CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2015-2019

December 2014

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EXECUTIVE SUMMARY

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The Five-Year Forecast estimates future revenues and expenditures for the General Fund and those funds subsidized by the General Fund for the current fiscal year through fiscal year 2019. The purpose of this forecast is to identify key trends in revenues and expenditures and to provide information about the financial landscape anticipated over the next few years. This report is divided into seven sections: an Executive Summary, Economic Outlook, Revenue Outlook, Expenditure Outlook, Alternative Scenarios, Revenue History, and Accuracy of the Revenue Estimates. The information contained in this forecast is based on data available through December 2014. The executive summary describes the baseline scenario only; the optimistic and pessimistic scenarios have the same key assumptions but are driven by different inflationary factors. As the FY/16 Budget is developed, revenue and expenditure projections will be revised using more current information.

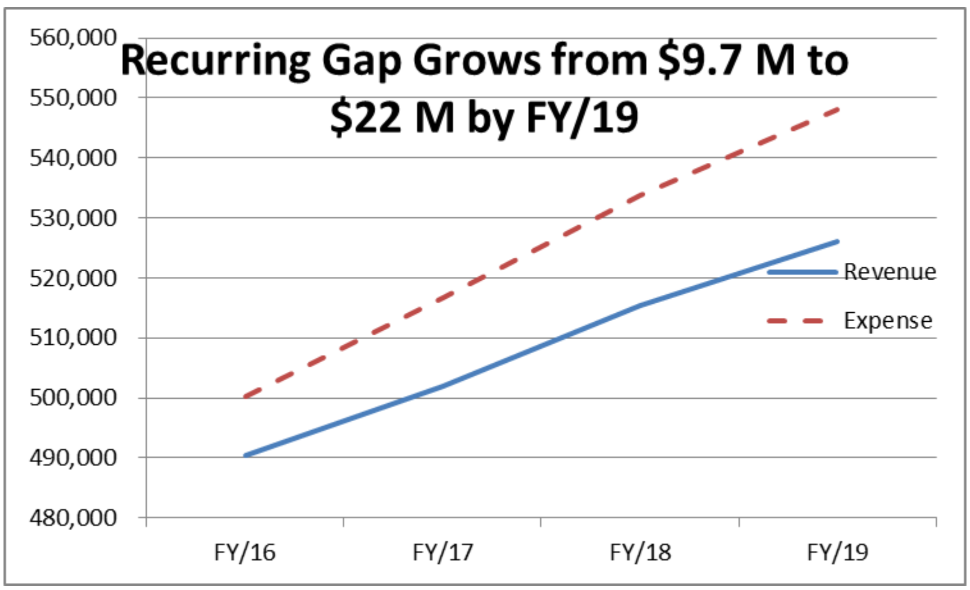
Fiscal Year 2015. For FY/15, the original General Fund appropriation was $493.4 million which included $16.9 million of one-time expenditures. The revised budget in this forecast reflects higher expenditures at $503.7 million which includes mid-year appropriations for salary increases and re-appropriated encumbrances. The assumption for this forecast is that departments spend their full budgets, including mid-year appropriations. The revised revenue estimate for FY/15 is $487.4 million, about $549 thousand above the original budget estimate in total. However, the recurring portion is $483.5 million, $1.1 million dollars lower than the original budget. Major differences include a weaker base in Gross Receipt Tax (GRT) revenues based on the closed books for FY/14 and a lower growth rate for the current year – revised down from 2.6% to 2.0%. Offsetting the slower growth in GRT are gains in franchise payments from the Water Utility Authority and a one-time payment from the State for the Winrock Tax Increment Development District (TIDD).

Fiscal Year 2016. As the City prepares for the FY/16 budget, it is likely that the revenue forecast will remain unchanged and expenditures will have to be trimmed to present a balanced budget. Without curbing expenses, this forecast reflects a General Fund balance gap of $14.1 million with a recurring gap of $9.7 million.

The expenditure forecast for FY/16 includes most of the known cost increases using the best information available at this time. The net effect results in a forecasted budget of $511.3 million of which $501 million is recurring (or 3.9% increase over the revised FY/15 Budget). Assumptions include a 1% across the board pay increase for city workers, additional costs to comply with the Department of Justice (DOJ) Settlement Agreement, increased costs for medical benefits (both routine and those related to compliance with Affordable Health Care legislation), transfers to the Risk Fund (for self-insurance), new positions created mid-year in FY/15, operating costs related to Capital Implementation Projects (CIP) coming-on-line, and other inflationary factors. The forecast includes the majority of known funding needs, some that will have to be addressed in FY/16 and some that will likely be deferred. Choices will have to be made on which funding needs take priority and which get delayed in order to balance the FY/16 Budget. Regardless, the projected gap will be closed before the FY/16 Proposed Budget is submitted to the City Council on April 1, 2015.

Fiscal Years 2016 - 2019. The out years of this forecast reflect a fund balance deficit that compounds with each year the budget is not brought into balance. The first year, FY/16, reflects a deficit of $14.1 million which compounds by FY/19 to over $78.5 million.

Underlying the fund balance issue is a widening gap between recurring expenditures and recurring revenues, the result of revenue growth staying between 2% and 3% while expenditures grow 1% above revenues once additional reserve requirements are added. Most of the expense increases are driven by inflationary factors and capital coming-on-line. Obviously, reductions will have to be made or efficiencies will have to be gained in order to close the gap and manage within a balanced budget in each of those out years. The following graph shows the underlying trend with the gap growing from $9.7 million in FY/16 to $22 million by FY/19.



A summary of the general changes in revenues and expenditures for the forecast period follows.

General Fund Revenues. For FY/15 this forecast projects total revenue to grow by 2% which is $549 thousand above the original budget due mostly to one-time revenue of $1.7 million. Recurring revenue, however, is reflecting a decrease of $1.1 million as compared to the approved budget. The original estimate assumed growth in GRT at 2.6%. That has been revised down to 2.0% given a weaker than expected end to fiscal year 2014 and the fact that the metro area is experiencing lower employment growth than was originally anticipated. The first four months of the GRT base averaged growth of 1.4%.

Additionally, building permit revenues have slowed substantially. While the FY/15 budget anticipated 10% growth, the first quarter of permit revenue declined by 5% and the estimate of revenues was reduced. Property taxes were somewhat of a bright spot, with larger than expected growth in FY/14 and a larger than expected increase in the tax base for FY/15. In FY/16, growth in GRT is expected to be weak, partially due to a continuance of slow employment growth, but also the loss of revenue for the phase-out of the hold harmless distributions, increases in the amounts going to Tax Increment Development Districts (TIDDS), particularly the expansion of Winrock, and the continuing impact of the phase in of the manufacturing consumable GRT deductions. The underlying GRT growth in FY/16 is estimated at 3.2%, but is lowered to only 1.7%, a direct result of these deductions.

The reduction in the food and medical hold harmless distribution begins its 15 year phase out in FY/16. The first year of the reduction is expected to cost the City $2.2 million. To account for the one-time nature of this revenue, $2.2 million of the FY/15 GRT revenue is designated as non-recurring so that no long-term commitments are made against those dollars. That same principle is applied in the out years as the phase-out compounds. The reduction in expected annual revenue growth is 0.7%. The lost revenue from FY/16 to FY/19 is $9.8 million.

The revenue projections are based on revenue received through November 2014 and forecasts of economic activity for Albuquerque and New Mexico. The local forecasts were prepared by the Bureau of Business and Economic Research at the University of New Mexico and national economic forecasts from Global Insight. The City's Forecasting Advisory Committee, including experts from within and outside government, reviewed the forecasts and revenue projections prepared by City staff.

General Fund Expenditures. For FY/16, the identified needs would require an increase in the recurring portion of the General Fund appropriation of $18.9 million or 3.9% above the revised FY/15 level. The demand of recurring needs increases in the out years of the forecast. The growth rate of recurring expenses is 3.9% in FY/16, 3.3% in FY/17, 3.3% in FY/18, and 2.7% in FY/19. Those growth rates are a full percent above the expected growth rates in forecasted recurring revenue over the same period causing a compounding structural deficit. The resulting deficit in the available fund balance is reflected on the General Fund (Table B following). If not addressed, the deficit compounds to $78.5 million by FY/19.

In December of 2014, departments were asked for cost estimates of funding capital implementation projects (CIP) coming-on-line during this forecast period. Those numbers are included in the forecast at $3.6 million in FY/16, growing to $4.1 million, $6.2 million, and $6.3 million in FY/17 through FY/19, respectively. The large leap in FY/18 reflects a new Fire Station coming-on-line at Mesa del Sol. Beginning in FY/17, $2.3 million is built into the subsidy to the Transit Fund (661) to pay operating costs for the Bus Rapid Transit (BRT) coming-on-line along Central Avenue. Those costs are shown in the last table of the Expenditure Outlook Section.

A 1% wage increase for all employees is included in the FY/16 forecast costing the General Fund and GF subsidized funds an additional $3 million. It is assumed that all money currently held in reserve for wage increases gets negotiated and committed by the start of fiscal year 2016, including the amount reserved for the last quarter of the year for firefighters. For the out-years beginning FY/17, wages are assumed to grow based solely on the Global Insight forecast of the employment cost index, which averages 2.3% over the period.

The City is self-insured and departments are charged assessments based on historical trends in experience and exposure for workers compensation, tort and other claims. A review of all claims was conducted which resulted in a large adjustment to reserves in FY/13, causing a deficit in the Risk Fund. That deficit is being collected over a multi-year period, which began in FY/15. For the forecast period of FY/16-FY/19, it is assumed to be funded at $3.5 million each year for General Fund and GF subsidized funds. Otherwise, the underlying costs of risk insurance are relatively flat for the entire forecast period.

The majority of increased costs are associated with the Albuquerque Police Department (APD). APD has additional costs associated with compliance with a multi-year settlement agreement with the U.S. Department of Justice (DOJ). For FY/16, $5 million is added for oversight, reporting, hiring of new auditing and records staff, training, equipment, and policy development. Half of that amount is assumed to be recurring through the forecast period ending in FY/19. FY/16 includes the full year cost of the police officer retention and longevity pay program, estimated at $1.7 million. The program is assumed to grow to nearly $2 million in FY/18 before leveling off.

FY/16 is a leap-year which adds an additional day of payroll citywide. This is built into the forecast at about $1.2 million. In addition, FY/16 and FY/18 are election years with costs added for the general election and run-off elections.

The cost of employee health benefits is expected to increase by 4.5% in FY/16. The cost estimates given by the City's provider, Presbyterian Health Plan, include costs to comply with the Affordable Care Act. Forecasted health cost increases for FY/17, FY/18, and FY/19 stay just under 8% per year.

Fuel costs are assumed to stay relatively constant given the fact that the city has entered into another fuel hedge agreement, providing stability in prices for about 85% of the purchased fuel.

The additional allocation of $200 thousand per year to the operating reserve is continued through the term of this forecast, bringing it to $1.6 million by FY/19. This reserve is in addition to the 1/12 minimum required under City policy.

Other additions include the cost of the staff reorganization in the Parks and Recreation department, the full year cost of operating Fire Station 2, and keeping open the Alamosa and Westgate Libraries.

TABLE B
FIVE YEAR FORECAST
GENERAL FUND - BASELINE SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES

($000's)	UNAUDITED ACTUAL FY/14	REVISED BUDGET FY/15	FORECASTS FY/16	FY/17	FY/18	FY/19
RESOURCES:						
Recurring Revenue	474,731	483,528	491,333	502,651	516,364	526,867
% Change Recurring Revenue		1.9%	1.6%	2.3%	2.7%	2.0%
Total Non-recurring	3,199	3,897	2,385	2,461	2,548	2,634
TOTAL REVENUES	477,930	487,425	493,718	505,112	518,912	529,501
% Change Total Revenue		2.0%	1.3%	2.3%	2.7%	2.0%
BEGINNING FUND BALANCE	58,340	63,444	47,201	29,569	13,574	(7,858)
TOTAL RESOURCES	536,270	550,869	540,919	534,681	532,486	521,642
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	455,680	482,103	500,996	517,416	534,520	548,791
% Change Recurring Appropriation		5.8%	3.9%	3.3%	3.3%	2.7%
Non-recurring Exp/App:						
One-time Items	17,146	21,565	10,353	3,691	5,824	3,692
Total Non-recurring	17,146	21,565	10,353	3,691	5,824	3,692
TOTAL EXPEND/APPROP	472,826	503,668	511,349	521,107	540,345	552,483
UNADJUSTED FUND BALANCE	63,444	47,201	29,569	13,574	(7,858)	(30,841)
ADJUSTMENTS:						
Encumbrances	(3,177)	0	0	0	0	0
Unrealized Gains on Investments	(9)	(9)	(9)	(9)	(9)	(9)
Other Accounting Adjustments	(63)	(63)	(63)	(63)	(63)	(63)
TOTAL ADJUSTMENTS	(3,249)	(72)	(72)	(72)	(72)	(72)
ADJUSTED FUND BALANCE	60,195	47,129	29,497	13,502	(7,930)	(30,913)
RESERVES:						
1/12th Operating Reserve	40,026	41,585	42,612	43,426	45,029	46,040
Reserve for the Cost of Labor	4,309	1,661	0	0	0	0
Increase to Reserve	600	800	1,000	1,200	1,400	1,600
Other Reserves	0	1,250	0	0	0	0
TOTAL RESERVES	44,935	45,296	43,612	44,626	46,429	47,640
AVAILABLE FUND BALANCE	15,260	1,833	(14,115)	(31,124)	(54,359)	(78,553)
1/12th Operating Reserve	39,402	41,972	42,612	43,426	45,029	46,040
Recurring Surplus/(Deficit)	14,742	(236)	(9,664)	(14,765)	(18,156)	(21,924)

ECONOMIC OUTLOOK

NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK

The national economy influences the Albuquerque and New Mexico economy in a variety of ways. Interest rates affect purchasing and construction. Federal government spending affects the local economy through spending and employment at the federal agencies, the national labs and military bases. Inflation affects prices of local purchases and wages and salaries of employees.

The following is based on the October 2014 forecasts from IHS Global Insight (IHS). Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios.

Baseline Scenario

In the baseline forecast, assigned a probability of 70%, IHS Global Insight (IHS) expects annual growth of 2.7% in real GDP for FY/15. This is up slightly from the 2.5% growth in FY/14. Growth is more robust than in the past several years even with the ongoing international risks. These risks include; declining European economy, the weakness in the world economy, and the stronger dollar increasing imports. Consumer's confidence is slowly picking up after it fell to an all-time low during the October 2013 shut down of the federal government. IHS assumes that federal government fiscal policy will avoid stalemates that could cause default or a shutdown of the government. Real government expenditures are expected to decline slowly through FY/19 and beyond. Nationally, total employment reached the pre-recession peak in May of 2014. Unemployment reached a peak of 9.9% in the fourth quarter of 2009 and by FY/19 declines to 5.2%.

Inflation remains muted in the IHS forecast. Relatively weak wage growth and increases in productivity limit the cost of employment putting little pressure on costs. Inflation is expected to remain below 2% from FY/15 through FY/19. Oil prices decline in FY/15 and remain under $100 per barrel until FY/19. IHS expects growth in the Consumer Price Index (CPI) to remain muted, around 1.6% in FY/14 and FY/15 declining to 1.3% in FY/16 and slowly increasing to 2.1% in FY/19. The low inflation expectation also plays into moderate increases in interest rates. IHS believes that the Federal Reserve Bank (FRB) will not raise rates until FY/16; reaching 0.9% in FY/16 and 3.8% by FY/19.

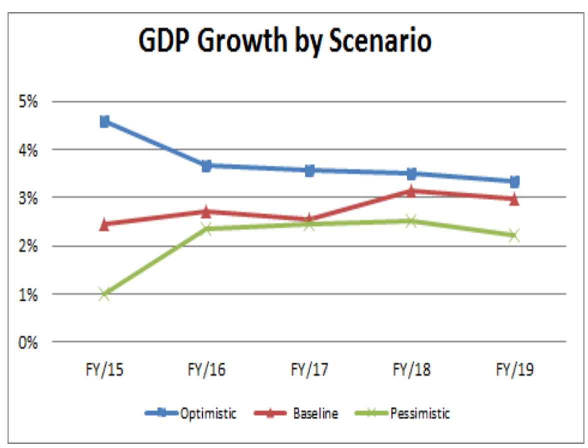
There are a number of risks in the economy. The battle in congress over spending, taxes and extension of the debt ceiling will be faced again. The Eurozone is slowing and may fall into recession. Household formation is low limiting residential construction. The current levels of uncertainty restrain business activity and investment and hiring. Unfortunately, these high levels of uncertainty are likely to remain with us over the next few years.

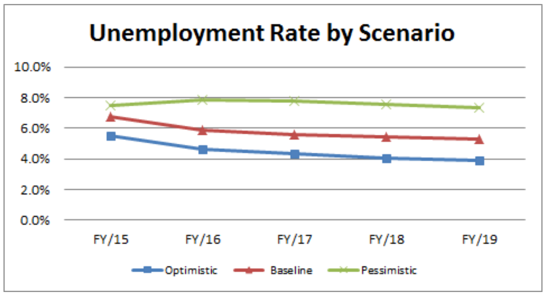
Pessimistic Scenario

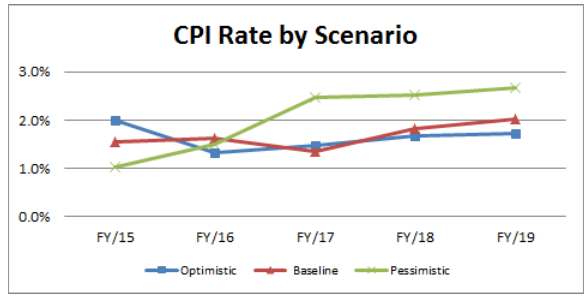
The pessimistic scenario is assigned a probability of 15%. In this scenario, the recovery stalls. Construction is weak in part due to more difficulty in access to credit and a decrease in household formation. Fiscal policy does not respond and government spending contracts. Employment growth stalls and unemployment basically remains at a high level, only decreasing to 7.4% by FY/19. Inflation is below the baseline in the early years, but exceeds it in the out years in part due to supply constraints that raise the price of oil to $116 per barrel. Internationally the Eurozone falls back into recession and emerging markets are weak. The FRB doesn't increase rates until FY/18 as it attempts to continue to stimulate the economy.

