

REVISED FY/05 AND APPROVED FY/06 REVENUE PROJECTIONS

The General Fund revenue projections are summarized in the two tables included in this section. The first table, General Fund Revenue and Growth by Major Category, presents growth rates with the most recent estimates. The second table, General Fund Revenues, presents comparisons of the current revenue estimates by major revenue source. For FY/04 the actual results are reported. FY/05 includes revenues from the approved budget, the estimate in the Five-Year Forecast and estimated actuals. FY/06 reports the revenue estimates from the Five-Year Forecast and the approved budget. Many of the revisions to the earlier revenue estimates were made in light of changes in actual receipts.

REVISED FY/05 REVENUE ESTIMATES

Total General Fund revenues for FY/05 are anticipated to be \$406.42 million or \$35.36 million above FY/04. This is an increase of 9.5% over FY/04 and is \$13.3 million above the approved FY/05 budget. The strong growth is the result of several items. The increase above the approved budget is due to stronger than expected Gross Receipts Tax (GRT) revenue in FY/04 and stronger construction related revenues. The eleven months of the quarter cent public safety tax is the largest source of increase at \$28.7 million. Non-recurring revenues are estimated at \$8.1 million. This includes \$5 million in GRT revenue related to construction and \$1.3 million in construction permit revenue not expected in FY/06 and revenues for transportation tax CIP funded positions.

APPROVED BUDGET REVENUE ESTIMATES FOR FY/06

Estimated total General Fund revenues for FY/06 are \$422.4 million representing growth of 3.9% or \$16 million above the revised FY/05 estimate. GRT revenues increase by \$14 million. Non-recurring revenues are \$8.25 million as \$5.9 million in GRT revenue due to construction expansion is categorized as non-recurring along with \$700 thousand in building permit revenue that is not expected in FY/07. Additionally, transfers from the quarter cent transportation tax transfer are counted as non-recurring revenue, as the transportation tax will expire in December 2009. Recurring revenues

are \$414.18 million, an increase of 4% above the revised FY/05 estimate. Details by category are discussed in the following text.

GROSS RECEIPTS TAX REVENUES

Gross Receipts Tax revenue after experiencing weak growth of 0.2% in FY/02, increased by 4.6% in FY/03 and 9.2% in FY/04. FY/05 revenues in the Five-Year Forecast were adjusted up to reflect the increase in FY/04, but the growth is only expected to be 3%. The growth experienced in the first half of the fiscal year in GRT revenue is not particularly strong and is 3.2%. The first quarter of the fiscal year was very weak, and the impact the food and medical deduction may have on the GRT revenue distributions add to the uncertainties. Estimated growth for FY/06 is expected to be 4.8%. This growth is increased due to receiving a full year of the quarter cent public safety tax. Not including the quarter cent, the recurring revenue growth rate is 3.6% while total growth is 3.9%. The total revenue growth is boosted as \$900 thousand was added to non-recurring revenues to account for the large highway construction projects such as the reconstruction of the I-40 Coors interchange.

The current forecast is based on econometric models, which take account of the impacts of economic conditions on GRT. The Five-Year Forecast was based on the BBER's October 2004 forecast. Expected employment growth is modest barely approaching long term growth rates. For FY/05, employment growth in the Albuquerque MSA is estimated at 2.4% and FY/06 at 2.7%. Employment growth for FY/04 was only 1% and the first two quarters of FY/05 are up 2.4%. The manufacturing sector continues to lose jobs. In the first half of FY/2005 the loss slowed to 1.5% or 350 jobs. In calendar year 2003 manufacturing lost 1,400 jobs and in 2004 the loss was 800 jobs. This follows losses of 500 jobs in 2001 and 2,300 in 2002. A bright spot is construction which added 1,700 jobs in calendar year 2004, in addition to the 700 jobs added in 2003.

General Fund Revenue and Growth by Major Category In Thousands of Dollars						
Category	Actual FY/04	Change FY/03 to FY/04	Estimated Actual FY/05	Change FY/04 to FY/05	Approved FY/06	Change FY/05 to FY/06
Gross Receipts Tax	257,801	9.2%	265,638	3.0%	275,993	3.9%
1/4 cent Public Safety			28,709	NA	32,421	12.9%
Total GRT	257,801	9.2%	294,347	14.2%	308,414	4.8%
Local Taxes	48,464	22.5%	49,568	2.3%	51,067	3.0%
Licenses & Permits	13,716	11.7%	12,625	-8.0%	12,003	-4.9%
Intergovernmental	4,827	6.8%	5,113	5.9%	4,902	-4.1%
Charges for Service	17,897	4.8%	16,504	-7.8%	17,091	3.6%
Intra-City	22,533	8.9%	23,814	5.7%	24,124	1.3%
Miscellaneous	3,898	212.0%	2,321	-40.5%	2,683	15.6%
Transfers	1,926	27.7%	2,126	10.4%	2,141	0.7%
Total	371,063	11.5%	406,418	9.5%	422,425	3.9%
Non-Recurring	10,521	228.8%	8,107	-22.9%	8,249	1.8%
Recurring Revenues	360,542	9.4%	398,311	10.5%	414,176	4.0%

