CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2016-2020

December 2015

TABLE OF CONTENTS

EXECUTIVE SUMMARY

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 2020. 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 2015. 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/17 Budget is developed, revenue and expenditure projections will be revised using more current information.

Fiscal Year 2016

For FY/16, the original General Fund appropriation was $504.5 million which included $10.8 million of one-time expenditures. The revised budget in this forecast reflects higher expenditures at $513.4 million which includes mid-year appropriations for salary increases and re-appropriated encumbrances. The assumption for this forecast is that departments spend their full appropriations. The revised revenue estimate for FY/16 is $502.8 million, about $3.4 million above the original budget estimate - all of which is recurring. Major differences include a stronger base in Gross Receipt Tax (GRT) revenues based on the closed books for FY/15 and a slightly higher growth rate for the current year – revised from 2.5% to 3.1%.

Fiscal Year 2017

As the City prepares for the FY/17 budget, it is likely that the revenue forecast will remain unchanged and therefore the assumptions regarding expenditures will have to be revised in order to present a balanced budget. Without curbing expenses, this forecast reflects an overall General Fund balance gap of $10.5 million, $8.4 million of which is recurring.

The expenditure forecast for FY/17 includes most of the known cost increases using the best information available at this time. The net effect results in a forecasted budget of $531.9 million of which $520.3 million is recurring (or 4.6% increase over the revised FY/16 Budget). Assumptions include a 1% across the board pay increase for city workers, funding to put more police officers on the streets which could include a growth cadet class, the State allowing officers to retire and return to work, or implementing aspects of a new staffing study at APD. Other cost drivers in the forecast include increased costs for medical coverage, transfers to the Risk Fund (for self-insurance), operating costs related to Capital Implementation Projects (CIP) coming-on-line, funding for replacement of aged vehicles and computers, and other inflationary factors.

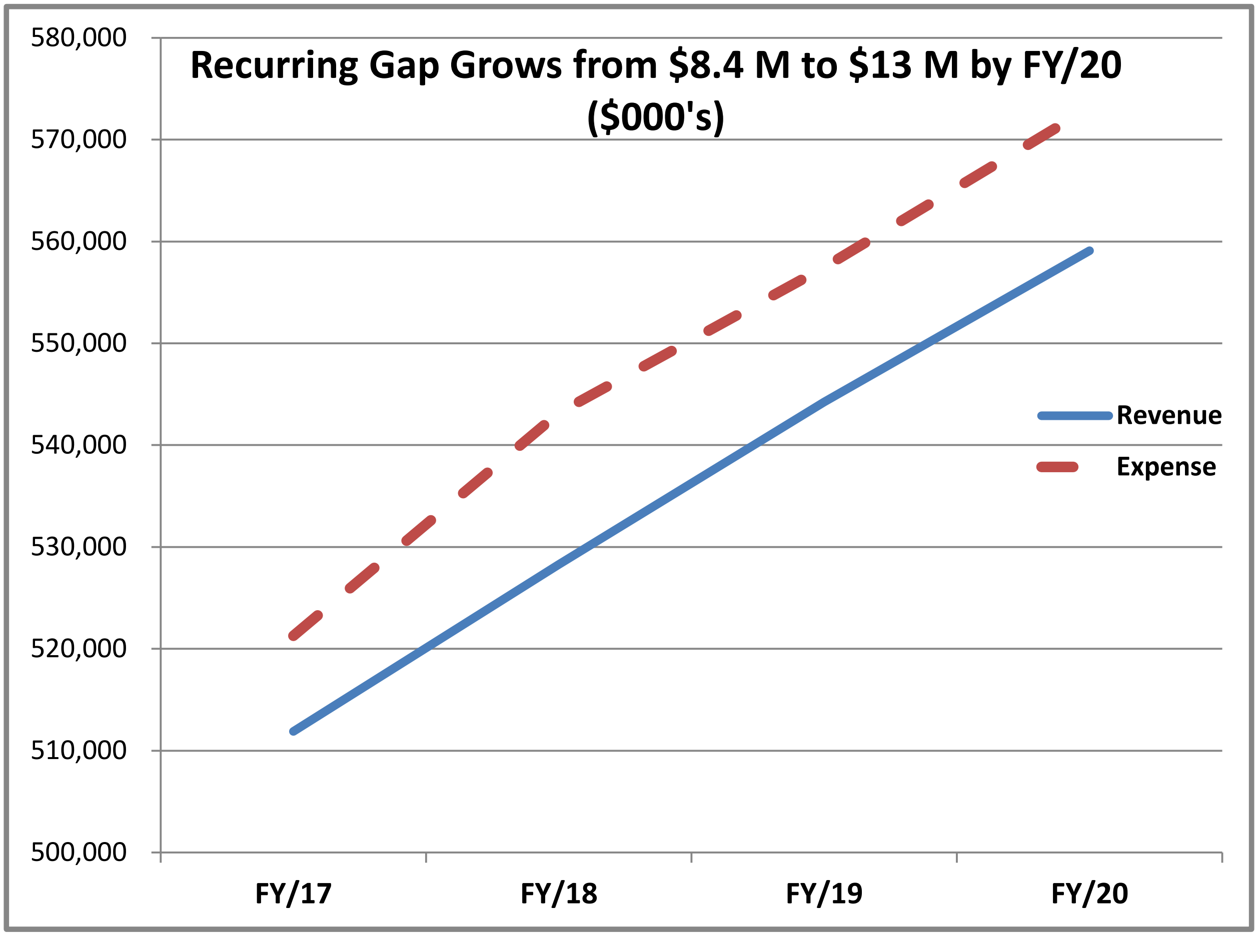
The forecast includes the majority of known funding needs, some that will have to be addressed in FY/17 and some that will likely be pushed out to later years as choices are made on which needs take priority. It is also possible that some of these early estimated costs are lowered in the coming months with new information.