Optimistic Scenario

The optimistic scenario is assigned a probability of 15%. In this scenario IHS assumes that basically everything goes right. A tax and spending compromise is reached, the Eurozone and emerging markets show strong growth helping exports. Inflation is originally above the baseline as strong demand pushes it up. The FRB reacts and starts raising interest rates in FY/15 to limit inflation. Even with higher interest rates housing starts accelerate and unemployment drops to 3.9% in FY/19.

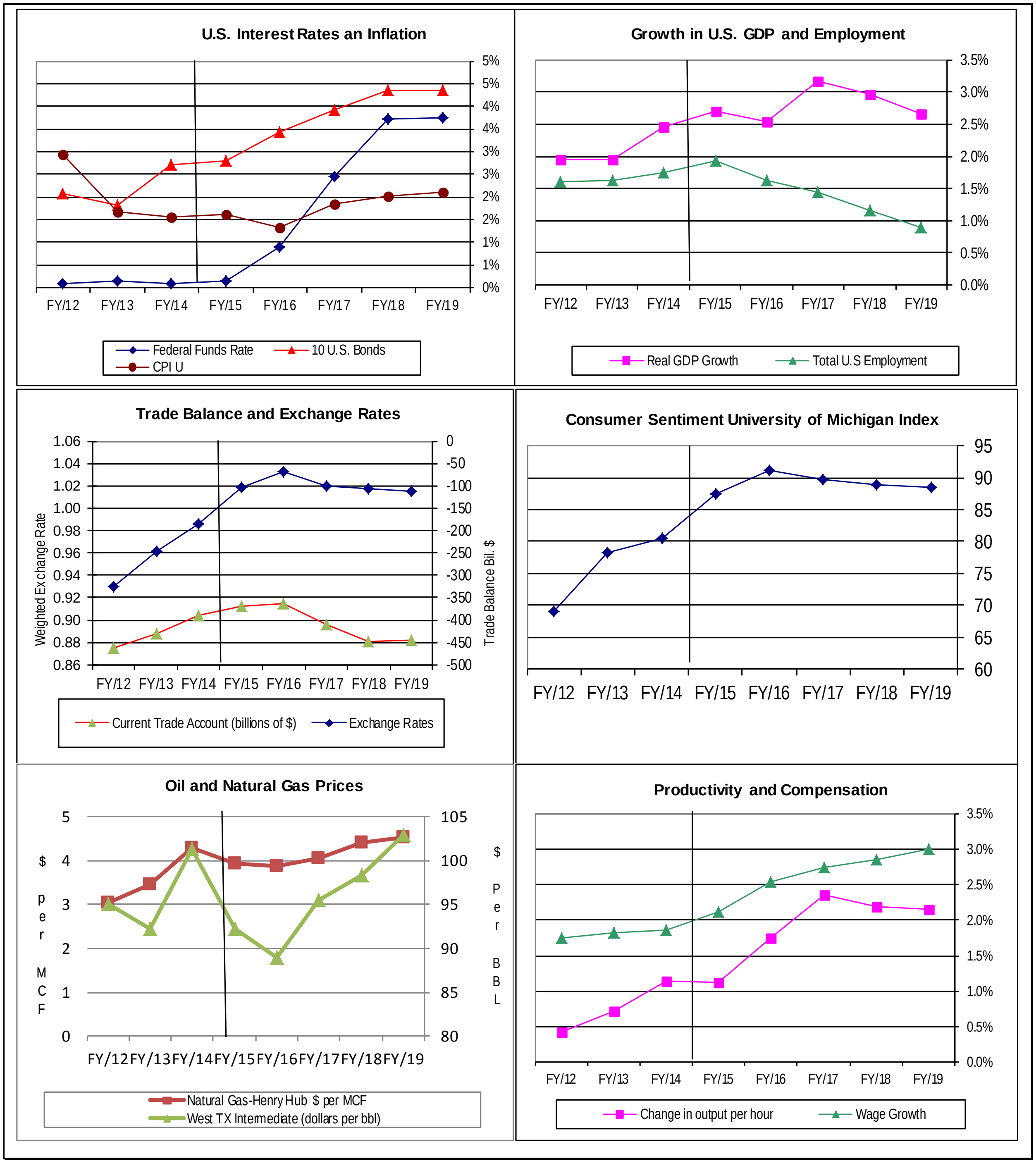






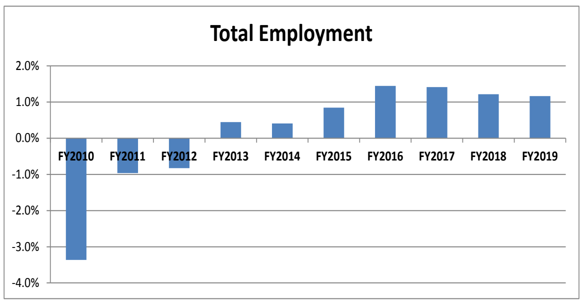
The following charts provide information on some of the key measures in the forecast.

U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
October 2014 Baseline Forecast



ALBUQUERQUE ECONOMY

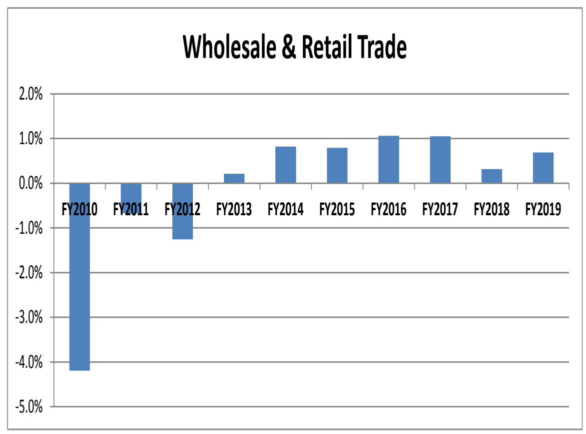
The outlook for the Albuquerque economy is developed by the Bureau of Business and Economic Research (BBER) at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts of the state and local economy. The BBER FOR-UNM forecasting model for October 2014 provides the forecast of the Albuquerque economy that is presented in the following section. The Albuquerque economy declined in sync with the national economy, but has lagged in its recovery. Total employment in the MSA increased in the third quarter of 2012 but this gain was due to a change in processing by the department of Workforce Solutions and not in actual employment. The 4th quarter of 2013 and the 1st quarter of 2014 showed small increases. The FOR-UNM forecast of employment in October 2014, has positive non-agricultural (non-ag) employment growth beginning in FY/13, though as mentioned above, FY/13 is due only to a technical adjustment. The growth in FY/13 and FY/14 in total employment is 0.4% in each year. FY/15 is expected to grow 0.8%.



The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12 a loss of 7% of total employment. Growth for FY/16 is expected at 1.4% with FY/17 increasing at the same rate. This is a muted growth rate for pulling out of a recession. The economy does not approach FY/08 employment levels until FY/19. This puts the Albuquerque recovery over four years behind the national. While the federal government limits the growth somewhat, State and Local employment offset this and private employment has somewhat slower growth than total employment. Construction has improved and is now helping the economy. The unemployment rate continues to decline, but some of this is due to discouraged workers leaving the labor force. The rate is expected to slowly decline to 5.8% in FY/19.

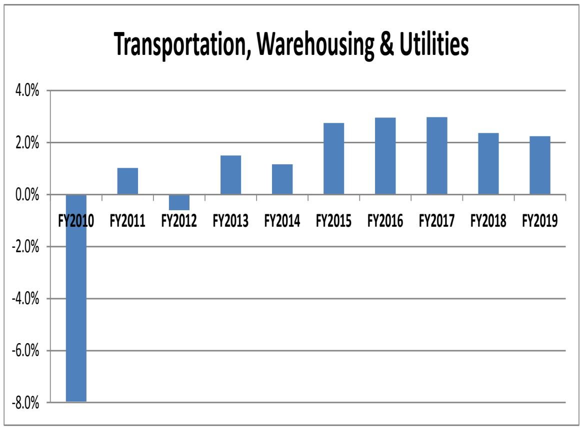
In addition to the tables embedded in the following section there are a series of charts and tables that provide some comparisons of Albuquerque to the U.S. economy. Additionally, Albuquerque MSA employment numbers are provided for FY/13 to FY/19 by the major North American Industrial Classification System (NAICS) categories.

Retail and Wholesale Trade. These sectors account for about 15% of employment in the Metropolitan Statistical Area (MSA). It is a particularly important sector in terms of the Gross Receipts Tax; making up about 30% of GRT. As the recession hit, the closure of stores and reductions in purchases substantially hit employment and GRT in this sector.

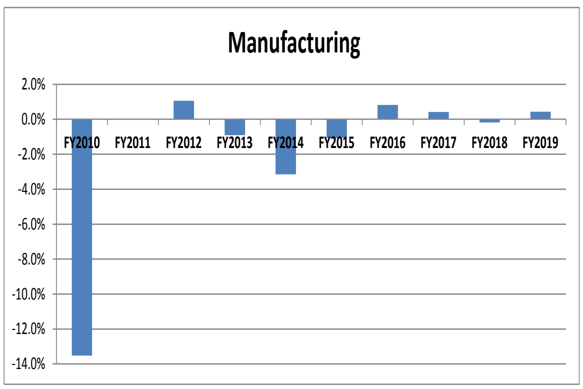


The sector is expected to have employment growth of just over 0.8% in FY/14 and in FY/15. Growth remains close to this level for the remainder of the forecast period.

Transportation, Warehousing and Utilities. This sector while important, only accounts for 2.5% of employment. Employment growth in this sector was weak before the recession hit and then declined substantially in FY/09 and FY/10. In FY/11 the sector grew 1.2%, but declined in FY/12. The expectations for the forecast are a robust recovery with growth approaching 3% in FY/14. Even with this growth the sector remains below the levels of FY/07 and FY/08.

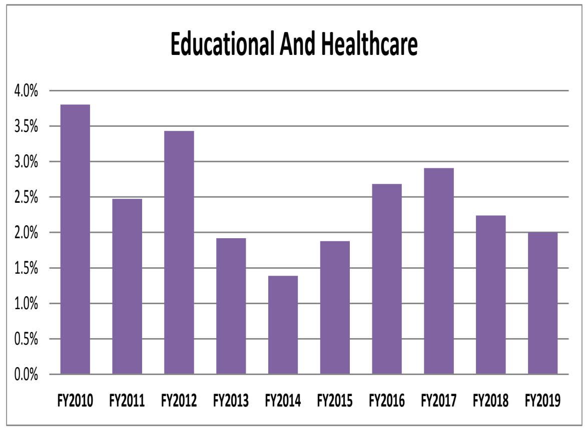


Manufacturing. This sector accounted for about 5% of employment in the MSA. It is an important sector as it creates relatively high paying jobs that bring revenue from outside the area. It also generates purchases of materials and services in the local economy making this sector's impact greater than its employment share.



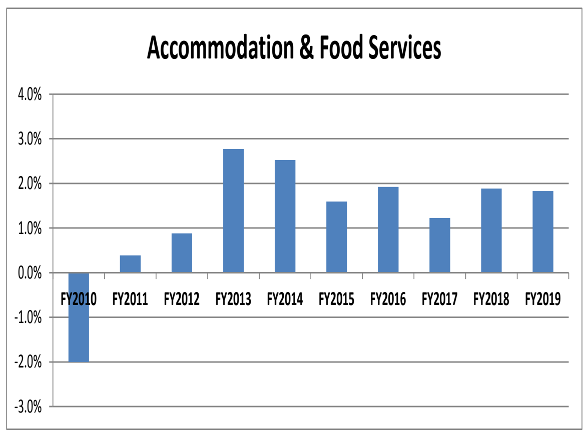
After substantial job losses including closing of Eclipse Aviation and GE, the sector posted small gains in FY11 and FY/12. In FY/13 the sector declined and FY/14 is expected to increase despite job losses at Intel. The sector is expected to grow slowly in the remainder of the forecast. However, FY/19 employment is less than 80% of the employment of FY/08.

Educational and Health Services. This sector is predominantly health services and accounts for 15% of employment. Albuquerque is a major regional medical center that brings people into the area for services. Presbyterian Hospital and its HMO are one of the largest employers in the area.



This was the only sector that increased through the recession and continues to be a primary driver for economic growth. Growth slowed in FY/14 but growth is expected to increase in FY/15. This sector is the biggest contributor to employment growth in the economy in the forecast period.

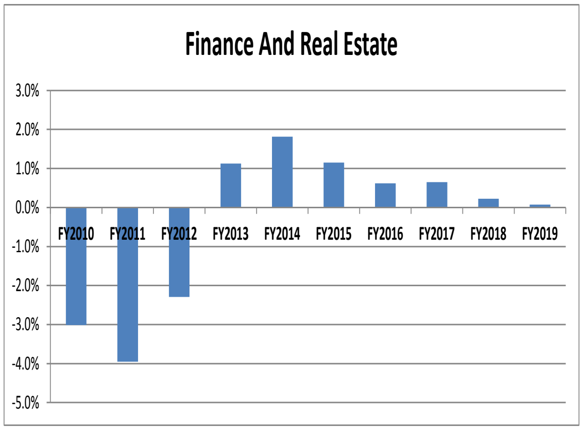
Accommodation and Food Services. This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounts for 10% of employment in the MSA. The sector is a major contributor to both GRT and Lodgers' Tax.



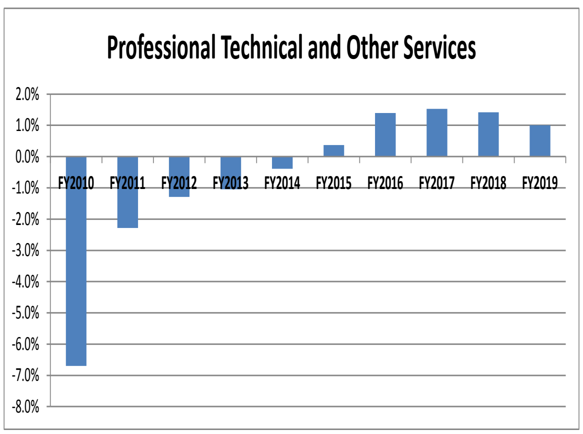
FY/13 showed strong growth of 2.8% and FY/14 has expected growth of 2.5%. The sector reaches its previous peak of FY/08 in FY/14. The remainder of the forecast is relatively strong with growth approaching 2% in FY/16, FY/18, and FY/19.

Real Estate & Financial Activities. This is two sectors and includes finance, insurance and real estate including credit intermediation. It accounts for about 4.5% of employment in the MSA. The financial crisis, the consolidation of banking, and the collapse of real estate impacted this sector. FY/13 shows an increase of 1% with FY/14 increasing 1.8%. Growth tapers off through the remainder of the forecast.

The sector remains 1,600 jobs below the peak level of FY/06.

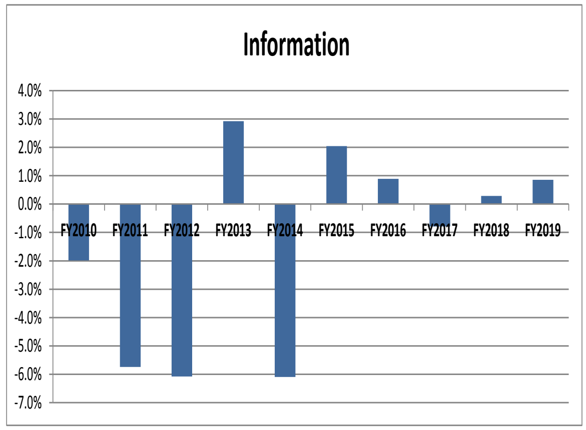


Professional and Other Services. This category is a grouping of four service sectors (Professional and Technical, Management of Companies, Administrative and Waste Services, and Other Services). The category accounts for 18% of the employment in the MSA. It includes temporary employment agencies, some of Albuquerque's back-office operations, and architect and engineering firms that are closely tied to construction. It also includes Sandia National Labs (SNL).

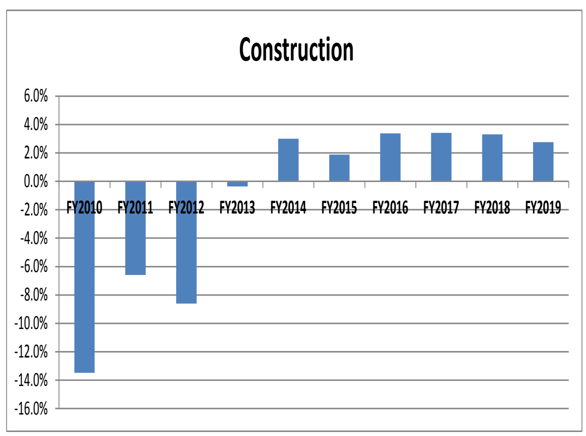


While the national labs have gained some positions the rest of the sector has been very weak. Federal government budget problems and sequestration are creating risks in spending reductions and the loss of jobs both at the labs and contractors hired by the labs. Following a small decrease in FY/14 the category is expected to grow by 0.4% in FY/15 and grow at relatively subdued rates in the remainder of the forecast. In FY/19 it still remains 5,800 jobs below the peak of FY/08.

Information. This sector includes businesses in publishing, broadcasting, telecommunications, and internet service establishments. It also includes the film studios. It accounts for about 2% of employment in the MSA. FY/13 posted solid growth, but FY/14 is expected to show a substantial decline. FY/15 is expected to grow about 2%, but the remainder of the forecast is relatively weak.



Construction. Construction is typically cyclical, with significant swings in building and employment. Construction is an important sector and has an impact on the economy larger than its employment share of 5%. This sector lost 12 thousand jobs from FY/07 to FY/13. In FY/07 its employment share was 8%. After falling consistently from FY/07, employment in construction began increasing at the end of FY/13. FY/14 is expected to grow 3%, slowing somewhat in FY/15, but picking up in the remainder of the forecast. Even with this growth construction employment is forecasted to be 27% or 8,500 jobs below the FY/07 peak.