General Fund Revenue Estimates Thousands of Dollars						
Category	Actual	Approved	Five Year	Estimated	Five-Year	Approved
	FY/04	Budget FY05	Forecast FY/05	Actual FY/05	Forecast FY/06	Budget FY/06
GRT w/o safety ¼ Cent	257,801	254,443	265,638	265,638	267,826	275,993
GRT 1/4 Cent Public Safety		27,600	28,709	28,709	32,421	32,421
Total GRT	257,801	282,043	294,347	294,347	300,247	308,414
Property Tax	24,734	25,046	25,046	25,410	25,672	26,426
Franchise	17,695	17,423	18,118	18,118	18,082	18,082
Pilot	6,036	6,257	6,257	6,040	6,382	6,559
Building Permits	10,788	9,177	9,784	9,786	9,060	9,060
Permits	2,929	2,840	2,971	2,839	3,033	2,943
Shared Revenues	4,827	5,331	4,877	5,113	4,951	4,902
Charges for Services	17,897	16,308	16,833	16,504	17,583	17,091
Internal	1,032	1,071	1,071	921	1,071	921
Overhead	14,144	14,189	14,189	14,383	14,189	14,112
CIP	7,356	8,815	8,815	8,510	9,059	9,091
Fines	38	5	40	91	20	125
MISC	3,432	593	593	730	593	758
Interest	427	1,900	1,300	1,500	1,500	1,800
Transfers	1,926	2,126	2,126	2,126	2,193	2,141

General Fund Revenue Estimates Thousands of Dollars						
Category	Actual	Approved	Five Year	Estimated	Five -Year	Approved
	FY/04	Budget FY05	Forecast FY/05	Actual FY/05	Forecast FY/06	Budget FY/06
Total	371,063	393,124	406,367	406,418	413,635	422,425
Non-Recurring	10,521	2,686	8,331	8,107	9,112	8,249
Recurring Revenue	360,542	390,438	398,036	398,311	404,523	414,176

OTHER REVENUE SOURCES

Property Tax. Revenues in FY/04 were \$24.7 million. This included the one mill of property tax levy that was moved from the capital program to the operating program. This additional mill and growth in the base is expected to generate \$25.4 million in FY/05 and, with growth of 3% plus 1% for the administrative fee, to \$26.4 million in FY/06.

Franchise Tax. Franchise revenues totaled \$17.7 million in FY/04 and are expected to be \$18.1 million in FY/05. The primary source of growth is the natural gas franchise. Revenues increased due to high natural gas prices and a rate increase that went into effect in April 2004. The telephone franchise remains weak and is expected to decline over the next few years as competition from wireless continues to eat into the market. The telephone and cable franchises will have limited growth as high-speed internet connectivity is not part of the franchise due to rulings in the federal courts. In FY/06 revenues are basically flat with the small amount of growth in cable revenue being offset by the decline in telephone. The electric franchise is flat as growth in the number of customers is offset by an approved 2.5% rate decrease that goes into effect in September of 2005.

PILOT. Payments in lieu of taxes increase generally due to increased revenue collection and property valuations. For FY/05 PILOT growth is estimated at 0.1%. Growth is limited by the switch to the 4% franchise with the Water Utility Authority as well as a midyear reduction for lower revenues caused by wet weather. Growth for FY/06 is substantial. The main reason for this is that the calculation of PILOT for the enterprise funds includes the additional quarter cent for public safety GRT.

Licenses and Permits. Building permit inspection revenues in FY/04 increased 12.2%. The FY/05 budget anticipates a decline of 9.3% in revenues. The revenues through February show a decline of about 2% from the same period in FY/04. February alone was down by 19%. The FY/06 estimate is expected to decline an additional 7.4% as higher interest rates and home prices slow construction.

Other licenses and permits brought in \$2.9 million in receipts in FY/04. FY/05 revenues are down \$90 thousand as some of the increases in FY/05 in health inspection revenues were one time. In FY/06, revenues are relatively flat with a gain of only \$92 thousand from increases in the number of health inspections.

