

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

MEMORANDUM

DATE: March 22, 2013

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

FROM: Olivia Padilla-Jackson, Financial Services Director

SUBJECT: **March 2013 General Fund Gross Receipts Tax Revenue Distribution**

The General Fund Gross Receipts Tax (GRT) revenue distribution for March, which is based on January economic activity, was \$2,002,003 after adjustments, \$191,802 or 10.6 percent above the monthly estimate. Fiscal year to date, GRT revenue to the General Fund is \$256,314 above the estimate, which reflects a 1.4 percent variance. Below are highlights of the month's distribution and attached is the Rio Rancho Gross Receipts Tax Dashboard showing notable GRT trends.

- The total March GRT distribution was approximately 1.1 percent higher than the total in March of 2012. Year over year, the Utilities sector saw the largest change, falling 37 percent. However, the Construction sector distribution rose 24 percent from last March or \$79,754. Year over year, 15 sectors were higher than last March, while 6 sectors were lower than last March. Fiscal year to date, total GRT revenue is about 3.2 percent lower compared to FY12 (the majority of which is related to the Hospital effect in FY12).
- Fiscal year to date, the Construction sector has experienced the largest decline, though that negative growth continues to diminish, currently at -25 percent from -35 percent in November. Other notable fiscal year to date trends include the broad Retail and Services sectors, which are 1.8 and 5 percent higher. Within these, the healthcare related sectors and food related sectors are outperforming. Manufacturing is now 60 percent higher fiscal year to date. Note, the Healthcare and Social Assistance (not including the hold harmless distribution) has grown 22 percent fiscal year to date.

Estimated Fiscal Impact of House Bill 641

- House Bill 641, signed by the Governor, phases out the Hold Harmless distribution to Cities and Counties on Medical and Food over a 15-year period starting in FY16.

- The estimated fiscal impact to the General Fund in FY16 is approximately \$252,000, growing steadily over the 15-year period, reaching approximately \$1.6 million by Fiscal Year 2020 and an estimated \$8.4 million by Fiscal Year 2030, at full phase out.
- HB641 allows cities and counties to impose a new hold harmless GRT tax of up to 3/8ths percent that can be used for any General Fund purpose. The tax is not subject to referendum.
- The distribution for cities with a population over 10,000 will be phased out over a 15 year period regardless of the increment that is imposed.
- Imposing 1/8th percent GRT would generate approximately \$1.2 million in Fiscal Year 2016, while imposing the maximum 3/8ths percent would generate about \$3.5 million.
- Note: The legislation contains a debt impairment provision, which states that if a city has pledged the hold harmless distributions for debt service (Rio Rancho has) and the reductions impair the ability to pay debt, distribution in the amount to service debt will be maintained. It is unclear how this provision will be administered.

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: Total Monthly GRT Distribution

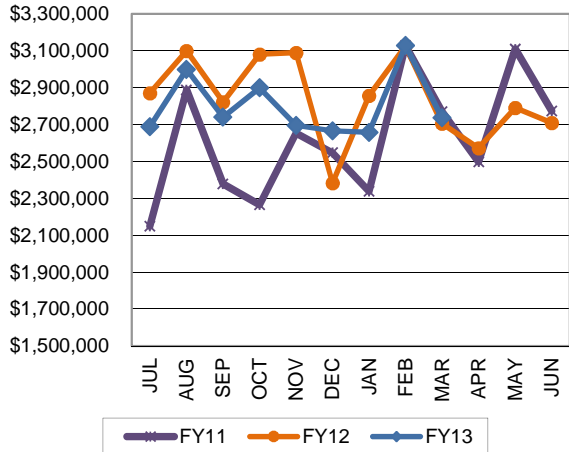


Chart 2: FY13 Gross Receipts Tax Monthly Revenue General Fund Estimate vs. Actual

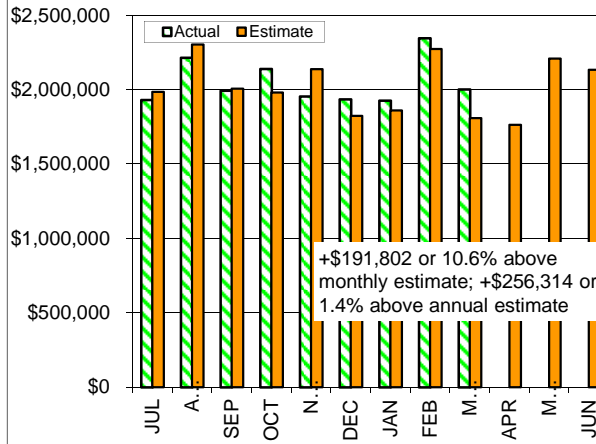


Chart 3: FY13 YTD Total GRT Distribution compared to FY12 YTD through March

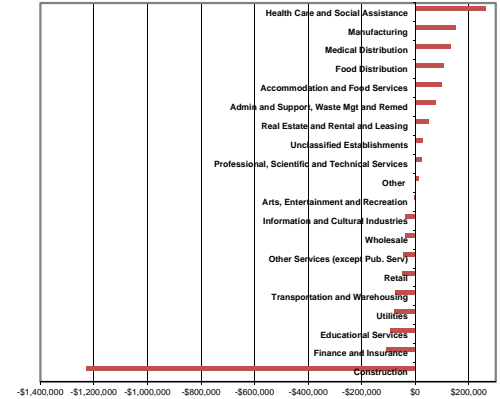


Chart 4: Health Care and Social Assistance plus Medical Hold Harmless Distribution

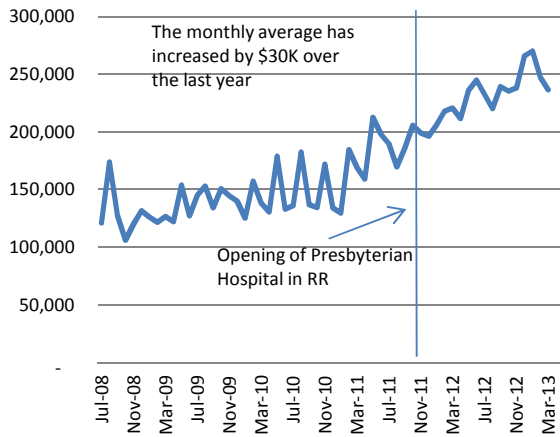


Chart 5: Accommodation and Food Services and Food Hold Harmless Distribution

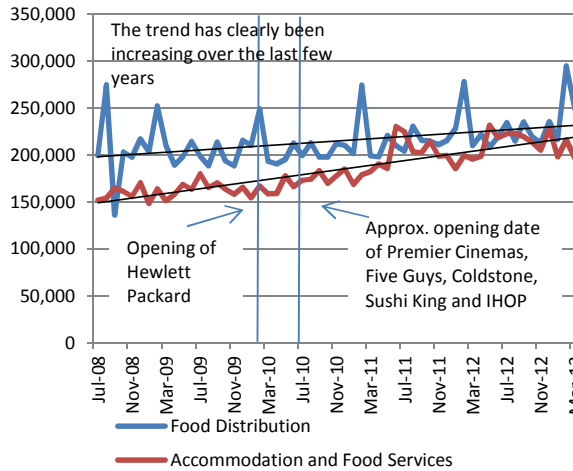


Chart 6: Information and Cultural Industries