Construction permits show the trends in construction and the types of construction. The graph following this section shows the real values of building permits after adjusting by the CPI from 1970 to 2014 (December of 2014 was estimated). Construction is categorized as new construction or additions, alterations, and repairs. New construction is further separated as residential and commercial. Five distinct peaks occurred in 1973, 1979, 1985, 1995 and 2005.

The last cycle was the longest and the fall following 2005 was the largest.

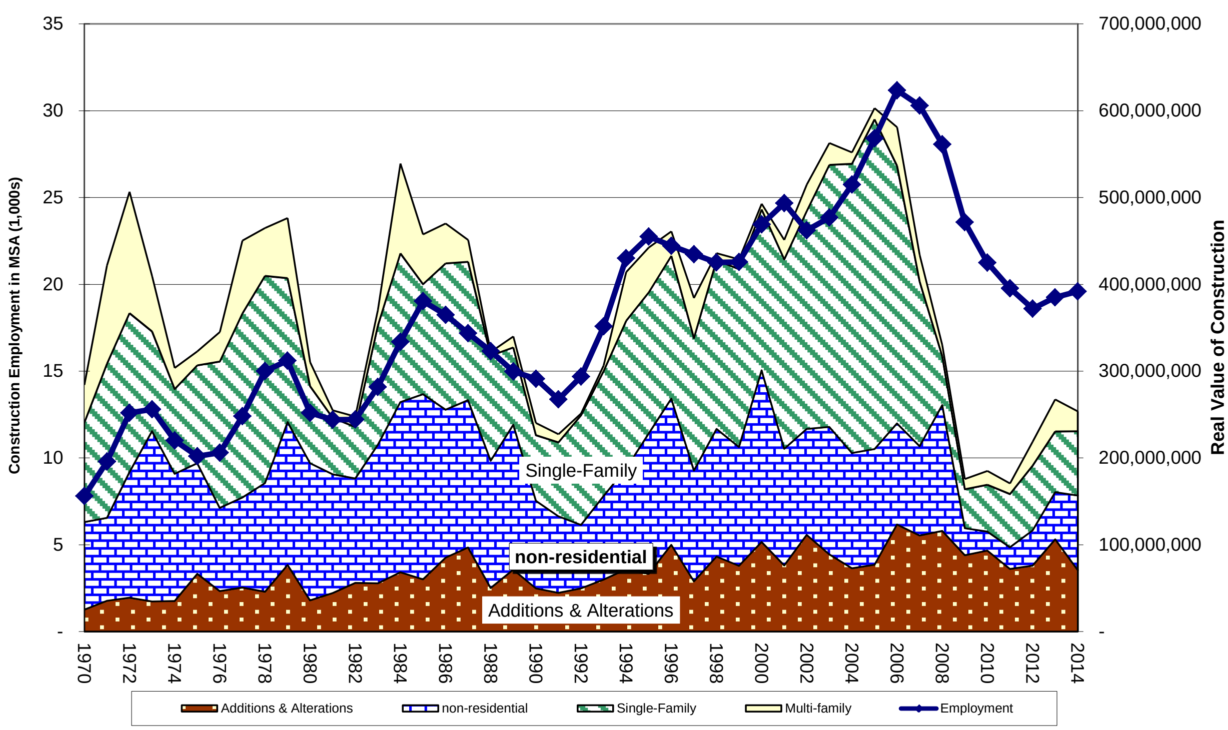
The lowest level of residential construction was reached in the period of August 2008 to February 2009. From this point single family permitting has increased, but it remains subdued and at levels below any other in the chart. In 2008 much of the decline in residential construction was offset by new commercial, primarily public sector construction. Much of this construction was for new Albuquerque public schools. In 2009 residential housing stabilized, but commercial construction fell making 2009 the worst year as far as percentage decline in new construction. Additions, alterations, and repairs did not drop as significantly as new construction but still showed declines. This category is dominated by commercial and public projects.

Looking forward, single family permitting is expected to grow relatively slowly. In FY/14 only 814 single family units were permitted, down about 100 units from FY/13. In FY/15 only an additional 50 units are expected with increases to 1,500 units in FY/18 and FY/19. These are historically very low numbers; below the early 1990s. Lack of job growth has led to out-migration and very low growth in population. Multi-family construction is expected to show some recovery and produce around 1,000 units per year.

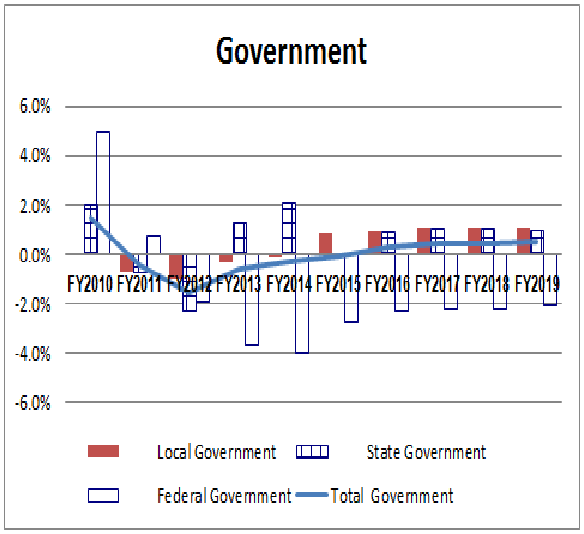
Building permits only tell part of the construction story. Non-building construction such as roads and storm drainage are not captured in the permit numbers. Large construction projects for the State, such as University Hospital, are permitted by the State rather than the City. Employment in the construction sector gives a picture of growth in the entire MSA.

As shown in the chart following this section, construction employment moves similarly to permit values, but differences occur. Some of this is due to projects outside the City as well as non-building projects. Growth in employment was very strong in 2000-2006, driven in large part by the Intel project and the Big-I reconstruction project.

Construction Values In City of Albuquerque Deflated by CPI and Construction Employment in the MSA in Thousands



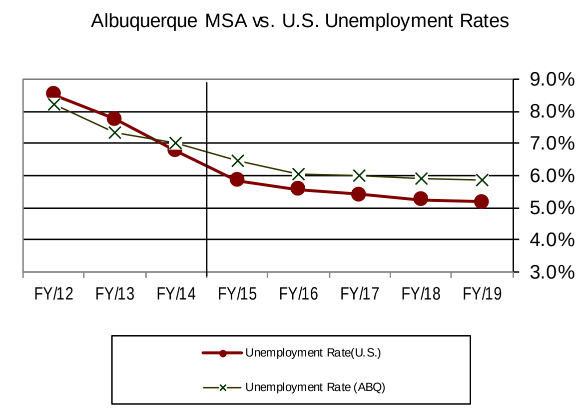
Government The government sector makes up almost 21% of the Albuquerque MSA employment. The largest part of State and Local government is education. Local Government includes the public schools and State Government includes the University of New Mexico and Central New Mexico Community College. The local sector also includes Indian enterprises. The Federal Government makes up 4.4% of employment; nationally Federal government makes up 3.4% of total employment. This doesn't include military employment which is counted separately. Active military is around 6,000 or about 1.7% of the total non-agricultural employment. Nationally military is 1% of total non-ag employment.

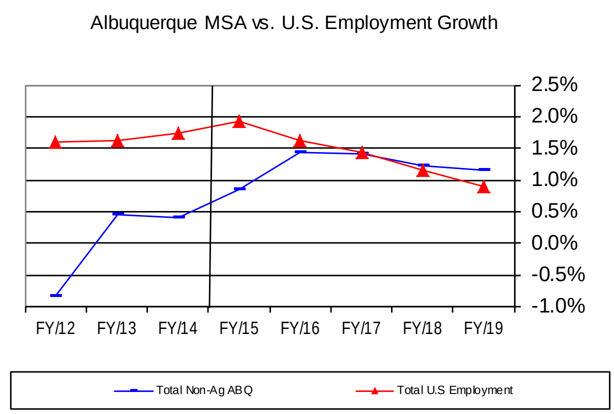


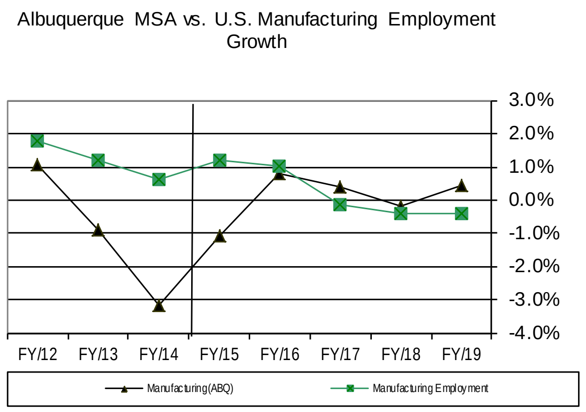
Government employment slowed and decreased in FY/11 through FY/15. Local and State employment decreased due to declines in tax revenue and the inability to fund the same level of employees. State and Local are flat in FY/13 and improve in the out years, due to increased tax revenues and the ability to fund state and local government employment. Federal Government after growing strongly in FY/10 showed little growth in FY/11 and declines in FY/12 through the remainder of the forecast. This occurs due to the federal government taking steps to reduce its expenditures.

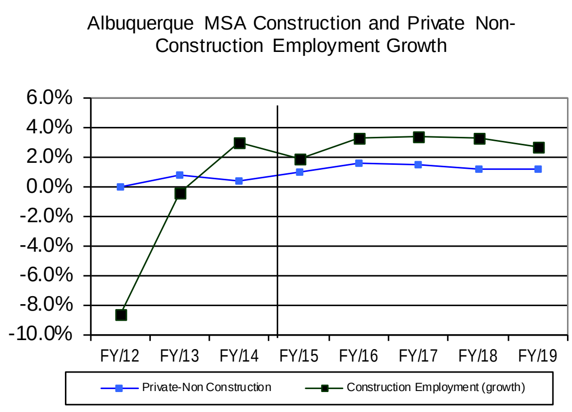
The following Charts and tables present more information on the Albuquerque economy and its comparison to the U.S.

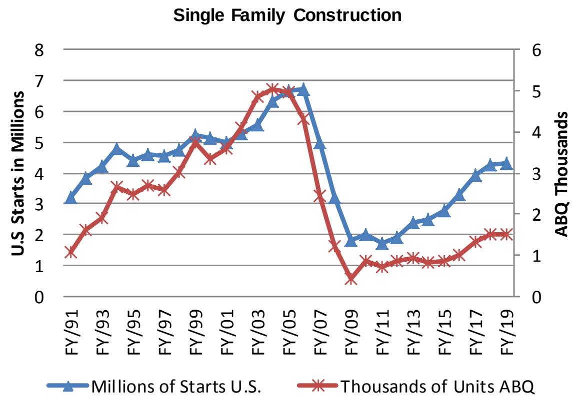
Albuquerque MSA and Comparisons to the U.S
By Fiscal Year

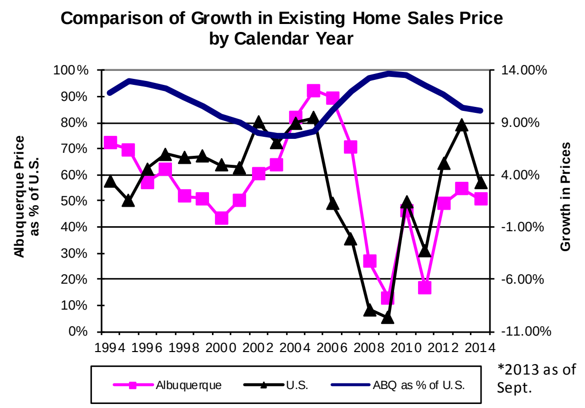


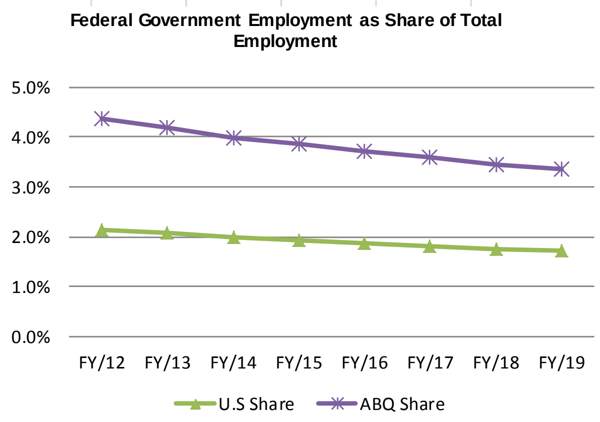


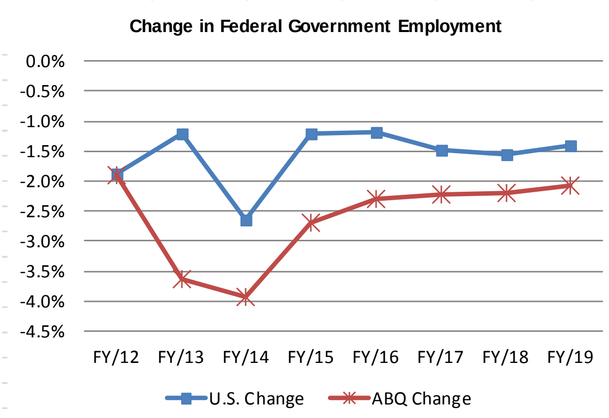












Economic Variables Underlying the Forecast by Fiscal Year

	Historical			Forecast				
	FY/12	FY/13	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19
National Variables								
Real GDP Growth	2.0%	2.0%	2.5%	2.7%	2.5%	3.2%	3.0%	2.7%
Federal Funds Rate	0.1%	0.1%	0.1%	0.1%	0.9%	2.5%	3.7%	3.8%
10 U.S. Bonds	2.1%	1.8%	2.7%	2.8%	3.4%	3.9%	4.3%	4.4%
CPI U	2.9%	1.7%	1.6%	1.6%	1.3%	1.8%	2.0%	2.1%
Unemployment Rate(U.S.)	8.5%	7.8%	6.8%	5.8%	5.6%	5.4%	5.3%	5.2%
Total U.S Employment	1.6%	1.6%	1.7%	1.9%	1.6%	1.4%	1.2%	0.9%
Manufacturing Employment	1.8%	1.2%	0.6%	1.2%	1.0%	-0.1%	-0.4%	-0.4%
Consumer sentiment index--University of Michigan	69.1	78.2	80.6	87.5	91.1	89.6	89.0	88.5
Exchange Rates	0.93	0.96	0.99	1.02	1.03	1.02	1.02	1.01
Current Trade Account (billions of $)	(463.0)	(429.5)	(389.2)	(368.3)	(363.2)	(408.4)	(446.9)	(444.8)
Change in output per hour	0.4%	0.7%	1.1%	1.1%	1.7%	2.4%	2.2%	2.2%
Natural Gas-Henry Hub $ per MCF	3.0	3.4	4.3	3.9	3.9	4.1	4.4	4.5
West TX Intermediate (dollars per bbl)	95.0	92.3	101.2	92.3	89.0	95.5	98.3	103.0
Wage Growth	1.7%	1.8%	1.9%	2.1%	2.5%	2.7%	2.9%	3.0%
Albuquerque Variables								
Employment Growth and Unemployment in Albuquerque MSA								
Total Non-Ag ABQ	-0.8%	0.4%	0.4%	0.8%	1.4%	1.4%	1.2%	1.2%
Private-Non Construction	0.0%	0.8%	0.4%	1.0%	1.6%	1.5%	1.3%	1.2%
Construction Employment (growth)	-8.6%	-0.4%	3.0%	1.9%	3.4%	3.4%	3.3%	2.8%
Manufacturing(ABQ)	1.1%	-0.9%	-3.1%	-1.1%	0.8%	0.4%	-0.2%	0.4%
Unemployment Rate (ABQ)	8.2%	7.3%	7.0%	6.5%	6.1%	6.0%	5.9%	5.8%
Construction Units Permitted in City of Albuquerque								
Single-Family Permits	723	915	814	864	1,012	1,319	1,515	1,520
Muli-Family Permits	262	933	760	929	841	951	1,007	1,032
Total Residential Permits	985	1,848	1,574	1,793	1,853	2,269	2,521	2,552