Intergovernmental Assistance. In FY/05, revenues are expected to be \$256 above revenues in FY/04. This is due to \$127 thousand increase in County shared operations for hazardous waste, nuisance abatement and the neutral corner program. The neutral corner program includes \$50 thousand of one-time money agreed on midyear. An additional \$30 thousand was received from the County for nuisance abatement, for FY/04 and is considered one-time. Other increases include \$400 thousand in revenues from the state shared corrections fees. Gasoline and Cigarette taxes have declines. FEMA grant revenue of \$358 was received in FY/04 and \$120 thousand in FY/05 for reimbursement for the Bosque fire. In FY/06 revenues will decline with the loss of these one-time revenues. Gasoline municipal road distributions, vehicle registration revenues, and cigarette taxes are expected to be basically flat.

Charges for Services. Charges for services in FY/05 are down \$1.44 million. The privatization of the operation of the convention center is a reduction of \$1.1 million and other weakness that occurred in streets services, legal fees, and at the BioPark. In FY/06 revenues increase by \$587 thousand, due to an increase in revenue of \$400 thousand from fees at the balloon museum and \$100 thousand in increased legal charges to Risk Management. Most of the other sources of revenue are expected to remain flat.

There are relatively few new venues or changes in charges and fees. The Balloon Museum is opening and fees will be set at the same rate as the Albuquerque Museum. This is \$4 for adults with a \$1 discount for residents, \$1 for children 4-12 years old, and \$2 for senior citizens. The estimated revenue is \$400 thousand. In FY/06 the BioPark train will run to Tingley Beach and the Aquarium/Botanic Gardens. The following rate structure is approved.

It is anticipated that revenues for the Zoo and Aquarium will remain at the same level for FY/06 as in FY/05.

Current Rates					
	Zoo	Aquarium/Botanic Garden	Zoo & Aquarium/Botanic Garden	Both	Train
Adult	\$7	\$7		\$10	\$2
Child	\$3	\$3		\$5	\$1
New Rates					
	Zoo	Aquarium/Botanic Garden	Zoo & Aquarium/Botanic Garden	Both	Train
Adult	\$7	\$7		\$12	\$2 or free with both
Child	\$3	\$3		\$5	\$1 or free with both

Intra-City Charges. Intra-city charges include internal services, indirect overhead, and positions funded by the CIP program.

In FY/05, CIP funded positions are expected to bring in \$8.5 million. This is \$305 thousand below the approved budget, as some projects were not started as soon as expected. The reductions were primarily due to special cultural projects such as Tingley Beach renovation. This has no net impact on the General Fund as there is an offsetting reduction in expenses. In FY/06, revenues are estimated at \$9.1 million. This includes \$328 thousand in the municipal development department to more efficiently manage projects that were being managed by private contract. Additional increases include additions for cultural projects, and park design and development.

Internal services revenue has declined as the City has chosen not to provide certain services. Office service charges now total about \$33 thousand per year. Building alteration charges were eliminated in FY/02. Engineering and inspection fees have declined from an average

of \$1.5 million in the 1990s to \$159 thousand in FY/04 declining to \$105 thousand in FY/05 and FY/06. Special legal services is reduced by \$150 thousand, much of this will be recovered from the capital program in indirect charges. FY/06 revenues are equal to the estimate for FY/05 of \$921 thousand.

Indirect overhead revenues increase by \$249 thousand in FY/05. This is due to filling positions in enterprise funds and increased expenses that are recovered in capital program. In FY/06, indirect overhead revenue is expected to decline by \$271 thousand due to a change in the cost recovery plan.

Miscellaneous Revenues. In FY/04, the largest source of miscellaneous revenue was \$2.2 million from an IRB settlement. In FY/05 fines and forfeitures are expected to generate \$91 thousand as collection of air quality fines has increased as a result of the new dust ordinance. In FY/06 these air quality fines are expected to decline to \$5 thousand as people comply with the ordinance. The revenue increase in FY/06 is due to the introduction of

the red light ordinance and the expectation of \$120 thousand generated by that program.

Estimated revenues from interest earnings in FY/05 are \$1.5 million. This is \$400 thousand below the approved FY/05 budget, but up from the expectations at the Five-Year forecast. Interest rates have increased and fund balances are large, helping increase this revenue. FY/06 revenues are at \$1.8 million with expectations of increased interest rates and increases in the cash balances for the General Fund.

Inter-Fund Transfers. Incoming transfers from other funds in FY/05 are expected to be \$2.13 million. In FY/06 revenues are anticipated at \$2.14 million. The major changes include the loss of \$115 thousand due to the Water Utility Authority phasing out the funding of three positions in environmental services for groundwater monitoring and a gain of \$102 thousand in a transfer to help fund operations of the DWI forfeiture program.