Regardless, the projected gap will be closed before the FY/17 Proposed Budget is submitted to the City Council on April 1, 2016.

Fiscal Years 2018 – 2020

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/17, reflects a deficit of $10.5 million which compounds by FY/20 to over $84.7 million.

As mentioned earlier, the projected FY/17 budget deficit will be closed and therefore, the more important trend in this forecast is the comparison between recurring revenue and recurring expense. While that comparison also shows a deficit, the amounts are much more manageable ranging from $8.4 to $13 million. Some of the gap is driven by general inflationary factors but most of it is related to capital coming-on-line. 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 in recurring revenues to recurring expenses through FY/20.



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

General Fund Revenues

The revenue projections are based on revenue received through October 2015 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 IHS 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.

For FY/16 this forecast projects total revenue to grow by 2.7% which is $3.4 million above the original budget. The original budget estimate assumed growth in GRT at 2.5%. That has been revised up to 3.1% given a stronger than expected end to fiscal year 2015 and the fact that the metro area is experiencing stronger employment growth than was originally anticipated. The first four months of the GRT base averaged growth of 5.6%. It is thought that much of this is adjustments from past periods making some of this revenue one-time. FY/16 has the first reduction for the hold harmless which reduces growth by about 0.7% in FY/16 and in all years of the forecast. Additionally there are two other expected reductions affecting growth in GRT. Tax Increment Development Districts (TIDDS), particularly the expansion of Winrock will pull GRT revenues from the City, and the phase in of the manufacturing consumable GRT deductions will continue to reduce revenue. The underlying GRT growth in FY/16 is estimated at 4.4%, but is lowered by 1.3% to 3.1%, a direct result of these deductions. The effect of these deductions in out years lowers GRT growth by approximately 1%.

Building permit revenues have started to increase. In FY/15 revenues from permitting were below the budget, but the beginning of FY/16 is showing strong growth particularly in commercial construction. The FY/16 budget anticipated 6% growth, the first quarter of permit revenue increased by 12% and the estimate of revenues was increased to 10%. Property taxes were near the FY/15 estimate and FY/16 is expected to come in near the budgeted level. The largest weakness in revenues is in franchise fees. These revenues are expected to be $782 thousand below the FY/16 budget. This is due primarily to weakness in the natural gas and water franchises.

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 was designated as non-recurring so that no long-term commitments were 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/20 is $12.2 million.

General Fund Expenditures

For FY/17, the identified needs would require an increase in the recurring portion of the General Fund appropriation of 3.6% above the revised FY/16 level. The demand of recurring needs increases but only slightly in the out years of the forecast. The growth rate of recurring expenses is 4.2% in FY/18, 2.6% in FY/19, and 2.8% in FY/20. Those growth rates are about in line with the forecasted recurring revenue over the same period which implies non-inflationary cost drivers such as capital coming-on-line or expansion of staff are more significant. It should be noted that those costs could be offset by revenue if it were not for State reductions mentioned earlier.