Source Global Insight and FOR-UNM October 2014 Baseline Forecasts

Albuquerque MSA Employment in Thousands

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Total Employment	354.986	356.560	358.011	361.024	366.238	371.411	375.925	380.294
Private Employment	278.480	280.507	282.179	285.248	290.217	295.050	299.200	303.173
Mining & Agriculture	0.742	0.754	0.733	0.760	0.770	0.782	0.793	0.805
Construction	18.946	18.876	19.444	19.810	20.479	21.178	21.880	22.485
Manufacturing	17.708	17.548	16.996	16.814	16.952	17.023	16.993	17.066
Wholesale Trade	11.484	11.520	11.368	11.441	11.536	11.638	11.628	11.669
Retail Trade	40.755	40.830	41.411	41.757	42.227	42.687	42.869	43.204
Transportation, Warehousing & Utilities	8.865	8.998	9.102	9.352	9.628	9.915	10.149	10.377
Information	7.963	8.195	7.696	7.853	7.923	7.860	7.883	7.950
Finance & Insurance	10.615	10.675	10.988	11.084	11.144	11.204	11.264	11.324
Real Estate, Rental & Leasing	5.109	5.227	5.202	5.293	5.334	5.381	5.358	5.311
Professional & Technical Services	28.420	28.015	28.077	28.371	28.822	29.337	29.879	30.363
Management of Companies & Enterprises	3.340	3.298	3.361	3.341	3.351	3.358	3.362	3.364
Administrative & Waste Services	24.311	24.216	24.166	24.218	24.586	25.029	25.411	25.576
Educational Services	4.933	4.898	4.947	4.956	4.992	5.060	5.122	5.166
Healthcare & Social Assistance	47.509	48.551	49.245	50.253	51.698	53.278	54.523	55.672
Arts, Entertainment & Recreation	3.946	4.291	4.273	4.289	4.338	4.382	4.417	4.442
Accommodation & Food Services	33.971	34.913	35.794	36.364	37.063	37.517	38.222	38.922
Other Services & Unclassified	9.853	9.704	9.377	9.292	9.375	9.419	9.446	9.477
Government	76.506	76.053	75.833	75.775	76.021	76.361	76.725	77.122
Local Government	40.587	40.446	40.388	40.718	41.094	41.521	41.960	42.420
State Government	20.447	20.699	21.124	21.124	21.313	21.529	21.745	21.952
Federal Government	15.472	14.908	14.320	13.934	13.614	13.312	13.019	12.749
Military Employment	6.177	6.171	6.149	6.149	6.102	6.085	6.081	6.083
Growth Rates								
Total Employment	-0.8%	0.4%	0.4%	0.8%	1.4%	1.4%	1.2%	1.2%
Private Employment	-0.6%	0.7%	0.6%	1.1%	1.7%	1.7%	1.4%	1.3%
Mining & Agriculture	-8.9%	1.6%	-2.8%	3.7%	1.4%	1.5%	1.5%	1.5%
Construction	-8.6%	-0.4%	3.0%	1.9%	3.4%	3.4%	3.3%	2.8%
Manufacturing	1.1%	-0.9%	-3.1%	-1.1%	0.8%	0.4%	-0.2%	0.4%
Wholesale Trade	-3.7%	0.3%	-1.3%	0.6%	0.8%	0.9%	-0.1%	0.4%
Retail Trade	-0.5%	0.2%	1.4%	0.8%	1.1%	1.1%	0.4%	0.8%
Transportation, Warehousing & Utilities	-0.6%	1.5%	1.2%	2.7%	3.0%	3.0%	2.4%	2.2%
Information	-6.1%	2.9%	-6.1%	2.0%	0.9%	-0.8%	0.3%	0.9%
Finance & Insurance	-3.8%	0.6%	2.9%	0.9%	0.5%	0.5%	0.5%	0.5%
Real Estate, Rental & Leasing	1.0%	2.3%	-0.5%	1.7%	0.8%	0.9%	-0.4%	-0.9%
Professional & Technical Services	-1.0%	-1.4%	0.2%	1.0%	1.6%	1.8%	1.8%	1.6%
Management of Companies & Enterprises	1.3%	-1.3%	1.9%	-0.6%	0.3%	0.2%	0.1%	0.1%
Administrative & Waste Services	-2.5%	-0.4%	-0.2%	0.2%	1.5%	1.8%	1.5%	0.6%
Educational Services	5.2%	-0.7%	1.0%	0.2%	0.7%	1.4%	1.2%	0.9%
Healthcare & Social Assistance	3.3%	2.2%	1.4%	2.0%	2.9%	3.1%	2.3%	2.1%
Arts, Entertainment & Recreation	8.8%	8.8%	-0.4%	0.4%	1.1%	1.0%	0.8%	0.6%
Accommodation & Food Services	0.9%	2.8%	2.5%	1.6%	1.9%	1.2%	1.9%	1.8%
Other Services & Unclassified	0.0%	-1.5%	-3.4%	-0.9%	0.9%	0.5%	0.3%	0.3%
Government	-1.5%	-0.6%	-0.3%	-0.1%	0.3%	0.4%	0.5%	0.5%
Local Government	-1.0%	-0.3%	-0.1%	0.8%	0.9%	1.0%	1.1%	1.1%
State Government	-2.3%	1.2%	2.1%	0.0%	0.9%	1.0%	1.0%	1.0%
Federal Government	-1.9%	-3.6%	-3.9%	-2.7%	-2.3%	-2.2%	-2.2%	-2.1%
Military Employment	1.4%	-0.1%	-0.4%	0.0%	-0.8%	-0.3%	-0.1%	0.0%

REVENUE OUTLOOK

PROJECTED REVENUES FOR FISCAL YEARS 2015-2019

The following forecast of revenues is presented in tables following this section. They are based on the October 2014 IHS and FOR-UNM baseline forecasts. The presentation provides unaudited FY/14 receipts, the FY/15 budget and revised estimates for FY/15 and the baseline forecast receipts for fiscal years 2016-2019. In all cases, the figures reflect the accrual to revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. The growth rates in the table are in many cases based on the economic forecast assumptions summarized in the previous section on the economy.

In FY/15 recurring revenues are expected to increase 1.9%. This represents a decline of $912 thousand from the original budget. Total revenue increases 2% and is $752 thousand above the original budget due primarily to one-time GRT revenue of $1.7 million in FY/15. GRT growth is somewhat limited due to lower employment growth than was originally anticipated. The first four months of the one-percent distribution for the fiscal year only increased 1.4% and growth has been erratic. The estimated growth for the full fiscal year is only 2.0%. The economy appears to have finally turned, but there are substantial risks. Employment growth though positive is limited, single family and commercial construction has stalled, and deductions for manufacturing inputs and the impact of the Tax Increment Development Districts (TIDDs) remain uncertain. Property tax revenue growth remains at low levels. Building permits while above the minimum levels, decline in FY/14 and the beginning of FY/15 has shown further declines. FY/16 also represent the first year that the hold harmless distribution for food and medical services is reduced. The reduction of the distribution of approximately $35 million will be phased out over the next 15 years.

The long-term baseline forecast anticipates that the General Fund recurring revenue growth is expected to be 1.9%, 1.6%, 2.3%, 2.7%, and 2% in FY/15, FY/16, FY/17, FY/18 and FY/19 respectively.

More detail on each sector is presented in the following text.

General Fund Revenue Estimates

Gross Receipts Tax. The GRT revenues for FY/14 were $816 thousand below the amount estimated in the approved FY/15 budget. This is somewhat offset by a one-time revenue of $244 thousand from the closure of the QUORUM TIDD. GRT growth has been slow with the largest source of growth being construction in FY/14. GRT from retail trade (27% of total GRT) declined by 1.4% in FY/14. This trend continues in FY/15 with construction slowing and retail trade continuing to decline. In FY/15 there is a one-time $1.7 million revenue that had incorrectly been distributed to the Winrock TIDD, in FY/12 to FY/14.

The FY/15 budget had anticipated that the GRT distributions would increase by 2.6%, but based on the increase of 1.4% in the first four months of the year and continued weakness in employment growth this estimate is reduced to 2%. This is a reduction of $2.5 million in recurring GRT revenue from the original budget. In FY/16 growth is expected to increase, but it is offset by the loss of $2.2 million in hold harmless distribution, $1 million in manufacturing deductions and $2 million deduction for the TIDDs. The TIDD deduction is due primarily to expansion of the Winrock TIDD. This reduces expected growth from 3.2% to 1.7%, a loss of nearly 2% in growth. This is detailed in the following table.

Adjustments to GRT Growth

	FY/15	FY/16	FY/17	FY/18	FY/19
Growth w/o adjustments	2.0%	3.2%	3.5%	3.4%	3.1%
Comp., Penalty & Interest	0.2%	0.0%	0.0%	0.0%	0.0%
Man.& Const.	-0.2%	-0.1%	-0.1%	0.0%	0.0%
F&M hold harmless	0.0%	-0.7%	-0.7%	-0.7%	-0.7%
TIDDs	0.0%	-0.7%	-0.4%	0.3%	0.0%
Adjusted Rate	2.0%	1.7%	2.3%	2.9%	2.3%

Growth in the GRT is forecast using forecasts of economic activity. After this growth is estimated, adjustments are made for known changes. In this forecast adjustments are made for the deduction for construction services and manufacturing, Tax Increment Development Districts, and the phase out of the food and medical hold harmless.

A full explanation of the deductions is included in a later section on estimating Gross Receipts taxes.

Property Tax. FY/14 revenues were higher than expected. In FY/15 revenues were adjusted up based on the increase in the tax base, and adjusted for yield control. This adds $668 thousand to the property tax estimate in FY/15. Yield control limits growth in the existing tax base to the rate of inflation. This means that with low inflation, the operating mill levy will be reduced to offset any increases above the rate of inflation. The growth rate for the remainder of the forecast is limited by yield control and an adjustment for the Mesa del Sol TIDD. The adjustments are contained in the following table.

Adjustment in Thousands of Dollars

	FY/15	FY/16	FY/17	FY/18	FY/19
Property Tax Adjustments for MDS	(199)	(246)	(250)	(350)	(350)

Franchise Taxes. Franchise taxes in FY/14 were below estimate. This was primarily due to a shortfall in revenue from the Water Utility Authority franchise. FY/15 is now expected to be $900 thousand above the budget estimate due primarily to an increase in water rates.

In FY/16 to FY/19 growth is limited in all of the franchises. Growth in the number of customers for all franchises is small as both household and business formation is limited due to slow housing construction and the weak economy. Telephone franchise revenues are expected to continue their decline (FY/14 was large due to an adjustment). The natural gas franchise is kept at the FY/15 budget level. In future years growth is limited to population and the increases in natural gas prices forecast by IHS. The electric franchise is held at the FY/15 level and expected to have limited growth represented by increases in the number of customers. Electricity franchise revenue could grow more rapidly if rate increases are allowed by the Public Utility Commission. Telecommunications franchise includes other telecommunications companies and reduced for FY/15 and kept flat in the remainder of the forecast. Cable franchise revenues for FY/15 are revised down base on FY/14 actual revenue and limited to 1% annual growth in the remainder of the forecast.

The Water Authority franchise revenue estimate is increased $964 thousand above the FY/15 budget due to an unanticipated rate increase. In addition it is assumed that there will be a rate increase of 4% in FY/16 and FY/18. No growth is expected except for the rate increase. Any growth in the number of customers is expected to be offset by water conservation.

Payments-In-Lieu-Of-Taxes (PILOT). PILOT revenues are kept at the FY/15 budgeted level. Growth is limited to population growth.

Building Permits. Building inspection permit revenues reached a peak in FY/06. Between FY/06 and FY/10 the level of permits fell 63%. In FY/11 revenue flattened and FY/12 growth was 8% followed by growth of 16% in FY/13. In FY/14 revenues were below estimate and the first quarter of revenue in FY/15 is 5% below FY/14. Assuming a decline of 5% for the whole of FY/15 the original budget estimate is reduced by $1.1 million. Revenues for the 2nd quarter are trending even lower and will be watched as the budget is completed. The growth in permits in FY/16 to FY/19 is allowed to grow with the forecast of residential housing in the FOR-UNM forecast.

As a note, major construction projects planned by the state or the federal government, or road projects do not fall under the City of Albuquerque permitting process and the City receives no permit revenue. However, GRT is paid both by the state and the federal governments on construction projects.

Other Licenses/Fees. Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of the city right of way, and other miscellaneous fees. FY/15 revenue is increased slightly from the budgeted level based on the FY/14 actual receipts. In FY/16 through FY/19 growth is limited to 1% reflecting limited growth in population and the number of businesses.

Other Intergovernmental Assistance. Other intergovernmental assistance includes state shared revenues (excluding GRT), grants and county shared revenues. This category has declined in recent years due to changes in state policy and the manner in which grant revenue is received. Revenues have declined in this category as both the cigarette tax and the court corrections fee have been discontinued.

There may be one-time revenues that occur as grants, but these are primarily reimbursements of expenditures. For example the City receives a reimbursement for firefighting efforts on State lands.

The other source of intergovernmental revenue is the state shared Municipal Road Gas Tax. Since this is a per unit tax, declines in usage reduce revenues. The revenue is fairly volatile, and though FY/14 actual revenues were somewhat above estimated revenues, it is still below FY/09 levels. FY/15 is kept at the budgeted level. Reductions in the price of gasoline, could stimulate driving, but there are other trends that are limiting consumption. These include; volatility in the price of gasoline increasing use of fuel efficient vehicles, and limited population and labor force growth.

In total, growth for this category remains near flat from FY/16 to FY/19 with growth of only 0.5% a year.

Charges for Services. Charges for services include fees charged for entry into City venues and services provided to citizens and other entities. FY/15 revenues are adjusted to account for the FY/14 actual. Some of this increase is due to a reclassification of revenues from indirect overhead to charges for service. The remainder of the forecast is limited to growth of 1%, approximately the expected growth in population.

Internal Service. In FY/14 revenues are kept at the budgeted level. FY/15 is kept flat and FY/16 through FY/18 increase at the rate of wage and salary compensation as forecast by IHS.

Indirect Overhead. Indirect overhead in FY/15 is reduced to account for a reclassification of revenues to charges for service for the Housing Authority, which is no longer an internal City operation. FY/16 is increased by 1% and FY/17 through FY/19 is increased at the rate of wage and salary compensation as forecast by IHS.

CIP-Funded Positions. FY/15 is kept at the budgeted level and FY/16 grown at 1%, the assumed salary increase. FY/16 through FY/19 increase at the rate of wage and salary compensation as forecast by IHS.

Miscellaneous. This includes fines, rental of City property and “other miscellaneous” revenues. The FY/15 revenues are held at the budget. Revenues are kept flat for the remainder of the forecast.

Interest Earnings. Interest earnings have been at extremely depressed levels. FY/15 is kept at the budgeted level with no growth expected until FY/15. The growth that occurs in the remainder of the forecast is relatively large and based on expected increases in 2 year treasury rates forecast by IHS.

Interfund Transfers. Interfund transfers for FY/15 are down compared to FY/14 as there were several large one-time transfers to the General Fund from the Operating Grants fund. The out years are increased at the rate of wage and salary compensation as forecast by IHS.

GENERAL FUND REVENUE ESTIMATES
BASELINE FORECAST
REVENUES in (000's)

	Unaudited FY/14	Budget FY/15	Five year FY/15	FY/16	FY/17	FY/18	FY/19	Growth FY/15	FY/16	FY/17	FY/18	FY/19
GRT												
State Shared 1.225%	180,133	185,253	183,375	186,416	190,471	196,205	200,738	1.8%	1.7%	2.2%	3.0%	2.3%
Local GRT (w/o public safety)	83,488	85,971	84,991	86,400	88,280	90,938	93,039	1.8%	1.7%	2.2%	3.0%	2.3%
GRT 1/4 Public Safety*	36,209	37,295	36,861	37,472	38,287	39,440	40,351	1.8%	1.7%	2.2%	3.0%	2.3%
local distribution compensating tax	1,570	1,382	2,000	2,062	2,202	2,207	2,275	27.4%	3.1%	6.8%	0.2%	3.1%
Penalty and Interest	1,910	2,175	2,300	2,374	2,457	2,541	2,619	20.4%	1.7%	2.2%	3.0%	2.3%
Recurring GRT	303,310	312,076	309,527	314,724	321,698	331,331	339,022	2.0%	1.7%	2.2%	3.0%	2.3%
One-Time GRT	244	-	1,664									
Total GRT	303,554	312,076	311,191	314,724	321,698	331,331	339,022	2.5%	1.1%	2.2%	3.0%	2.3%
Property Taxes	78,282	78,707	79,375	80,320	81,275	82,550	83,851	1.4%	1.2%	1.2%	1.6%	1.6%
Cable TV	4,122	4,362	4,163	4,205	4,247	4,289	4,332	1.0%	1.0%	1.0%	1.0%	1.0%
Electric	9,020	9,169	9,078	9,169	9,306	9,446	9,588	0.6%	1.0%	1.5%	1.5%	1.5%
Gas	4,398	4,367	4,367	4,411	4,521	4,657	4,796	-0.7%	1.0%	2.5%	3.0%	3.0%
Telecommunications	230	239	220	220	220	220	220	-4.3%	0.0%	0.0%	0.0%	0.0%
Telephone	1,994	1703	1,703	1,652	1,652	1,652	1,652	-14.6%	-3.0%	0.0%	0.0%	0.0%
Water Authority Franchise	5,513	6,136	7,100	7,384	7,384	7,679	7,679	28.8%	4.0%	0.0%	4.0%	0.0%
Franchise (subtotal)	25,277	25,976	26,631	27,040	27,330	27,943	28,267	5.4%	1.5%	1.1%	2.2%	1.2%
Other Intergovl	4,808	4,451	4,451	4,473	4,496	4,518	4,541	-7.4%	0.5%	0.5%	0.5%	0.5%
Building Permits	6,290	7,048	5,976	6,174	7,560	8,401	8,502	-5.0%	3.3%	22.5%	11.1%	1.2%
Other Licenses/Fees	5,415	5,229	5,415	5,469	5,524	5,579	5,635	0.0%	1.0%	1.0%	1.0%	1.0%
Charges for Services	22,301	21,149	22,301	22,724	22,951	23,181	23,413	0.0%	1.0%	1.0%	1.0%	1.0%
Internal Service	1,032	315	315	318	327	336	346	-69.5%	1.0%	2.7%	2.9%	3.0%
Interest on Invest	213	330	330	766	1,501	1,831	1,831	54.9%	132.0%	96.0%	22.0%	0.0%
Other Miscellaneous	2,022	1,588	1,588	1,588	1,588	1,588	1,588	-21.5%	0.0%	0.0%	0.0%	0.0%
Interfund Transfers	4,319	2,047	2,047	2,047	2,047	2,047	2,047	-52.6%	0.0%	0.0%	0.0%	0.0%
PILOT	1,714	1,720	1,720	1,729	1,746	1,763	1,781	0.4%	0.5%	1.0%	1.0%	1.0%
Indirect Overhead	13,819	15,872	15,717	15,874	16,310	16,777	17,278	13.7%	1.0%	2.7%	2.9%	3.0%
CIP-Funded Positions	8,884	10,368	10,368	10,472	10,759	11,067	11,398	16.7%	1.0%	2.7%	2.9%	3.0%
Total Revenue	477,930	486,876	487,425	493,718	505,112	518,912	529,501	2.0%	1.3%	2.3%	2.7%	2.0%
Non-Recurring Revenue	3,199	2,233	3,897	2,385	2,461	2,548	2,634	21.8%	-38.8%	3.2%	3.5%	3.4%
Recurring Revenue	474,731	484,643	483,528	491,333	502,651	516,364	526,867	1.9%	1.6%	2.3%	2.7%	2.0%

The economic models that forecast GRT use information about the economy from the national IHS forecast and the BBER FOR-UNM forecast of the local economy. Gross receipts from construction are estimated separately from gross receipts from all other sources. This is designed to account for the volatile nature and the differing factors that affect construction.

Local employment and incomes are major indicators of the level of non-construction gross receipts; these are proxies for the money that can be spent by local residents. Additionally, seasonality has a major impact along with changes in employment or income. For example, Christmas spending makes the receipts accrued to December and January (actually on November and December spending) the largest of the year. The models also estimate the impact of changes in state taxation policy.

