



CITY OF ALBUQUERQUE

City Council

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May 17, 2017

Honorable Tim Keller
State Auditor
State of New Mexico
2540 Camino Edward Ortiz, Suite A
Santa Fe, NM 87507

Dear Auditor Keller:

As the President of the Albuquerque City Council, I am writing to you about an issue that I believe is negatively impacting the City's ability to plan its operations and forecast its revenues – specifically the erratic and all too often incorrect distribution of gross receipts tax revenue to the City by the State Taxation and Revenue Department.

As you may know, gross receipts tax revenue is the lifeblood of the City of Albuquerque's operations. Between local option and state shared GRT, the City receives more than \$338 million for the City's general operating fund alone. That represents almost 2/3^{rds} of the City's total operating revenue. A one percent decrease in the City's gross receipts tax revenue can be very debilitating to the City's capacity to pay for police and fire services, parks, senior centers, and the myriad of other services that a vibrant City like Albuquerque provides. And of course, the ability to rely on distribution amounts and information is critical to forecasting revenues for future budgets or capital acquisitions.

Unfortunately, the City's GRT distributions from the Taxation and Revenue Department have been so erratic and error filled in the last year that the City, and certainly the City Council, has lost faith in their value and amounts. The table below summarizes the City's distributions for this fiscal year through April with comparison to the distributions of the previous year:

<u>Month</u>	<u>YOY Comparison</u>	<u>Cumulative Growth</u>
Jul-16	-2.0%	-2.0%
Aug-16	-4.4%	-3.1%
Sep-16	3.8%	-1.0%
Oct-16	19.4%	4.0%
Nov-16	-12.0%	0.9%
Dec-16	4.2%	1.4%
Jan-17	6.2%	2.2%
Feb-17	-1.3%	1.8%
Mar-17	-5.0%	1.0%
Apr-17	0.5%	1.0%

I certainly understand how volatile local economies can be, but I'm at a loss to explain the wild fluctuations shown in this table. It strains credulity that August could be down 4.4%, September up 3.8%, October up 19.4%, and then November down 12.0%. What concerns me more is that these wild fluctuations have become the norm, not the exception. I'm concerned that the GRT distribution system at Taxation and Revenue is broken, and that the City is paying the price for it. Even the Agency itself explained that the reason for the significant fluctuation between October and November was due to a "computer glitch". If monthly distribution amounts are inaccurate, it's not much of a stretch to say that total annual distributions might be inaccurate as well. And as I mentioned earlier, even a 1 percent mistake could be critical to Albuquerque's finances in this tight economy.

Mr. Auditor, I am sure that Albuquerque's experience is one which is shared by most, if not all, of the more than 100 municipalities in the state. Worse, most of those smaller communities have far fewer non-GRT resources to draw upon to correct for Tax and Revenue errors, so those errors may be even more debilitating to these smaller communities.

I am asking that the Office of the State Auditor conduct an audit of the Taxation and Revenue gross receipts tax distribution system to ensure that municipalities, and any other entity that receives revenue from the state, receive a fair, timely and accurate distribution from Taxation and Revenue. I would be glad to discuss this request with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Isaac Benton', written in a cursive style.

Isaac Benton, President
Albuquerque City Council

Cc: All Councilors