In December of 2015, 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 $4.9 million in FY/17, growing to $11.7 million by FY/20 once subsidized funds are included. Significant cost drivers through FY/20 include new streets, storm drains, park acreage, a new fire station at Mesa del Sol, the new Albuquerque Rapid Transit (ART) along Central Avenue, a new Penguin exhibit at the BioPark, and a new library in the International District. Those cost estimates and the years in which they open are shown in the last table of the Expenditure Outlook Section.

A 1% wage increase for all employees is included in the FY/17 forecast costing the General Fund and 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 2017, including the amount available for police officers. For the out-years beginning FY/18, wages are assumed to grow based solely on the HIS Global Insight forecast of the employment cost index, which remains around 3% over the period.

This forecast includes a number of assumptions that increase costs within the Police Department. They include: successful negotiation of pay increases budgeted by the Council in FY/16 bringing most officers to $28 per hour; an effort to allow more officers to answer calls for service by either a re-alignment of staff and schedules or some combination of a growth class or hiring back retired officers to work; and the absorption of the Special Investigation Division (SID) operation costs within the General Fund. Allowing retired officers to return to work will require changes to state statute. The SID operation was previously funded from proceeds of property seized under federal forfeitures. These funds are no longer allowed to be used by the City.

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. In FY/13, a review of all claims was conducted which resulted in a significant adjustment to reserves causing a working capital 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/17-FY/20, it is assumed to be funded at $3.5 million each year for General Fund and GF subsidized funds. Beyond that, the costs for tort claims and workers compensation are expected to grow rather significantly by 6.9% in FY/17 but then taper off by FY/20 at under 1%.

Fuel is the one significant recurring cost that is expected to lower in the forecast period given that crude oil prices are now under $30 per barrel. Prices paid by the City to fuel its fleet are expected to drop in FY/17 then increase in FY/18 through FY/20. The total budgeted amounts for fuel are somewhat stable given the anticipated change in price per gallon and in use of gallons.

FY/18 includes a general election expected to cost $1.5 million.

The cost of employee health benefits is expected to increase by 7.7% each year from FY/17 through FY/20. The cost estimates given by the City’s provider, Presbyterian Health Plan, include costs to comply with the Affordable Care Act. The City expects to negotiate lower rates for FY/17 in the coming months. However, a conservative estimate is shown for this forecast.

The additional allocation of $200 thousand per year to the operating reserve is continued through the term of this forecast, bringing it to $1.8 million by FY/20. This reserve is in addition to the 1/12 minimum required under City policy.

The entire General Fund Baseline summary is reflected in Table B.

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

($000's)	UNAUDITED ACTUAL FY/15	REVISED BUDGET FY/16	FORECASTS FY/17	FY/18	FY/19	FY/20
RESOURCES:						
Recurring Revenue	484,920	498,777	511,901	528,297	544,239	559,080
% Change Recurring Revenue		2.9%	2.6%	3.2%	3.0%	2.7%
Total Non-recurring	4,836	4,005	2,431	2,536	2,633	2,735
TOTAL REVENUES	489,756	502,782	514,332	530,833	546,872	561,816
% Change Total Revenue		2.7%	2.3%	3.2%	3.0%	2.7%
BEGINNING FUND BALANCE	63,444	63,229	52,610	35,064	10,410	(10,205)
TOTAL RESOURCES	553,200	566,011	566,942	565,897	557,282	551,611
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	465,657	497,556	520,279	542,144	556,388	572,037
% Change Recurring Appropriation		6.9%	4.6%	4.2%	2.6%	2.8%
Non-recurring Exp/App:						
One-time Items	24,314	15,845	11,599	13,343	11,099	13,672
Total Non-recurring	24,314	15,845	11,599	13,343	11,099	13,672
TOTAL EXPEND/APPROP	489,971	513,401	531,878	555,487	567,487	585,709
UNADJUSTED FUND BALANCE	63,229	52,610	35,064	10,410	(10,205)	(34,098)
ADJUSTMENTS:						
Encumbrances	(3,435)	0	0	0	0	0
Unrealized Gains on Investments	(12)	(12)	(12)	(12)	(12)	(12)
Other Accounting Adjustments	(23)	(23)	(23)	(23)	(23)	(23)
TOTAL ADJUSTMENTS	(3,470)	(35)	(35)	(35)	(35)	(35)
ADJUSTED FUND BALANCE	59,759	52,575	35,029	10,375	(10,240)	(34,133)
RESERVES:						
1/12th Operating Reserve	41,630	42,381	44,323	46,291	47,291	48,809
Reserve for the Cost of Labor	162	0	0	0	0	0
Increase to Reserve	800	1,000	1,200	1,400	1,600	1,800
Other Reserves	250	0	0	0	0	0
TOTAL RESERVES	42,842	43,381	45,523	47,691	48,891	50,609
AVAILABLE FUND BALANCE	16,917	9,194	(10,494)	(37,316)	(59,131)	(84,742)
1/12th Operating Reserve	40,831	42,783	44,323	46,291	47,291	48,809
Recurring Surplus/(Deficit)	19,101	1,221	(8,378)	(13,847)	(12,148)	(12,957)