The construction GRT model is based on housing construction and construction employment. Care is taken to account for the difference due to large construction projects such as the Big I and the Coors & I-40 re-construction which had large impacts on GRT revenues for short periods.

Adjustments to the estimates

Estimates of GRT are determined using the models described above, but often there are known future changes to state GRT statutes or other changes to the economy that were not in place in the historical period. To account for these factors changes are made outside the econometric models to account for these effects.

Manufacturing and Construction

Deductions for the estimates include an adjustment for the GRT deduction for manufacturing inputs and construction services. The manufacturing input deductions are phased in at 20% a year beginning with a half year in FY/13. The construction services deduction is a half-year in FY/13 with a full year impact in FY/14. It has been difficult to identify the direct GRT impacts of these changes in statute. The construction services can be identified in the service sector, and appears to be smaller than what was originally anticipated. It is included in the econometric estimate and in the base estimates. Identifying manufacturing, as it is phased in, is more difficult. Some of the reduction can be identified by a shift from the utility sector to the manufacturing sector as the responsibility of paying GRT on electricity shifts from PNM to the manufacturer. It is estimated that the impact of manufacturing is $600 thousand in FY/15 increasing to $1.4 million. The results are presented in the table at the end of this section.

Food and Medical Hold harmless

The first year of the phased out reduction occurs is in FY/16. The distribution is reduced by 6% in FY/16 and an additional 6% in the following years. In FY/15 this has an impact on the recurring revenue since the following years reduction is counted as non-recurring revenue in FY/15. The general fund will lose approximately $2.2 million, $4.6 million, $7.1 million, and $9.8 million in FY/16, FY/17, FY/18, and FY/19 respectively.

Tax Increment Development Districts

Revenue estimates of GRT were made using the tax base excluding distributions made to the TIDDs. For future impacts, distributions to the TIDDs are directly taken out. In FY/15 there is a $1.7 million dollar pay back of GRT that was incorrectly distributed to the Winrock TIDD. The distributions now made to the TIDD by the Taxation and Revenue Department are now correct. Winrock has developed a plan for expansion of Winrock and a change in the base year from 2007 to 2009. Using this plan and changes in base year, estimates of GRT going to the TIDD are estimated. It is assumed that these revenues are deductions to the General Fund. Estimates of TIDD revenues to Mesa del Sol are also estimated and deducted from General Fund Revenue. Mesa del Sol revenues are smaller since the GRT is primarily due to residential construction. It is assumed that in FY/15 the adjustments are already in the estimate.

Adjustments for Tax Increment Development Districts

	FY/15	FY/16	FY/17	FY/18	FY/19
Winrock	-	(1,600)	(2,873)	(1,864)	(1,864)
Mesa Del Sol (MDS)	-	(491)	(749)	(749)	(980)
Total for TIDDS	-	(2,091)	(3,622)	(2,613)	(2,844)
Property Tax Adjustments for MDS	(199)	(246)	(250)	(350)	(350)

Adjustments to GRT (000's)

	Five year					Growth				
	FY/15	FY/16	FY/17	FY/18	FY/19	FY/15	FY/16	FY/17	FY/18	FY/19
Manufacturing Inputs (grown at manufacturing employment)		(1,000)	(1,380)	(1,427)	(1,471)	0.0%	3.4%	3.5%	3.4%	3.1%
Construction Services(grows at forecast construction GRT)		Included in Estimates								
Total Deduction Manufacturing and Construction services	-	(1,000)	(1,380)	(1,427)	(1,471)					
Deductions For Food and Medical Hold Harmless		(2,233)	(4,618)	(7,142)	(9,794)					
TIDDS	-	(2,091)	(3,622)	(2,613)	(2,844)					
Adjusted GRT Estimate	309,527	314,724	321,698	331,331	339,022	2.0%	1.7%	2.2%	3.0%	2.3%

EXPENDITURE OUTLOOK

EXPENDITURE ESTIMATING METHODOLOGY

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/15 through FY/19. For the current fiscal year ending June 30, 2015, expenses are projected using the original appropriation as a base. The base is adjusted to account for subsequent mid-year adjustments approved by the City Council including $3.2 million in re-appropriated encumbrances, $5.6 million for salary increases using money previously held in reserve, and $1.4 million in other mid-year adjustments. The assumption is that the departments will spend their full appropriations in FY/15.

FY/16 estimated costs are, for the most part, derived independently of FY/15 estimates. The FY/16 forecast is fashioned using the latest available information, including actual position information updated in November with vacant positions assumed to be fully funded at the first non-probationary step. Additionally, all subsidized funds and other funds receiving transfers from the General Fund were analyzed independently before adjustments were made for this General Fund forecast. The FY/16 expenditure estimates do not reflect any administrative initiatives to balance to projected revenues. Projections for the current fiscal year will be updated prior to next year's budget being finalized. Any reversions identified at that time will be used for one-time costs in the subsequent fiscal year.

The forecast beyond FY/16 is largely driven by inflationary factors applied to the FY/16 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of Global Insight (GI) except for some changes made to selected rates to better reflect local costs. Three separate scenarios of national and local economic activity are factored into the methodology to present a baseline, an optimistic, and a pessimistic scenario of anticipated spending. Table B includes the expenditure and revenue outlook together in a fund balance table for the General Fund. Table C summarizes those expenses by major category showing the percentage change in each.

		FACTORS			
BASELINE SCENARIO FACTORS	SHORT NAME	FY/16	FY/17	FY/18	FY/19
CPI - All Urban Consumers, All Items	CPI-U	1.3%	1.8%	2.0%	2.1%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	2.5%	2.7%	2.9%	3.0%
Price Index Consumer Exp Medical Care	MEDICAL	2.5%	2.3%	2.4%	2.3%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	1.0%	0.6%	0.5%	0.7%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	1.7%	1.9%	2.0%	2.1%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	-0.6%	2.4%	4.3%	1.2%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	-3.6%	-0.2%	1.5%	3.0%
PPI - Fuels & Related Products, Electric Power	ELECT	0.5%	1.8%	3.5%	3.1%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	1.8%	2.1%	2.3%	2.4%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.6%	0.7%	0.8%	0.9%
Growth of Gross Receipts Tax Revenue	GRT	1.5%	2.2%	3.0%	2.3%

TABLE B
FIVE YEAR FORECAST
GENERAL FUND - BASELINE SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES

($000's)	UNAUDITED ACTUAL FY/14	REVISED BUDGET FY/15	FORECASTS FY/16	FY/17	FY/18	FY/19
RESOURCES:						
Recurring Revenue	474,731	483,528	491,333	502,651	516,364	526,867
% Change Recurring Revenue		1.9%	1.6%	2.3%	2.7%	2.0%
Total Non-recurring	3,199	3,897	2,385	2,461	2,548	2,634
TOTAL REVENUES	477,930	487,425	493,718	505,112	518,912	529,501
% Change Total Revenue		2.0%	1.3%	2.3%	2.7%	2.0%
BEGINNING FUND BALANCE	58,340	63,444	47,201	29,569	13,574	(7,858)
TOTAL RESOURCES	536,270	550,869	540,919	534,681	532,486	521,642
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	455,680	482,103	500,996	517,416	534,520	548,791
% Change Recurring Appropriation		5.8%	3.9%	3.3%	3.3%	2.7%
Non-recurring Exp/App:						
One-time Items	17,146	21,565	10,353	3,691	5,824	3,692
Total Non-recurring	17,146	21,565	10,353	3,691	5,824	3,692
TOTAL EXPEND/APPROP	472,826	503,668	511,349	521,107	540,345	552,483
UNADJUSTED FUND BALANCE	63,444	47,201	29,569	13,574	(7,858)	(30,841)
ADJUSTMENTS:						
Encumbrances	(3,177)	0	0	0	0	0
Unrealized Gains on Investments	(9)	(9)	(9)	(9)	(9)	(9)
Other Accounting Adjustments	(63)	(63)	(63)	(63)	(63)	(63)
TOTAL ADJUSTMENTS	(3,249)	(72)	(72)	(72)	(72)	(72)
ADJUSTED FUND BALANCE	60,195	47,129	29,497	13,502	(7,930)	(30,913)
RESERVES:						
1/12th Operating Reserve	40,026	41,585	42,612	43,426	45,029	46,040
Reserve for the Cost of Labor	4,309	1,661	0	0	0	0
Increase to Reserve	600	800	1,000	1,200	1,400	1,600
Other Reserves	0	1,250	0	0	0	0
TOTAL RESERVES	44,935	45,296	43,612	44,626	46,429	47,640
AVAILABLE FUND BALANCE	15,260	1,833	(14,115)	(31,124)	(54,359)	(78,553)
1/12th Operating Reserve	39,402	41,972	42,612	43,426	45,029	46,040
Recurring Surplus/(Deficit)	14,742	(236)	(9,664)	(14,765)	(18,156)	(21,924)

TABLE C
GENERAL FUND
EXPENSES BY MAJOR CATEGORY
($000's)

	ACTUAL FY/14	BUDGET FY/15	FY/16	% change	FY/17	% change	FY/18	% change	FY/19	% change
PERSONNEL	303,229	329,933	335,590	1.7%	344,709	2.7%	354,560	2.9%	365,161	3.0%
OPERATING	84,550	82,502	81,747	-0.9%	83,344	2.0%	85,401	2.5%	87,448	2.4%
CAPITAL	745	549	0	na	0	na	0	na	0	na
TRANSFERS	84,302	86,204	84,201	-2.3%	86,469	2.7%	89,317	3.3%	90,725	1.6%
ADD'L ITEMS FACTORED	0	4,480	9,811	na	6,585	-32.9%	11,067	68.1%	9,149	-17.3%
GRAND TOTAL	472,826	503,668	511,349	1.5%	521,107	1.9%	540,345	3.7%	552,483	2.2%

This forecast does not assume any reductions in recurring expenses for FY/16. An overall increase of 1.5% in total expenses is reflected for FY/16 as compared to FY/15. That rate stays below 2% in FY/17 and peaks in FY/18, due mostly to capital coming-on-line such as the Bus Rapid Transit and the Mesa del Sol Fire Station.

In the personnel category of expenses, the base for FY/16 reflects a 1.7% increase including funding for positions created mid-year. A 1% wage increase for all employees is included in that number. In addition, medical cost increases of 4.5% (including those related to compliance with the Affordable Health Care Act) are included in the "Additional Items Factored".

Operating costs are reduced by 0.9% in FY/16 as one-time funding for FY/15 is removed from the base. Funding for capital items is shown at zero in the table above. However, one-time capital costs are included but shown in the "Additional Items Factored" category above. All of the one-time items for fiscal year 2016, including capital, are listed in the following table.

Department	Purpose	Amount ($000's)
City Support	Transfer to Vehicle/Computer Replacement Fund 730	500
	Transfer to Solid Waste Fund 651 (median landscape contracts)	384
	City Election and Runoff Election	1,352
Cultural Services	Balloon Museum (HVAC and Education Curator)	60
Mayor's Office	Mission Graduate	100
Park & Recreation	Transfer to Capital Acquisition Fund 305	100
Planning	3C Building Partnership Lab	55
	Transfer to Metro Redevelopment Fund 275	430
Police	DOJ	2,500
Various Departments	2nd Day Accrual for FY16	1,326
	Risk Management - Risk Recovery including subsidized funds	3,546
	TOTAL	10,353

A capital project, whether it is a new structure or an expansion of an existing footprint, often requires additional cost to operate. One of the most significant cost increases shown in this forecast is related to capital (or CIP) coming-on-line. Departments estimate a need for $3.6 million in additional funding to operate projects coming-on-line in FY/16. The estimates for FY/17 through FY/19 are $4.0 million, $6.2 million, and $6.3 million, respectively. The following table shows the operating costs estimated to bring capital projects on-line for the forecast period. Note that the costs reflected in the table are in total dollars and are independent of each other (not compounded).

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Complete Date	FY 16	FY 17	FY 18	FY 19
Cultural Services					
Albuquerque Museum History Exhibit Renov.	Dec 2015	$58,119	$58,119	$58,119	$58,119
Casa San Ysidro	Dec. 2019				$184,000
Albuquerque BioPark Otters	Oct. 2017		$137,098	$126,373	$126,373
Library Automation	On-Going	$19,200	$21,000	$21,000	$21,000
Central & Unser Library	Jan 2015	$872,991	$872,991	$872,991	$872,991
Total Cultural Services		*$950,310*	*$1,089,208*	*$1,078,483*	*$1,262,483*
Fire Department					
Mesa del Sol Fire Station	TBD			$1,583,296	$1,237,843
Total Fire Department				*$1,583,296*	*$1,237,843*
DMD/ Traffic Engineering Division					
Intersection Signalization	On-Going	$100,000	$110,000	$120,000	$130,000
Albuquerque Traffic Management System/Intelligent Traffic Systems	On-Going	$280,000	$290,000	$300,000	$310,000
Street Light mainenance & marking/signage	On-Going	$50,000	$60,000	$90,000	$120,000
Increase in electicity costs due to additional equimment and rate increases of 2%	On-Going	$180,000	$190,000	$200,000	$210,000
New Street lighting staff, equipment and materials	On-Going	$100,000	$120,000	$140,000	$145,000
DMD/Facilities and Energy Division					
Repairs and Maintenance	On-Going	$50,000	$50,000	$50,000	$50,000
DMD/Security & Parking Division					
Cultural Services Expansions	2014	$80,000	$80,000	$80,000	$80,000
Steets/Storm Division					
New Expanded Roadways	On-Going	$600,000	$600,000	$600,000	$600,000
New drainage systems	On-Going	$330,000	$350,000	$350,000	$350,000
TOTAL DMD		*$1,770,000*	*$1,850,000*	*$1,930,000*	*$1,995,000*
Parks & Recreation Department					
River amenities, Enhancements & Bosque Restoration	Dec 2015	$101,220	$101,220	$101,220	$101,220
Bosque Trail Development	Dec 2015	$50,609	$50,609	$50,609	$50,609
Balloon Fiesta Park Improvements	Oct 2015	$6,668	$20,000	$20,000	$20,000
Open Space Land Acquisition, Fencing & Protection	Dec 2017	$50,609	$50,609	$50,609	$50,609
New Park Development & Land Acquisition	Dec 2016	$38,892	$38,892	$38,892	$38,892
Median\Interstate Landscaping	On-Going	$154,970	$159,619	$164,407	$164,407
Total Parks & Recreation Department		*$402,968*	*$420,949*	*$425,737*	*$425,737*
Planning					
Posse Software	April 2016	$72,500	$72,500	$72,500	$217,500
Route 66 Wayfinding signs	June 2015	$15,000	$15,000	$15,000	$60,000
Total Planning Department		*$87,500*	*$87,500*	*$87,500*	*$277,500*
Senior Affairs					
North Domingo Baca Phase II	July 2013				
North Domingo Baca Phase III (Gym)	TBD	$104,215	$104,215	$104,215	$104,215
Highland (additional square footage)	June 2014	$2,219	$2,219	$2,219	$2,219
Bear Canyon (additional square footage)	Nov 2013	$2,800	$2,800	$2,800	$2,800

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Complete Date	FY 16	FY 17	FY 18	FY 19
North West Multigenerational Center	July 2017			$500,000	$500,000
North Valley Fitness Center - Addition	TBD	$48,935	$48,935	$48,935	$48,935
1st Street Property(New)- Home Services	TBD	$32,272	$32,272	$32,272	$32,272
Total Department of Senior Affairs		*$190,441*	*$190,441*	*$690,441*	*$690,441*
Department of Technology and Inovation					
Symantec Backup Bundle		$3,000	$37,000	$37,000	$37,000
HP Switch and Storevirtual		$40,000	$40,000	$40,000	$40,000
HP SB Gen 8 Server,Bladesytems		$5,000	$5,000	$5,000	$5,000
Kronos Blade Center		$10,000	$10,000	$10,000	$10,000
Business Application Technology	On-Going	$100,000	$100,000	$100,000	$100,000
IT Infrastructure Upgrade	On-Going		$80,000	$80,000	$80,000
Central Avenue Broadband/WiFi, Phase I	June 2016		$150,000	$150,000	$150,000
Total Department of Technology and Inovation		*$158,000*	*$422,000*	*$422,000*	*$422,000*
Total CIP Coming-On-Line	-	$3,559,219	$4,060,098	$6,217,457	$6,311,004

REVENUES AND EXPENDITURES UNDER ALTERNATIVE SCENARIOS

Alternative Scenarios

Alternative scenarios help us understand how unanticipated events can influence the local economy and the City's budget. The local economy has a strong direct impact on Gross Receipts Tax (GRT) and construction related revenues.

The alternative scenarios are based on the October 2014 forecasts from the FOR-UNM model from the Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). GI prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. BBER uses the results from the GI alternatives to estimate the impact to Albuquerque and New Mexico. Previous sections were based on the baseline scenario which is assigned a probability of 70%.

The sections presented below provide revenue and expenditure estimates in separate sections on the optimistic and pessimistic scenarios.

The expenditures in these scenarios differ from the baseline in the use of the alternative inflation factors. The differences in the scenario on the expense side are relatively small compared to the differences in revenue. Additionally, expenses generally increase faster in the optimistic case offsetting some of the gain in revenue. Likewise, in the pessimistic scenario expenses grow more slowly offsetting some of the losses in revenue.

The changes in revenue are more substantial as the changes in employment have a large impact on the GRT revenue. The effects on available fund balance as shown in the following table are substantial.

Available Fund Balance by Scenario

	FY/16	FY/17	FY/18	FY/19
Baseline	(14,115)	(31,124)	(54,359)	(78,553)
Optimistic	(14,691)	(28,549)	(45,980)	(62,110)
Pessimistic	(30,426)	(63,617)	(104,556)	(150,104)

The sections below show the fund balance tables and revenue and expense summaries.

The last part of this section contains a summary of the IHS assumptions and detail on employment and other economic variables used in the forecast.

Optimistic Scenario

Global Insight (GI) gives this scenario a 15% probability of occurring. This scenario assumes that the U.S. and European governments make efforts that improve the world economy. The U.S and New Mexico economies grow at accelerated rates compared to the baseline.

