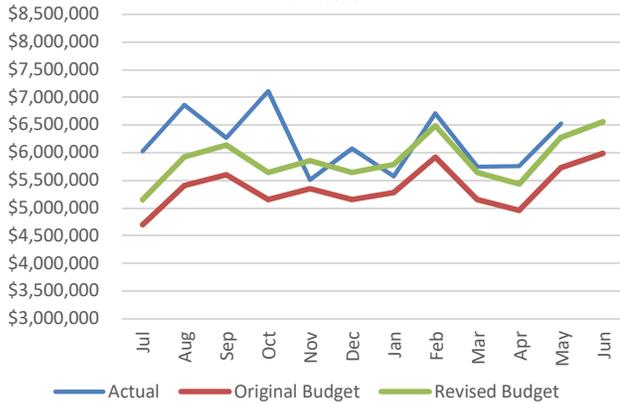
Labor Market Indicators

New Mexico's seasonally adjusted unemployment rate was 4.3 percent in April, unchanged from March and up from 4.0 percent in the previous year. The national unemployment rate was 4.2 percent, also unchanged from March and up from 3.9 percent in April 2024. Year-over-year the Albuquerque MSA grew by 10,800 jobs, or 1.2 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>

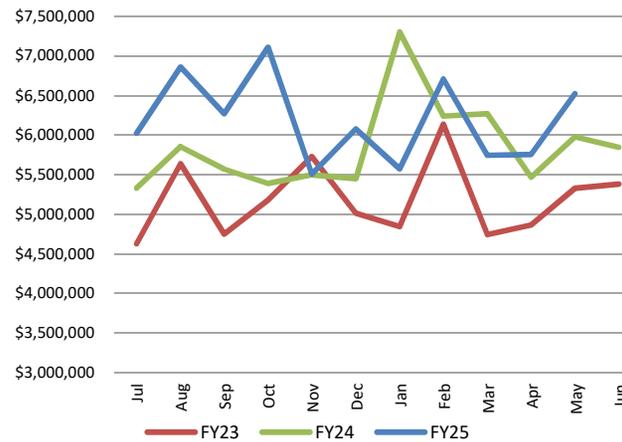
Rio Rancho Gross Receipts Tax Dashboard

**Chart 1: Gross Receipts Tax Monthly Revenue
General Fund FY25 Original Budget vs. Revised Budget
vs. Actual**

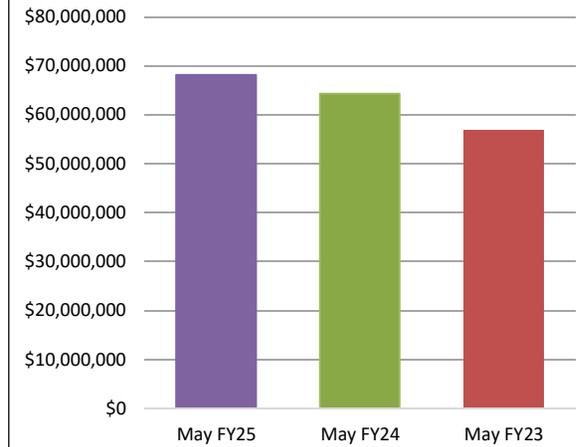


YTD May is \$9.8 million or 15.2% above the FY25 original estimate, and \$4.2 million or 6.0% above the revised estimate.

**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**

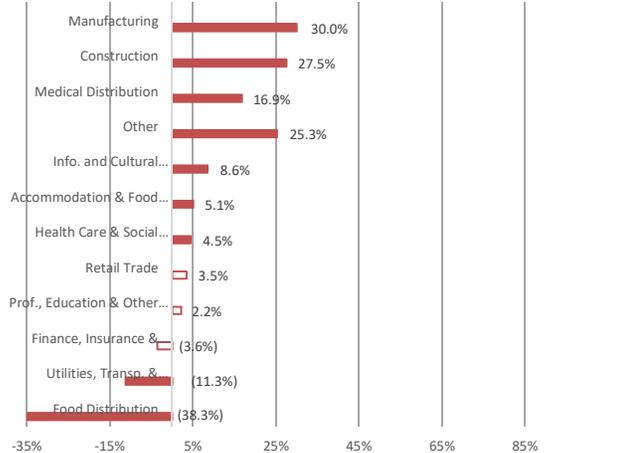


Chart 5: GRT Distribution by Industry FY25 YTD

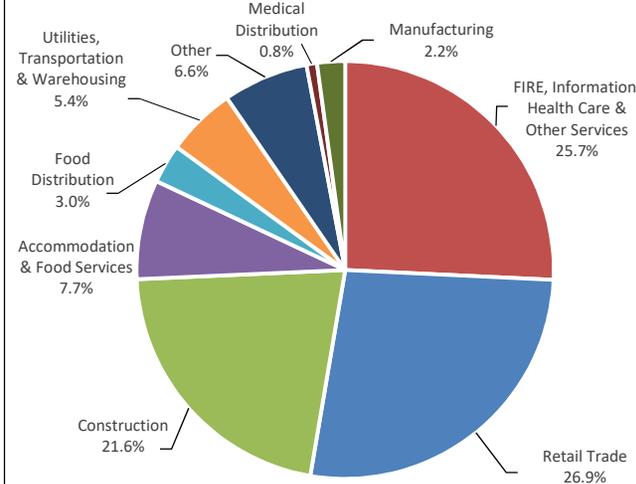


Chart 6: Changing Composition of GRT