ECONOMIC 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 2015 forecasts from IHS Global Insight (IHS). Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios. The Forecast period is FY/16 to FY/20.

Baseline Scenario

In the baseline forecast, assigned a probability of 65%, IHS Global Insight (IHS) expects annual growth of 2.5% in real GDP for FY/16. This is down slightly from the 2.7% growth in FY/15. Growth is expected to increase to 3.1% in FY/17 and remain around 2.5% for the remainder of the forecast period. Much of the limitations is due to 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 expected to increase in FY/17 and remain near this level until FY/20 when it increases slightly. Real government expenditures are expected to decline slowly through FY/19 and increase in FY/20. 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 declining to 5.7% in FY/15 and remaining near 5% for the forecast period.

Inflation, as measured by the Consumer Price Index (CPI) is expected to be only 0.8% in FY/16, but increase to 2.6% in FY/17 and remain near this level for the remainder of the forecast. The low levels were largely due to the decline in oil prices. Relatively weak wage growth and increases in productivity limit the cost of employment putting little pressure on costs. Oil prices (West Texas Intermediate) decline in FY/16 to $45.90 per barrel and increase annually to reach $84.90 in FY/20. The increases in oil price add to the CPI. The CPI excluding food and energy is 1.9% in FY/16 and remains around 2.2% for the forecast near the Federal Reserve Bank (FRB) target of 2%. The moderate inflation expectation also plays into limited increases in interest rates. IHS believes that the FRB will not raise the federal funds rate until December of 2015; reaching 0.4% in FY/16 and 3.9% by FY/20.

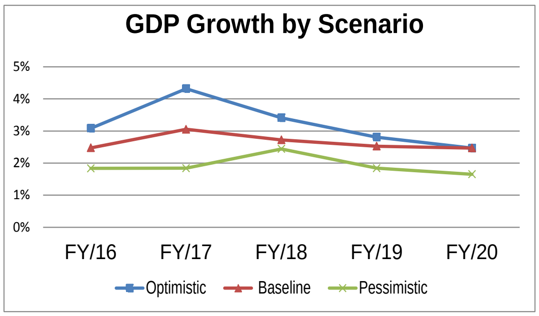
There are a number of risks in the economy. The battle in congress over spending, taxes and extension of the debt ceiling will be faced again. The Eurozone is slowing and may fall into recession. Household formation is low limiting residential construction. The current levels of uncertainty restrain business activity and investment and hiring. Unfortunately, these high levels of uncertainty are likely to remain with us over the next few years. Although IHS discusses the possibility of a government shutdown as a risk they do not include it in any of their scenarios.