The Albuquerque economy grows somewhat faster, but employment growth is only 1.1% in FY/15, and employment exceeds the FY/08 employment peak by FY/19. Construction employment is well above the baseline and residential housing permits increase and are above the baseline in FY/15 through FY/19. The unemployment rate drops to 5.2% by FY/19. This growth in employment and construction are stronger than the baseline, but still rather anemic. GRT grows somewhat faster than the baseline, but with the deductions for the hold harmless, manufacturing and TIDDs they remain muted.

Even in this optimistic scenario growth in revenue does not equal the growth in expenditures and the available fund balance becomes negative in FY/16.

A table comparing the growth rates of change by scenario for other economic variables is included at the back of this section.

OPTIMISTIC SCENARIO INFLATION FACTORS

GLOBAL INSIGHT OPTIMISTIC SCENARIO					
	2015	2016	2017	2018	2019
All Items	1.9%	1.2%	1.1%	1.6%	1.9%
Employment Cost Index-Wages & Salary	2.5%	2.9%	3.0%	3.1%	3.2%
Medical Care	1.8%	2.4%	2.1%	2.0%	2.0%
New Cars	0.7%	1.2%	-0.6%	-0.5%	-0.1%
Trasportation	1.8%	1.8%	1.6%	1.7%	1.9%
Natural Gas*	-4.2%	-0.6%	1.9%	3.9%	0.9%
Gasoline & Oil	-0.7%	-5.1%	-6.2%	-0.1%	3.2%
Electricity Chained Price Index	1.5%	0.5%	1.5%	3.2%	2.8%
PRICE INDEX-Govt Consumption Noncompensation	1.7%	1.9%	1.9%	2.2%	2.4%
Tires/Tubes/Accessories/Parts	0.6%	0.3%	-0.3%	0.2%	0.4%

General Fund Revenues

	Five-Year Forecast									
	FY/15	FY/16	FY/17	FY/18	FY/19	FY/15	FY/16	FY/17	FY/18	FY/19
Gross Receipts	312,224	315,665	321,075	331,459	341,104	2.9%	1.1%	1.7%	3.2%	2.9%
Taxes	107,982	109,839	111,534	113,938	116,100	2.6%	1.7%	1.5%	2.2%	1.9%
Shared	4,451	4,484	4,529	4,575	4,620	-7.4%	0.8%	1.0%	1.0%	1.0%
Permits	11,391	11,690	13,614	15,202	15,295	-2.7%	2.6%	16.5%	11.7%	0.6%
Charges for Services	22,301	22,636	22,975	23,320	23,669	0.0%	1.5%	1.5%	1.5%	1.5%
Intra City	17,977	18,136	18,617	19,128	19,674	-6.2%	0.9%	2.7%	2.7%	2.9%
Misc	1,967	2,725	4,204	5,560	5,759	-12.0%	38.5%	54.3%	32.3%	3.6%
CIP Funded	10,368	10,472	10,785	11,117	11,472	16.7%	1.0%	3.0%	3.1%	3.2%
Total Revenue	488,661	495,648	507,333	524,298	537,694	2.3%	1.4%	2.4%	3.3%	2.6%

FIVE YEAR FORECAST
GENERAL FUND - OPTIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000's)

($000's)	UNAUDITED ACTUAL FY/14	REVISED BUDGET FY/15	FORECASTS FY/16	FY/17	FY/18	FY/19
RESOURCES:						
Recurring Revenue	474,731	484,764	493,239	504,849	521,746	535,041
% Change Recurring Revenue		2.1%	1.7%	2.4%	3.3%	2.5%
Total Non-recurring	3,199	3,897	2,409	2,485	2,553	2,653
TOTAL REVENUES	477,930	488,661	495,648	507,333	524,298	537,694
% Change Total Revenue		2.2%	1.4%	2.4%	3.3%	2.6%
BEGINNING FUND BALANCE	59,224	64,328	49,321	33,558	20,637	5,042
TOTAL RESOURCES	537,154	552,989	544,968	540,892	544,935	542,736
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	459,311	493,332	501,057	516,564	534,070	548,876
% Change Recurring Appropriation		7.4%	1.6%	3.1%	3.4%	2.8%
Non-recurring Exp/App:						
One-time Items	13,515	10,336	10,353	3,691	5,823	3,692
Total Non-recurring	13,515	10,336	10,353	3,691	5,823	3,692
TOTAL EXPEND/APPROP	472,826	503,668	511,410	520,255	539,893	552,568
UNADJUSTED FUND BALANCE	64,328	49,321	33,558	20,637	5,042	(9,832)
ADJUSTMENTS:						
Encumbrances	(2,133)	0	0	0	0	0
Unrealized Gains on Investments	(5)	(5)	(5)	(5)	(5)	(5)
Other Accounting Adjustments	(47)	(47)	(47)	(47)	(47)	(47)
TOTAL ADJUSTMENTS	(2,185)	(52)	(52)	(52)	(52)	(52)
ADJUSTED FUND BALANCE	62,143	49,269	33,506	20,585	4,990	(9,884)
RESERVES:						
1/12th Operating Reserve	39,630	40,026	42,618	43,355	44,991	46,047
Reserve for the Cost of Labor	1,424	4,779	4,779	4,779	4,779	4,779
Increase to Reserve	400	600	800	1,000	1,200	1,400
Other Reserves	0	0	0	0	0	0
TOTAL RESERVES	41,454	45,405	48,197	49,134	50,970	52,226
AVAILABLE FUND BALANCE	20,689	3,864	(14,691)	(28,549)	(45,980)	(62,110)
1/12th Operating Reserve	39,402	41,972	42,618	43,355	44,991	46,047
Recurring Surplus/(Deficit)	15,420	(8,568)	(12,597)	(16,495)	(17,104)	(18,614)

Pessimistic Scenario

This scenario is based on the Global Insight pessimistic alternative that is assigned a probability of 15%. In this scenario the recovery falters, construction weakens and the federal government has more severe cuts in expenses. The U.S. economy falls back into recession. In Albuquerque the unemployment rate increases to over 7%. Employment growth is under 1% throughout the forecast. Total employment in FY/19 is 10,000 jobs below the baseline and 12,000 jobs below peak employment in FY/08. Residential housing falters and is more than 1,200 units below the level in the baseline scenario in FY/18 and FY/19. The slowdown in employment and construction has a substantial impact on the GRT and other revenues. Revenue slows in FY/15 and is negative in FY/16. Revenue in FY/17 through FY/19 is around $12 million below baseline.

Revenues grow slower than expenses and the available fund balance is a negative $30.4 million in FY/16. Assuming that the initial deficit is not dealt with, the deficit compounds to negative $150 million by FY/19. The underlying recurring imbalance grows from negative $24 million in FY/16 to negative $48 million in FY/19.

Pessimistic Scenario Inflation Factors

GLOBAL INSIGHT PESSIMISTIC SCENARIO					
	2015	2016	2017	2018	2019
All Items	1.3%	1.4%	2.6%	2.7%	2.9%
Employment Cost Index-Wages & Salary	1.6%	2.0%	2.9%	3.3%	3.5%
Medical Care	1.6%	2.4%	3.0%	3.4%	3.4%
New Cars	0.3%	0.9%	1.1%	1.5%	1.9%
Trasportation	1.1%	1.6%	2.5%	2.9%	3.1%
Natural Gas	2.8%	-5.1%	2.3%	4.7%	4.8%
Gasoline & Oil	-6.0%	-1.4%	7.3%	2.3%	3.3%
Electricity Chained Price Index	1.3%	0.1%	2.4%	4.5%	4.2%
PRICE INDEX-Govt Consumption Noncompensation	1.4%	1.7%	2.2%	2.6%	3.0%
Auto Parts and Acessories	0.1%	0.9%	1.3%	1.6%	1.8%

General Fund Revenues

	Five year					Growth				
	FY/15	FY/16	FY/17	FY/18	FY/19	FY/15	FY/16	FY/17	FY/18	FY/19
Gross Receipts	309,092	308,274	311,893	323,066	331,472	1.9%	-0.3%	1.2%	3.6%	2.6%
Taxes	107,982	108,942	109,959	111,208	112,175	2.6%	0.9%	0.9%	1.1%	0.9%
Shared	4,451	4,473	4,496	4,518	4,541	-7.4%	0.5%	0.5%	0.5%	0.5%
Permits	10,762	8,838	9,583	10,066	9,626	-8.1%	-17.9%	8.4%	5.0%	-4.4%
Charges for Services	22,301	22,524	22,524	22,524	22,524	0.0%	1.0%	0.0%	0.0%	0.0%
Intra City	17,977	18,136	18,600	19,150	19,748	-6.2%	0.9%	2.6%	3.0%	3.1%
Misc	1,801	2,184	2,960	3,671	3,775	-19.4%	21.3%	35.5%	24.0%	2.8%
CIP Funded	10,368	10,472	10,774	11,131	11,521	16.7%	1.0%	2.9%	3.3%	3.5%
Total Revenue	484,734	483,843	490,788	505,333	515,382	1.5%	-0.2%	1.4%	3.0%	2.0%

FIVE YEAR FORECAST
GENERAL FUND - PESSIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000's)

($000's)	UNAUDITED ACTUAL FY/14	REVISED BUDGET FY/15	FORECASTS FY/16	FY/17	FY/18	FY/19
RESOURCES:						
Recurring Revenue	474,731	480,837	481,431	488,333	502,817	512,764
% Change Recurring Revenue		1.3%	0.1%	1.4%	3.0%	2.0%
Total Non-recurring	3,199	3,897	2,412	2,455	2,517	2,617
TOTAL REVENUES	477,930	484,734	483,843	490,788	505,333	515,382
% Change Total Revenue		1.4%	-0.2%	1.4%	3.0%	2.0%
BEGINNING FUND BALANCE	59,224	64,328	45,394	17,823	(14,217)	(53,168)
TOTAL RESOURCES	537,154	549,062	529,237	508,611	491,117	462,213
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	459,311	493,332	501,061	519,136	538,453	555,768
% Change Recurring Appropriation		7.4%	1.6%	3.6%	3.7%	3.2%
Non-recurring Exp/App:						
One-time Items	13,515	10,336	10,353	3,691	5,832	3,695
Total Non-recurring	13,515	10,336	10,353	3,691	5,832	3,695
TOTAL EXPEND/APPROP	472,826	503,668	511,414	522,827	544,285	559,464
UNADJUSTED FUND BALANCE	64,328	45,394	17,823	(14,217)	(53,168)	(97,251)
ADJUSTMENTS:						
Encumbrances	(2,133)	0	0	0	0	0
Unrealized Gains on Investments	(5)	(5)	(5)	(5)	(5)	(5)
Other Accounting Adjustments	(47)	(47)	(47)	(47)	(47)	(47)
TOTAL ADJUSTMENTS	(2,185)	(52)	(52)	(52)	(52)	(52)
ADJUSTED FUND BALANCE	62,143	45,342	17,771	(14,269)	(53,220)	(97,303)
RESERVES:						
1/12th Operating Reserve	39,630	40,026	42,618	43,569	45,357	46,622
Reserve for the Cost of Labor	1,424	4,779	4,779	4,779	4,779	4,779
Increase to Reserve	400	600	800	1,000	1,200	1,400
Other Reserves	0	0	0	0	0	0
TOTAL RESERVES	41,454	45,405	48,197	49,348	51,336	52,801
AVAILABLE FUND BALANCE	20,689	(63)	(30,426)	(63,617)	(104,556)	(150,104)
1/12th Operating Reserve	39,402	41,972	42,618	43,569	45,357	46,622
Recurring Surplus/(Deficit)	15,420	(12,495)	(24,409)	(35,583)	(40,415)	(47,783)

Comparison of Scenarios—National and Local Variables

Indicator/FY	SCENARIO Optimistic	SCENARIO Baseline	SCENARIO Pessimistic	Difference Optimistic	Difference Pessimistic	
GRT- Total						
2015	2.4%	2.0%	1.4%	0.3%	-0.7%	
2016	1.6%	1.7%	0.3%	0.0%	-1.4%	
2017	1.7%	2.2%	1.2%	-0.5%	-1.0%	
2018	3.2%	3.0%	3.6%	0.2%	0.6%	
2019	2.9%	2.3%	2.6%	0.6%	0.3%	
Employment -Albuquerque MSA						
2015	1.1%	0.8%	0.5%	0.3%	-0.3%	**L**
2016	1.6%	1.4%	0.8%	0.1%	-0.7%	**O**
2017	1.3%	1.4%	0.8%	-0.2%	-0.6%	**C**
2018	1.5%	1.2%	0.6%	0.3%	-0.6%	**A**
2019	1.5%	1.2%	0.6%	0.3%	-0.5%	**L**
Unmployment Rate -Albuquerque MSA						
2015	6.4%	6.5%	6.4%	-0.1%	0.0%	
2016	5.8%	6.1%	6.8%	-0.3%	0.7%	
2017	5.7%	6.0%	7.0%	-0.3%	1.1%	
2018	5.5%	5.9%	7.2%	-0.4%	1.3%	
2019	5.2%	5.8%	7.4%	-0.7%	1.6%	
GRT Construction						
2015	0.0%	-0.3%	-0.5%	0.3%	-0.3%	
2016	7.7%	6.5%	2.8%	1.2%	-3.7%	
2017	7.4%	6.7%	-5.2%	0.6%	-11.9%	
2018	11.5%	9.3%	5.7%	2.2%	-3.6%	
2019	10.6%	6.6%	3.8%	4.0%	-2.8%	
MSA Construction Employment						**I**
2015	2.6%	1.9%	1.1%	0.7%	-0.8%	**D**
2016	4.7%	3.4%	1.1%	1.3%	-2.2%	**I**
2017	4.5%	3.4%	-0.9%	1.1%	-4.3%	**C**
2018	6.0%	3.3%	1.0%	2.7%	-2.3%	**A**
2019	6.3%	2.8%	-1.1%	3.6%	-3.9%	**T**
Residential Housing Permits-Inside City						**O**
2015	1,806	1,793	1,257	12	(537)	**R**
2016	1,866	1,853	1,046	13	(807)	**S**
2017	2,427	2,269	1,401	158	(868)	
2018	2,887	2,521	1,306	365	(1,215)	
2019	2,898	2,552	1,269	346	(1,283)	
Real GDP						
2015	4.6%	2.5%	1.0%	2.1%	-1.5%	
2016	3.7%	2.7%	2.3%	1.0%	-0.4%	
2017	3.6%	2.5%	2.5%	1.0%	-0.1%	
2018	3.5%	3.2%	2.5%	0.4%	-0.6%	
2019	3.3%	3.0%	2.2%	0.4%	-0.7%	
Unemployment Rate U.S.						
2015	5.5%	6.8%	7.9%	-1.2%	1.1%	
2016	4.7%	5.8%	7.8%	-1.2%	1.9%	**N**
2017	4.3%	5.6%	7.6%	-1.3%	2.0%	**A**
2018	4.1%	5.4%	7.4%	-1.3%	1.9%	**T**
2019	3.9%	5.3%	7.2%	-1.4%	2.0%	**I**
Price Index Consumer Price Index-Urban Consumers						**O**
2015	2.0%	1.6%	1.5%	0.4%	0.0%	**N**
2016	1.3%	1.6%	2.5%	-0.3%	0.8%	**A**
2017	1.5%	1.3%	2.5%	0.1%	1.2%	**L**
2018	1.7%	1.8%	2.5%	-0.2%	0.7%	
2019	1.7%	2.0%	2.7%	-0.3%	0.6%	
Interest Rates-Federal Funds Rate						
2015	0.2%	0.1%	0.1%	0.2%	0.1%	**I**
2016	1.9%	0.1%	0.1%	1.7%	0.0%	**N**
2017	3.7%	0.9%	0.2%	2.8%	-0.8%	**D**
2018	4.0%	2.5%	1.3%	1.5%	-1.2%	**I**
2019	4.0%	3.7%	3.3%	0.3%	-0.4%	**C**
Interest Rates-10 Year Treasury Bond						**A**
2015	3.6%	2.7%	2.1%	0.9%	-0.6%	**T**
2016	4.7%	2.8%	2.7%	1.9%	-0.1%	**O**
2017	4.9%	3.4%	3.3%	1.5%	-0.1%	**R**
2018	4.8%	3.9%	4.5%	0.9%	0.6%	**S**
2019	4.6%	4.3%	5.5%	0.3%	1.1%	
West Texas Intermediate Crude- Dollars per barrel						
2015	95.5	101.2	93.5	(5.73)	(7.75)	
2016	89.9	92.3	102.9	(2.39)	10.57	
2017	88.2	89.0	108.0	(0.78)	19.04	
2018	88.8	95.5	112.1	(6.69)	16.62	
2019	93.4	98.3	115.8	(4.91)	17.50	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic -Baseline					Optimistic-Baseline				
	FY/15	FY/16	FY/17	FY/18	FY/19	FY/15	FY/16	FY/17	FY/18	FY/19
Gross Receipts	(2,099)	(5,832)	(9,164)	(7,603)	(6,868)	1,033	1,560	18	790	2,765
Taxes	256	(147)	(392)	(1,049)	(1,724)	256	750	1,183	1,681	2,200
Shared	-	-	-	-	-	-	11	34	56	80
Permits	(629)	(2,805)	(3,502)	(3,914)	(4,511)	-	47	530	1,222	1,158
Charges for Services	-	-	(225)	(453)	(683)	-	112	226	343	463
Intra City	(102)	(103)	(84)	(10)	77	(102)	(103)	(67)	(32)	2
Misc	(117)	(169)	(129)	252	356	49	372	1,115	2,141	2,340
CIP Funded	-	-	14	64	123	-	-	25	50	74
Total Revenue	(2,691)	(9,056)	(13,482)	(12,712)	(13,230)	1,236	2,748	3,064	6,252	9,082