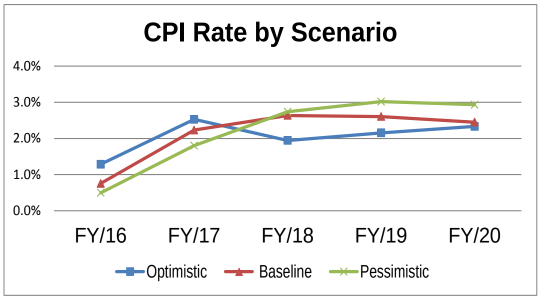
Pessimistic Scenario

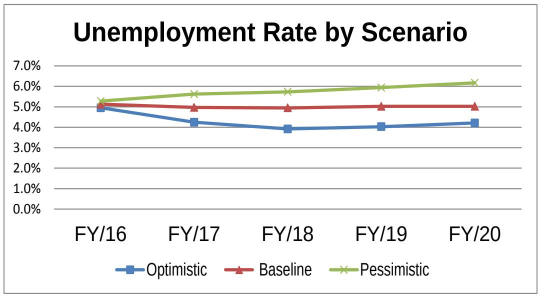
The pessimistic scenario is assigned a probability of 20%. In this scenario, the recovery stalls. Much of this is the result of weakness in the international markets, particularly the developing countries and China. Construction is weak in part due to more difficulty in access to credit and a decrease in household formation. Fiscal policy does not respond and government spending contracts. Employment growth stalls and unemployment increases to 6.2% in FY/20, an increase of over one-percent above the baseline level, 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 $97 per barrel in FY/20. The FRB doesn't increase rates until the end of FY/18. The federal funds rate then increases rapidly to 3.9% in FY/20 which is above the baseline level.

Optimistic Scenario

The optimistic scenario is assigned a probability of 15%. In this scenario IHS assumes that basically everything goes right. 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.

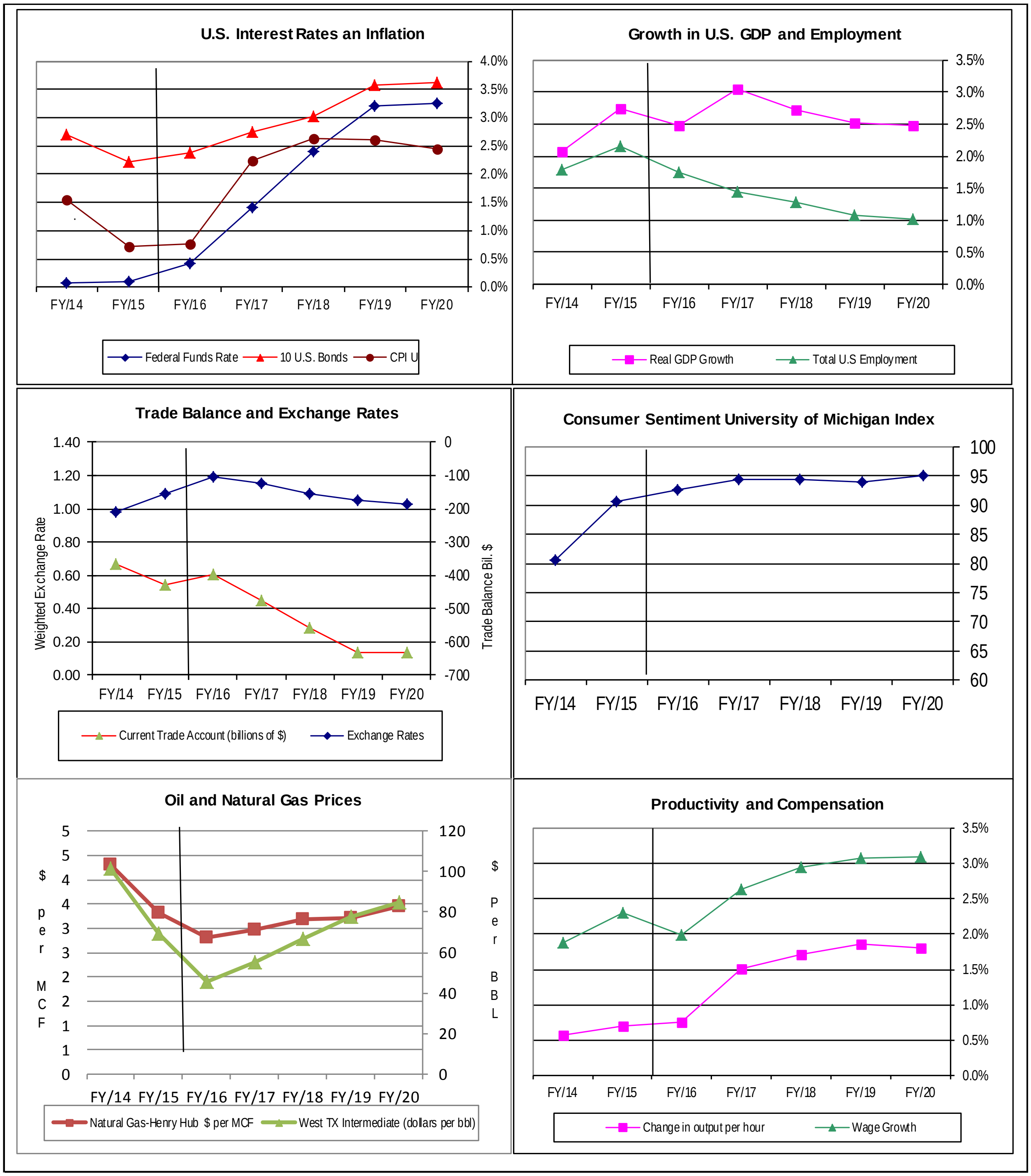




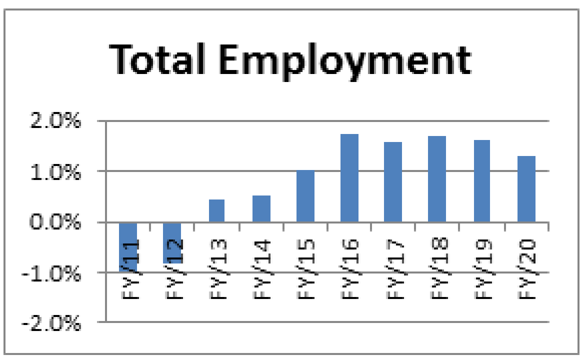


More information is available on the scenarios and a comparison in the section on Alternative Scenarios.

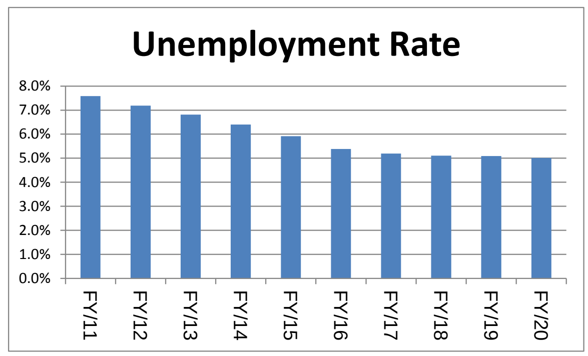
U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
October 2015 Baseline Forecast



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 2015 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 2014 and the 1st quarter of 2015 showed increases approaching 1%. The FOR-UNM forecast of employment in October 2015, 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 total employment in FY/14 was 0.4% and FY/15 growth in total employment is expected at 1.0%. This includes one quarter of forecasted employment.



The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12 a loss of 7% of total employment. About seven thousand jobs were added in FY/13 to FY/15. In FY/16 employment is expected to increase 1.7%. The period FY/17 to FY/19 increase at a rate of 1.6% to 1.7%, with FY/20 showing a slowdown to 1.3%. 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 economy in terms of reaching post-recession employment levels. Government employment limits growth, with private sector employment growth exceeding total employment growth from FY/12 through FY/20. 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. In calendar year 2015 there is somewhat a reversal of this with a small increase in the unemployment rate caused in part by people re-entering the labor force. The rate is expected to slowly decline to 5.4% in FY/20. This is above the unemployment rate for the U.S. for the entire forecast period.



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/20 by the major North American Industrial Classification System (NAICS) categories.

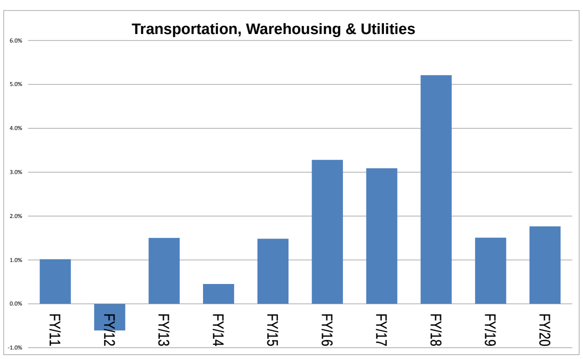
Retail and Wholesale Trade

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 0.6% in FY/15 and 1.2% in FY/16. Growth remains close to this level for the remainder of the forecast period.

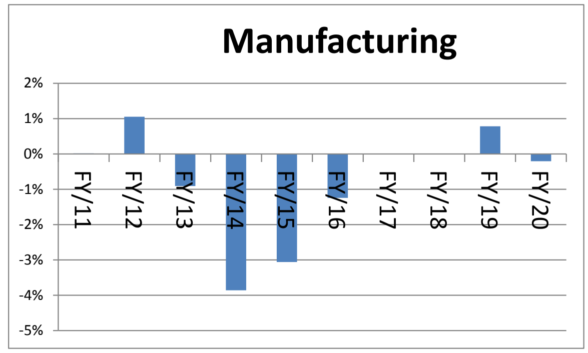
Transportation, Warehousing and Utilities

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 over 5% in FY/18. With this growth the sector reaches the pre-recession high in FY/18.