US Macro Forecast Snapshot: October 2014

	Baseline (70%)	Pessimistic (15%)	Optimistic (15%)
GDP Growth	Modest growth, 2.3% in 2014 and 2.7% in 2015	Recovery stalls, with growth only 2.1% in 2014 and 1.2% in 2015	Stronger rebound as productivity lifts wages and payroll employment, up 2.4% in 2014 and 3.7% in 2015
Consumer Spending	Modest, up 2.3% in 2014 and 2.8% in 2015	Weak, up 2.2% in 2014 and 1.6% in 2015	Firming as incomes rise, up 2.4% in 2014 and 3.7% in 2015
Business Fixed Investment	Moderate, up 6.2% in 2014 and 5.5% in 2015	Softer, up 5.7% in 2014 and 1.4% in 2015	Solid growth, up 6.5% in 2014 and 8.6% in 2015
Housing	Gradual improvement, more than 1.25-million starts by the end of 2015	Declines in 2015, after reaching 1.0-million starts in mid-2014	Rebounding strongly, more than 1.25-million starts by late 2015
Exports	Modest 3.1% growth in 2014, accelerating to 3.6% in 2015	Softer, up 3.0% in 2014 and 1.8% in 2015	Stronger, up 3.0% in 2014 and 5.1% in 2015
Fiscal Policy	Bipartisan agreement to reduce sequester impacts; generally modest spending growth	Political paralysis prevents any meaningful fiscal action in the last two years of the Obama administration	Policymakers relax some of the sequester, while requiring fewer offsetting cuts to discretionary and entitlement spending than in the baseline
Monetary Policy	The first federal funds rate hike occurs in the second quarter of 2015	Very loose until mid-2017, with the first federal funds rate hike in the third quarter of 2017	Interest rates rise soon, with the first federal funds rate hike in the fourth quarter of 2014
Credit Conditions	Gradually easing	Tighter because of impact of Eurozone credit crunch	Rapidly easing
Productivity Growth	Modest, averaging 2.0% during 2014–24	Lower, averaging 1.6% during 2014–24	Takes off in 2015, averaging 2.4% during 2014–24
Consumer Confidence	Growing at a moderate pace	Drops through the end of 2014; remains below first-quarter 2014 levels for the rest of the decade	Rebounds strongly through 2015, leveling off higher than in the baseline
Oil Prices (Dollars/barrel)	Brent crude oil price averages $105 in 2014 and falls to $104 in 2015	Brent crude oil price averages $98 during 2015, and then rises above baseline by mid-2016	Higher initially because of stronger demand; Brent crude oil price averages $104 in 2015, but falls below baseline by early 2016
Stock Markets	The S&P 500 advances moderately	S&P 500 advances weakly in early 2015, then plunges	S&P 500 surges ahead in the fourth quarter, then continues its steady upward trajectory
Inflation (CPI)	Headline CPI inflation is 1.8% in 2014, moderately lower for the next two years; core CPI inflation at 1.8% in 2014	Initially lower because of weak demand, before rising above baseline by early 2016 on supply constraints and higher oil prices	Initially higher because of strong demand, but lower by 2016 because of stronger supplies and lower oil prices
Foreign Growth	Eurozone growth gradually recovers, with real GDP growth advancing 0.8% in 2014; emerging-market growth gradually accelerates	Eurozone falls back into recession; financial strains in Europe worsen; the Chinese banking system requires resources to maintain full solvency	Global growth picks up, with developed economies and emerging markets experiencing strong accelerations
US Dollar	Appreciates against major currencies	Depreciates against major currencies and other currencies, remaining below the baseline for the duration of the forecast period	Depreciates against major currencies and other currencies in late 2014, but then gradually appreciates

Source: IHS Global Insight

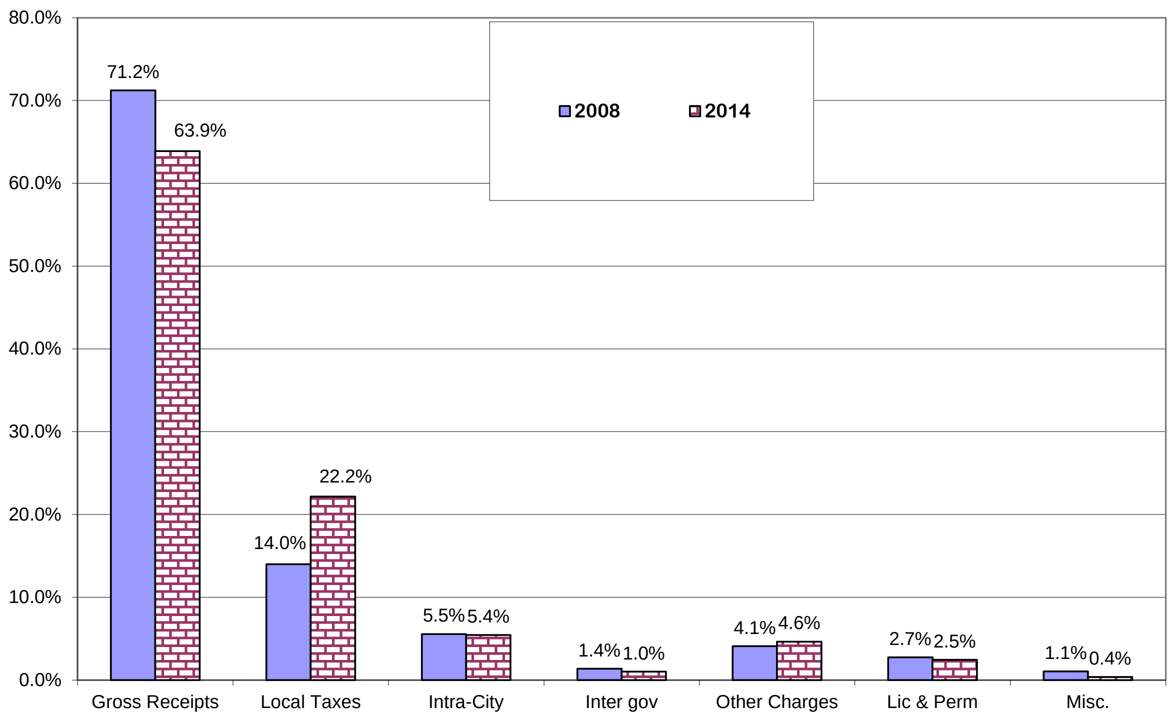
REVENUE HISTORY

GENERAL FUND REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/08 to FY/14 is presented below. These numbers reflect a one-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. Total receipts in this period decreased 1% or a compound annual rate of -0.2%. Recurring revenues for the same period showed annual growth of 0.7%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/08 and FY/14. The City's General Fund has become somewhat less reliant on the Gross Receipts Taxes and more reliant on local taxes (franchises and property tax). Licenses and permits have become less important primarily due to the fall in building permit revenues.

Shares of Recurring General Fund Revenues



In the period from FY/08 to FY/14, the General Fund has been affected by several changes in revenue. There were some changes in tax rates. In FY/09 one mill in property tax was shifted from capital to operations and in FY/10 two additional mills were shifted. In January 2007 ⅛ cent of Gross Receipts Tax was cut in conjunction with Bernalillo County taking over operations of the Metropolitan Detention Center (MDC) and raising County GRT by ⅛ cent. Another ⅛ cent tax cut took place in FY/09. The sections below cover changes that occurred in this period by category.

GENERAL FUND

HISTORICAL COMPARISON OF REVENUE SOURCES

($000)

Revenue Source	08	09	10	Fiscal Years 11	12	13	14	Growth FY08 TO 14	Compound Annual	Growth FY/13 to FY/14
Gross Receipts Taxes	274,692	260,494	246,149	252,335	256,661	259,787	265,745	-3.3%	-0.6%	2%
Public Safety quarter cent	37,011	35,584	34,070	34,449	34,981	35,436	36,239	-4.1%	-0.7%	2%
Basic Services	18,506	1,674						-100.0%	-100.0%	
Local Compensating Tax		694	1,449	1,592	1,690	1,485	1,570			6%
Total GRT	330,209	298,445	281,668	288,376	293,331	296,708	303,554	-8.1%	-1.4%	2%
Property Taxes	34,232	46,505	72,628	74,578	76,802	77,682	78,282	128.7%	14.8%	0.8%
Telephone Franchise	2,970	2,619	2,269	2,055	1,998	1,810	1,994	-32.9%	-6.4%	10.2%
Electric Franchise	6,315	7,040	7,273	7,707	9,744	9,221	9,020	42.8%	6.1%	-2.2%
Gas Franchise	5,603	4,223	4,752	3,963	3,901	4,002	4,398	-21.5%	-4.0%	9.9%
Cable Franchise	3,721	3,847	4,187	4,233	4,259	4,291	4,122	10.8%	1.7%	-3.9%
Other Franchise	899	1,178	264	228	419	239	230	-74.4%	-20.3%	-3.8%
Water Utility Franchise	4,999	4,912	5,141	5,323	5,900	6,006	5,513	10.3%	1.6%	-8.2%
PILOT(not including Water Utility)	1,679	1,542	1,541	1,740	1,756	1,706	1,714	2.1%	0.3%	0.5%
Other Local Taxes	60,418	71,866	98,056	99,827	104,779	104,957	105,273	74.2%	9.7%	0.3%
Building Permits	7,752	4,839	4,575	4,625	5,354	6,233	6,290	-18.9%	-3.4%	0.9%
Other Licenses/Fees	4,040	4,631	4,680	5,004	5,016	5,110	5,415	34.0%	5.0%	6.0%
Licenses and Permits	11,792	9,470	9,255	9,629	10,370	11,343	11,705	-0.7%	-0.1%	3.2%
Other Intergov'l	3,503	3,262	2,864	2,596	2,353	2,461	2,222	-36.6%	-7.3%	-9.7%
Municipal Gasoline	2,437	2,771	2,762	2,583	2,484	2,289	2,586	6.1%	1.0%	13.0%
Inter-Governmental Revenue	5,940	6,033	5,626	5,179	4,837	4,750	4,808	-19.1%	-3.5%	1.2%
Charges for Services	17,610	17,170	16,540	17,979	19,758	20,599	22,301	26.6%	4.0%	8.3%
Internal Service	1,858	1,651	1,516	1,336	1,384	1,332	1,032	-44.5%	-9.3%	-22.5%
Indirect Overhead (IDOH)	12,543	12,265	12,540	12,309	13,451	12,380	13,819	10.2%	1.6%	11.6%
CIP-Funded Positions	7,285	9,251	10,751	10,359	10,981	9,777	8,884	22.0%	3.4%	-9.1%
Interfund Transfers	3,615	9,613	17,409	6,057	4,125	3,408	4,319	19.5%	3.0%	26.7%
Intra-City Revenue	25,300	32,779	42,214	30,061	29,941	26,897	28,054	10.9%	1.7%	4.3%
Fines and Forfeitures	172	236	67	114	114	161	540	213.8%	21.0%	235.4%
Other Miscellaneous	1,051	933	3,473	1,268	2,329	2,695	1,482	40.9%	5.9%	-45.0%
Interest on Investments	3,332	1,347	268	158	340	142	213	-93.6%	-36.8%	50.0%
Miscellaneous	4,556	2,515	3,808	1,540	2,783	2,998	2,235	-50.9%	-11.2%	-25.5%
TOTAL REVENUE	455,824	438,279	457,168	452,591	465,799	468,252	477,930	4.8%	0.8%	0.5%
LESS: NON-RECURRING	23,906	9,379	11,869	3,034	3,724	2,330	3,199	-86.6%	-28.5%	-37.4%
RECURRING REVENUES	431,919	428,900	445,299	449,557	462,075	465,922	474,731	9.9%	1.6%	0.8%

Other Local Taxes. This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category increased its share of total recurring revenues from 14% in FY/08 to 22.2% in FY/14. Property tax revenues increased at a compound rate of 14.8%, mostly due to the shift of three mills in property taxes from debt service to operating; one mill in FY/09 and two in FY/10. The underlying growth taking out the shift in mills is 9.8% an annual rate of 1.6%. From FY/08 to FY/10 the growth was 7.5% and then slowed in FY/11 through FY/13. This slowdown was due to several factors. Residential property values have declined and not recovered substantially, new residential construction is slow, and the Bernalillo County Assessor's downward adjustment to property value for "tax lightning". Tax lightning is the effect of a limitation on residential increases in assessments to an annual rate of 3%. In the past, as houses were resold, this limitation was no longer in place and there were very large reassessments to the new home owner. Due to a court case in 2009, the assessor reduced assessments on these re-sold homes to a 3% annual increase. This substantially reduced the residential tax base. This case was successfully appealed in 2012 and property values can now increase with their sale. The declines in home values with the recession will limit these increases. Property taxes distributed to the City for operational purposes were held up due to yield control which boosted property tax rates enough to have increases in property tax revenue in FY/11 and FY/12. As of FY/12 rates are at a maximum and the yield control mechanisms will no longer increase rates. The residential tax base showed increases of 0.8% in FY/13 and 2.64% in FY/14. Commercial property has shown very limited new growth and existing values have declined with the recession. Since commercial property values are based on the income they can earn, the slowdown has reduced their earning capabilities. Commercial valuations were down 10% from FY/10 to FY/13 and an additional 2% decline in FY/14. Rates were already at a maximum on commercial properties, so yield control offered no relief.

Franchise revenues in total grew at a compound annual rate of 0.5% for the period. Part of the reason is that in FY/08 natural gas prices were high and then franchise revenues declined 32% due to a dramatic decline in the price of natural gas in FY/11. The electric franchise had the strongest growth with annual average growth of 6.1%. This was due mostly to increased rates in FY/09 and FY/11. Revenues from the water franchise increased at an average annual rate of 1.6%, but this is mostly due to a rate increase in FY/12. Through FY/11 average compound growth was about 1%, reflecting slower increases in housing starts and water conservation efforts. In FY/14 revenues declined by 8.2%; this was mostly a consequence of wet weather increasing conservation. PILOT, not including the Water Authority, had annual growth of only 0.5% due to the slow growth in the economy.

Licensing and Permits. The share for this category was 2.7% in FY/08 and 2.5% in FY/14. The decrease in share of revenue is due to the fall in building permit and licensing revenue. In FY/07 revenue from building permits was $10.2 million and in FY/13 revenue was only $6.2 million; a 39% decrease. The peak loss was much higher as building permits revenue from FY/11 to FY/13 increased 34%. In FY/14 growth in building permits slowed and was less than 1%. Other licenses and permits increased an annual average of 6% due primarily to the increased use of barricading permits on roads and charging the Albuquerque Bernalillo County Water Utility Authority for the permits. Additionally, a new food inspection ordinance increased restaurant permit fees in FY/11. Permits other than building permits in FY/13 made up almost half of permit revenue, but were only 27% of the revenue in FY/07.

Intergovernmental Aid. Revenues from other governments not including GRT shared distributions accounted for 1.4% of General Fund recurring receipts in FY/08 and 1% in FY/14. The only recurring revenues are the municipal gasoline tax, State shared vehicle taxes and County shared revenues. The State stopped the cigarette tax revenues distribution in FY/11, a loss of approximately $400 thousand. In FY/12 the General Fund lost the State-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and the State legislature reassigned this distribution to the County beginning in FY/12. The remaining revenues come from grants that are generally reimbursements for one-time expenses.

Intra-City Revenues. These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other inter-fund transfers, excluding PILOT. In FY/08 these accounted for 5.5% of recurring revenues and 5.4% in FY/13. Revenues for CIP funded positions increased substantially in FY/10 and FY/11 as both the Parks Department and the Department of Municipal Development made more use of CIP funded positions. These positions are associated with capital projects for construction of parks, roads, storm sewer, and other construction projects in the CIP program. Some of this was offset by a reduction in CIP funded positions at the BioPark in FY/13.

Interfund transfers in total can vary substantially due to one-time transfers from other funds. In FY/10 and FY/11 the closing of projects in special assessment districts yielded transfers to the General Fund of $7.3 million and $2.3 million respectively. In FY/08 large transfers were due mainly to transfers from the newly created Photo-Enforcement Fund. Transfers from the Photo-Enforcement Fund were used to pay for the costs of operating the programs; largely the cost of the administrative hearing office. The program was discontinued in December 2011 and revenue will be limited to collection efforts for outstanding citations. In FY/14 there was a one-time transfer of $2.3 million from the Operating Grants Fund.

Revenues from internal service charges over the past ten years have decreased dramatically as charges have been moved to separate funds. In FY/06 through FY/09 annual revenues were about $1 million. In FY/10 revenues were about $1.4 million with most of the revenue coming from a contract the Parks and Recreation Department has to provide landscape maintenance at the Sunport. Revenues declined in FY/14 as phase out of the Sunport contract began.

Indirect overhead revenues in FY/08 were $12.5 million; in FY/14 revenues are estimated at $13.8 million. This increase is mostly due to changes to the indirect plan. Some of this is offset by reclassifying the IDOH from the Water Utility Authority to charges for services and rental agreements as the Authority is independent and no longer a separate fund in the City.

Other Charges (Charges for Services). Revenues from other charges accounted for 4.1% of General Fund recurring revenues in FY/08 and 4.6% in FY/14. These revenues include entrance fees to City venues and charges to other funds and outside entities. Engineering fees and other construction related charges increased substantially and then fell as construction faltered. Engineering fees went from a high of $2.7 million in FY/06 to $541 thousand in FY/11. Revenues from charges for legal services, primarily from the Risk Management Fund, increased due to a rate increase in FY/10. This revenue in large part is dependent on the number of staff in the legal department and how much outside counsel for risk management cases they need to employ. In FY/04 a new alarm ordinance resulted in increases in the fines that are kept in the General Fund. In FY/06, $341 thousand was transferred to the General Fund. In FY/12 this amount increased to over one million dollars as all of the revenues- both fines and fees are now collected in the General Fund. In FY/11 the County also began paying the City approximately $600 thousand for police security at the metropolitan court. Reimbursements from the County for library services in the unincorporated areas have remained relatively flat. The BioPark, that includes the zoo, aquarium, and botanic gardens, had revenues of $3.4 million in FY/12. With annual growth of 1.6% in this period, the BioPark was one of the few City venues to increase attendance during the recession. In FY/13 admission fees to the park were increased in September of the fiscal year and revenues increased to $4 million for the year.

Miscellaneous. This category has only a small share of recurring revenue and declined from 1.1% in FY/08 to 0.4% in FY/13. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings have fallen dramatically, from $3.3 million in FY/08 to $213 thousand in FY/14, as short term rates are now near zero. Other source of revenue include rental of City property and fines. Rentals have remained relatively stable with increases at about the rate of inflation. Fines are primarily air quality fines related to dust control and have averaged around $150 thousand a year. In FY/14 there was one-time revenue of $381 associated with the photo-enforcement program. This is from a collection program to collect unpaid fines associated with the now closed program.

Gross Receipts Tax. GRT remains the major contributor to the General Fund making up 63.9% of recurring revenues in FY/14. In FY/05, the City imposed a new ¼ cent tax for public safety. On January 1, 2000 the ¼ cent transportation tax was imposed. This replaced the ¼ cent quality of life tax that expired June 30, 1999. In January 2007 and July 2008 the ¼ cent tax basic services increment was removed in two ⅛ cent increments. The Transportation tax expired on December 30, 2009 and was reinstated beginning July 2010.

The following table provides a summary of the GRT from FY/05 to FY/14 as a revenue source for the City of Albuquerque. The locally imposed GRT consists of the municipal imposed ½ cent (two quarters), basic services ¼ cent, public safety ¼ cent, infrastructure $^{1}/_{16}$ cent and currently the transportation infrastructure ¼ cent. Only the transportation infrastructure tax is not in the General Fund. The transportation tax was imposed for ten years from January 2000 through December 30, 2009. An extension of the tax was passed in the October 2009 election, but didn't go into effect until July of 2010. Because of collection time and the City accrual of revenue, 11 months of the tax was counted in FY/11. This same quarter cent tax was previously used for quality of life and open space. In FY/07, ⅛ cent of the basic services tax was cut in January 2007. Due to the GASB accrual, seven months of revenue were actually booked in FY/07. In the FY/08 budget, the remaining ⅛ cent of the basic services tax was cut beginning in July 2008. In FY/09 one month of this tax was booked. In FY/09, the City began receiving a share of the compensating tax. The City's share in FY/09 was $694 thousand and was phased in to a larger percentage and was $1.5 million in FY/11.

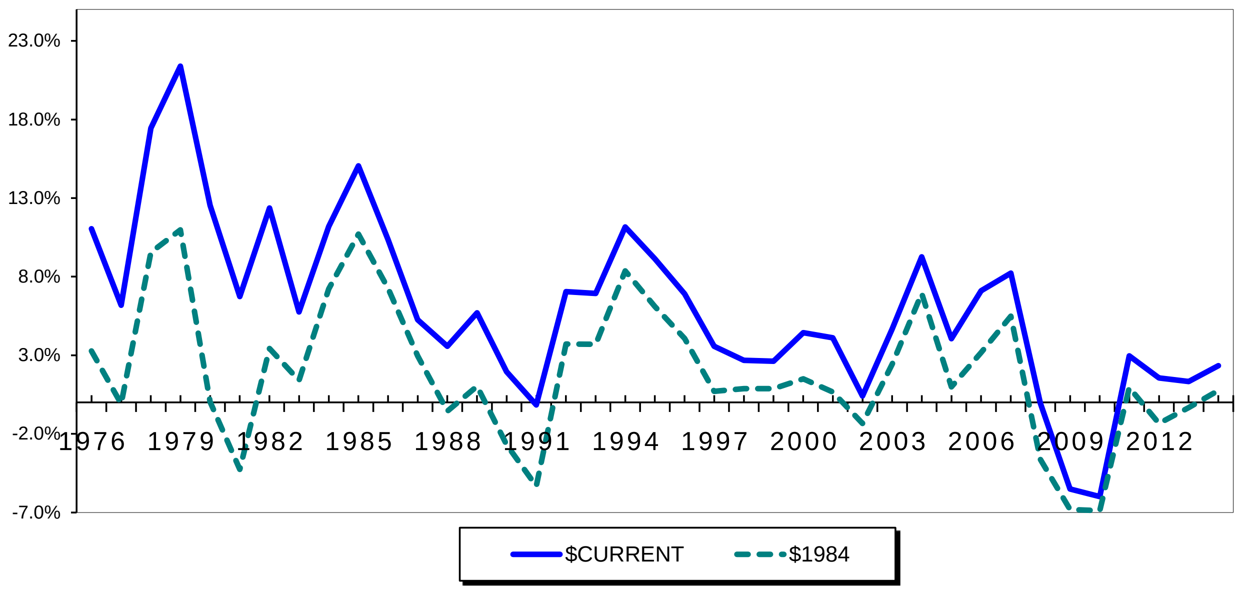
The compound annual growth of Gross Receipts Tax revenues in the General Fund is 1.5% in the period FY/04 to FY/13. The growth from the addition of the ¼ cent for public safety tax is offset by the two ⅛ cent tax cuts in January 2007 and July 2008. In order to look at the growth in the tax base and ignore changes in tax rates and other technical changes, it is best to look at the one-percent distribution. The one-percent distribution had annual growth of 1.3% in this period. Part of this is due to a administrative fee of 3.25% on the food and medical hold harmless distribution. This is the first time an administrative fee impacted the state shared revenues. After adjusting for inflation the one-percent distribution in FY/13 is actually 8.8% below the amount in FY/04. The rapid growth in the period prior to FY/07 was offset by three negative years. FY/08 was down 0.5%, FY/09 was down 5.1% and FY/10 was down 6.0%. In FY/11 positive growth of 3% was achieved, with 1% growth in real terms. In FY/12 the growth declined to 1.9% which adjusted for inflation was a decline of 1%. In FY/14 the growth of 2.3% translates to a real increase of 0.8%. Since the recession, FY/11 is the only other year with a real increase.

GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2005 - 2014
($000's)

DETAIL ON GROSS RECEIPTS:	FY/05	FY/06	FY/07	FY/08	FY/09	FY/10	FY/11	FY/12[6]	FY/13	FY/14	FY'S 05-14 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:												
MUNICIPAL IMPOSED 1/2 CENT	65,333	70,079	76,302	76,098	73,129	70,062	71,026	72,081	73,006	74,661	14.3%	1.5%
BASIC SERVICES												
first 1/8(4)	15,856	17,033	18,467	18,506	1,674	0	0	0	0		-100.0%	-100.0%
Second 1/8 (4)	15,856	17,033	10,984	0	0	0	0	0	0		-100.0%	-100.0%
PUBLIC SAFETY 1/4 CENT(3)	28,923	34,066	36,933	37,011	35,584	34,070	34,449	34,981	35,436	36,239		
INFRASTRUCTURE 1/16 CENT (2)	7,961	8,542	9,236	9,243	8,734	8,199	8,443	8,576	8,685	8,895	11.7%	1.2%
	133,930	146,753	151,922	140,858	119,121	112,330	113,918	115,637	117,127	119,795	-10.6%	-1.2%
STATE SHARED RECEIPTS												
1% DISTRIBUTION	131,767	141,128	152,730	152,654	144,247	135,604	139,618	141,780	143,688	147,162	11.7%	1.2%
.225% DISTRIBUTION	29,653	31,759	34,370	34,353	32,456	30,516	31,420	31,906	32,336	33,117	11.7%	1.2%
Municipally Shared Compensating Tax					694	1,449	1,592	1,690	1,485	1,570		
	161,420	172,887	187,100	187,007	177,397	167,569	172,629	175,375	177,509	181,849	12.7%	1.3%
TOTAL TAX RECEIPTS	295,350	319,640	339,022	327,865	296,518	279,899	286,547	291,013	294,636	301,644	2.1%	0.2%
PENALTY & INTEREST	2,169	2,057	2,057	2,344	1,928	1,769	1,829	2,318	2,072	1,910	-12.0%	-1.4%
TOTAL GENERAL FUND DISTRIBUTION	297,519	321,697	341,079	330,209	298,445	281,668	288,376	293,331	296,708	303,554	2.0%	0.2%
MUNICIPAL IMPOSED 1/4 CENT												
TRANSPORTATION2000 (5)	31,712	34,066	36,933	37,011	35,036	19,660						
TRANSPORTATION2010 (5)							30,626	34,349	34,815	35,585		
	31,712	34,066	36,933	37,011	35,036	19,660	30,626	34,349	34,815	35,585	12.2%	1.3%
TOTAL GROSS RECEIPTS TAX REVENUES(1)	329,231	355,763	378,012	367,220	333,481	301,328	319,002	327,680	331,524	339,138	3.0%	0.3%

(1) After adjustments in compliance with GASB.
(2) The Municipal Infrastructure Gross Receipts Tax went into effect July 1, 1992, with the first distribution in September..
(3) Went into effect July 2004, 11 months received in FY/05
(4) First 1/8 was cut effective January 2007, 2nd 1/8 cut was effective in July 2008
(5) 1/4 Cent Transportation Infrastructure Tax has two authorities (2000) in effect January 1, 2000 and sunset December 31, 2009 and 2010 July 1, 2010 to June 30, 2019
(6) An administrative fee of 3.25% was added to the food and medical portion of all the GRT distributions and is the only admin fee on the state shared

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2014



FY/12 is not reduced for the new admin fee on the hold harmless distribution.

The year-over-year growth in the one-percent distribution received as State shared revenues is charted above in current dollars and inflation adjusted to constant 1984 dollars. Looking at the one-percent distribution avoids the problem of changes in tax rates. For FY/12 the newly imposed administrative fee makes a slight reduction of approximately 0.3% in that year. The tax mimics the performance of the Albuquerque economy. The gross receipts tax is an "elastic" revenue source, as revenues are sensitive to economic growth and inflation. The negative real growth in FY/81, FY/91, FY/02 and FY/09 corresponds to recessions. The recent recession shows a far larger decline than in any of the past recessions. The only other year to decline in current terms was Fiscal Year 1991, with a minimal decline of 0.2%.

The other item of note is that the size of large percentage increases in GRT has decreased over the years. Part of this is due to the larger base of the economy and growth in surrounding regions, but the State has also reduced the tax base substantially by allowing many deductions from GRT.

Changes to Gross Receipts Tax Base

Between FY/99 and FY/13 the state legislature exempted or allowed deductions from the Gross Receipts Tax base for:

- Prescription drugs,
- Medicare expenditures,
- Movie production costs,
- Hospitals including for profits,
- Construction materials purchased locally for use on Indian reservations,
- 40% deduction for jet fuels,
- Deduction for food and medical services,
- Commercial airline repairs,
- Three day gross receipts tax holiday in August,
- Nursing home and health provider deductions,
- Renewable energy deductions, Compensating tax credit for electric generation,
- Deductions for construction services, and
- Deductions for inputs consumed in the manufacturing process.

The State holds the City harmless on the deduction for food and certain medical services. The City receives a distribution from the State as if the deduction was not in place. Revenue to the State to offset this was generated by increasing all municipalities' taxes by 0.5%. This distribution will begin being phased out in FY/16. In addition to these changes in the tax base the State has changed administrative fees. Most recently, in FY/12, the State added a 3.25% administrative fee on the hold harmless distribution on food and medical services. The deduction for manufacturing inputs is to be phased in over five years beginning with a half year in FY/13.

ACCURACY OF THE REVENUE ESTIMATES

ACCURACY OF THE REVENUE ESTIMATES

A summary of information on the accuracy of the General Fund revenue estimates over the past ten years is presented below. The first set of columns reports the accuracy of the 4-month revised estimates, which are prepared in February and March of the year in question in conjunction with the compilation of the Mayor's Budget for the next fiscal year. The second set of columns present the error of the 6 month revised estimates that are prepared as part of the Five-Year Forecast presented in December during the fiscal year in question. The final set of columns report the differences between the actual results and the budget estimates prepared in February and March of the prior year. In each case, the figures are presented for the Gross Receipts Tax, for total recurring receipts, and for non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are always fully reimbursed, with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/14.

ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)

(in $000s)

	MARCH REVISION 4 MONTH ESTIMATE		FIVE YEAR FORECAST 6 MONTH ESTIMATE		APPROVED BUDGET 16 MONTH ESTIMATE	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
FISCAL YEAR 2013(Unaudited Results)						
Gross Receipts Tax	(1,016)	-0.3%	(14)	0.0%	4,180	1.4%
Recurring Revenues Less CIP	(1,355)	-0.3%	(763)	-0.2%	3,539	0.8%
Non-Recurring	1,870	58.5%	3,128	97.8%	3,128	97.8%
***GRT reflects only recurring GRT**						
FISCAL YEAR 2013)						
Gross Receipts Tax	2,664	0.9%	2,664	0.9%	(5,615)	-1.9%
Recurring Revenues Less CIP	4,264	0.9%	4,412	1.0%	(1,393)	-0.3%
Non-Recurring	-	0.0%	1,145	49.1%	1,255	53.9%
FISCAL YEAR 2012						
Gross Receipts Tax	(1,753)	-0.6%	(1,753)	-0.6%	(1,386)	-0.5%
Recurring Revenues Less CIP	(983)	-0.2%	1,551	0.3%	1,044	0.2%
Non-Recurring	-	0.0%	2,539	68.2%	2,652	71.2%
FISCAL YEAR 2011						
Gross Receipts Tax	477	0.4%	1,931	1.7%	1,037	0.9%
Recurring Revenues Less CIP	880	0.2%	2,855	0.6%	(1,907)	-0.4%
Non-Recurring	-	0.0%	(731)	-24.1%	313	10.3%
FISCAL YEAR 2010						
Gross Receipts Tax	1,584	0.6%	(8,721)	-3.1%	(21,302)	-7.6%
Recurring Revenues Less CIP	328	0.1%	(11,195)	-2.6%	(28,818)	-6.7%
Non-Recurring	-	0.0%	849	7.2%	5,637	47.5%
FISCAL YEAR 2009						
Gross Receipts Tax	(3,212)	-1.1%	(3,212)	-1.1%	(21,090)	-7.1%
Recurring Revenues Less CIP	(5,426)	-1.3%	(5,425)	-1.3%	(25,121)	-6.0%
Non-Recurring	(1,300)	-13.9%	(771)	-8.2%	(771)	-8.2%
FISCAL YEAR 2008						
Gross Receipts Tax	47	0.0%	(3,773)	-1.1%	(11,388)	-3.4%
Recurring Revenues Less CIP	(4,232)	-1.0%	(8,346)	-2.0%	(23,663)	-5.6%
Non-Recurring	4,447	18.3%	2,214	9.1%	6,116	25.1%
FISCAL YEAR 2007						
Gross Receipts Tax	2,952	0.9%	9,507	2.8%	13,759	4.0%
Recurring Revenues Less CIP	2,603	0.6%	9,670	2.1%	12,564	2.8%
Non-Recurring	-	0.0%	7,626	41.8%	8,400	46.1%
FISCAL YEAR 2006						
Gross Receipts Tax	5,380	1.7%	6,974	2.2%	13,283	4.1%
Recurring Revenues Less CIP	10,095	2.3%	16,919	3.9%	25,986	6.0%
Non-Recurring	281	3.3%	6,442	75.5%	0	0.0%
FISCAL YEAR 2005						
Gross Receipts Tax	3,172	1.1%	3,172	1.1%	15,476	5.2%
Recurring Revenues Less CIP	3,725	0.9%	4,305	1.1%	11,903	3.0%
Non-Recurring	4,743	36.9%	4,519	35.2%	10,164	79.1%

ACTUAL AND ESTIMATED GENERAL FUND REVENUES FOR FY/14

All figures in $1,000's

	UNAUDITED	ESTIMATES								
	ACTUAL	2nd Revision (March 2014)			1st Revision (Dec. 2013)			Approved Budget (May 2013)		
REVENUE SOURCES:	FY/14	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	303,554	304,126	572	0.2%	303,124	(430)	-0.1%	298,930	(4,624)	-1.5%
Property Tax	78,282	78,124	(158)	-0.2%	78,124	(158)	-0.2%	76,857	(1,425)	-1.8%
Franchise Tax-Telephone	1,994	1,756	(238)	-11.9%	1,756	(238)	-11.9%	1,847	(147)	-7.4%
Franchise Tax-Gas	9,020	9,078	58	0.6%	9,078	58	0.6%	9,078	58	0.6%
Franchise Tax-Electric	4,398	4,260	(138)	-3.1%	4,260	(138)	-3.1%	4,260	(138)	-3.1%
Franchise Tax-Cable TV ABQ	4,122	4,319	197	4.8%	4,319	197	4.8%	4,319	197	4.8%
Franchise Tax - Water Auth	5,513	6,136	623	11.3%	6,136	623	11.3%	6,136	623	11.3%
Franchise Tax-Telecom	230	239	9	3.9%	239	9	3.9%	417	187	81.3%
Other Intergovernmental Assistance	4,808	4,431	(377)	-7.8%	4,431	(377)	-7.8%	4,431	(377)	-7.8%
Building Permit Revenue	6,290	6,408	118	1.9%	6,856	566	9.0%	7,799	1,509	24.0%
Permit Revenue	5,415	5,136	(279)	-5.2%	5,110	(305)	-5.6%	5,050	(365)	-6.7%
Service Charges	22,301	21,211	(1,090)	-4.9%	20,847	(1,454)	-6.5%	20,847	(1,454)	-6.5%
Fines & Penalties	540	520	(20)	-3.7%	120	(420)	-77.8%	120	(420)	-77.8%
Earnings on Investments	213	330	117	54.9%	330	117	54.9%	330	117	54.9%
Miscellaneous	1,482	1,502	20	1.3%	918	(564)	-38.1%	918	(564)	-38.1%
Transfers From Other Funds	4,319	2,639	(1,680)	-38.9%	2,175	(2,144)	-49.6%	2,269	(2,050)	-47.5%
Payments In Lieu of Taxes	1,714	1,617	(97)	-5.7%	1,626	(88)	-5.1%	1,617	(97)	-5.7%
IDOH	13,819	15,375	1,556	11.3%	15,848	2,029	14.7%	15,770	1,951	14.1%
Services Charges-Internal	1,032	1,324	292	28.3%	1,384	352	34.1%	1,384	352	34.1%
Transfers For CIP Positions	8,884	10,257	1,373	15.5%	10,463	1,579	17.8%	10,463	1,579	17.8%
TOTAL REVENUE	477,930	478,788	858	0.2%	477,144	(786)	-0.2%	472,842	(5,088)	-1.1%
LESS: NON-RECUR	3,199	1,329	(1,870)	-58.5%	71	(3,128)	-97.8%	71	(3,128)	-97.8%
RECURRING REVENUE	474,731	477,459	2,728	0.6%	477,073	2,342	0.5%	472,771	(1,960)	-0.4%