Manufacturing

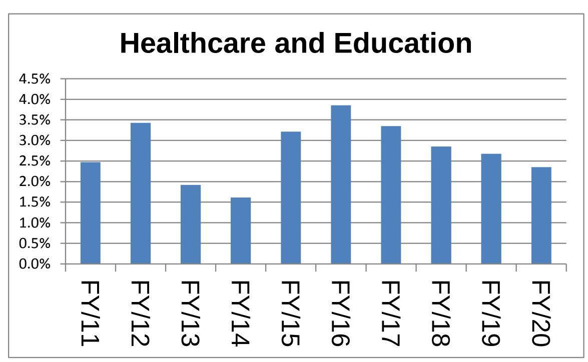
This sector accounts for about 4.5% of employment in the MSA. It is an important sector as it creates relatively high paying jobs that bring revenue from outside the area. It also generates purchases of materials and services in the local economy making this sector's impact greater than its employment 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 and FY/14 the sector declined and is expected to decline again in FY/15 and FY/16. Intel has continued to reduce the number of employees. They currently have approximately 2,300 employees down from a high of over 5,000. The sector is expected to show growth only in FY/19. FY/20 employment is only 71% of the employment of FY/08.

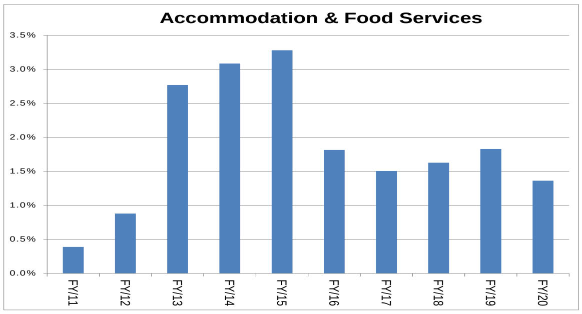
Educational and Health Services

This sector is predominantly health services and accounts for 15.5% 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 largest contributor to employment growth in the forecast period adding about 8,400 jobs (28.5% of total job growth) from FY/15 to FY/20.



Accommodation and Food Services

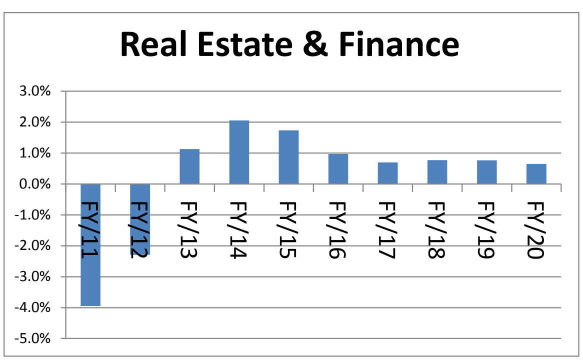
This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounts for 10% of employment in the MSA. The sector is a major contributor to both GRT and Lodgers' Tax.



FY/14 and FY/15 have growth of over 3%. The sector reached its previous peak of FY/08 in FY/14. The remainder of the forecast is relatively strong with growth around 2%.

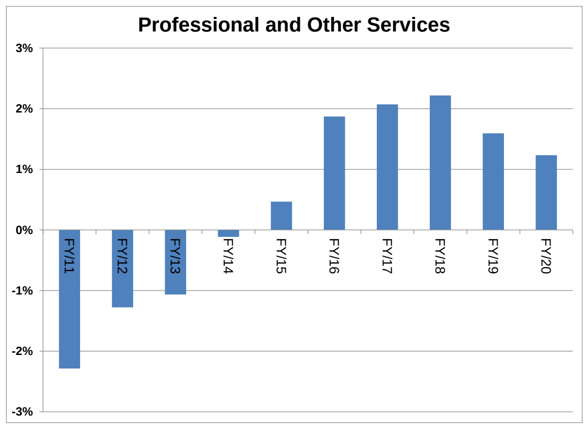
Real Estate & Financial Activities

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. In FY/20 the sector remains 1,300 jobs below the peak level of FY/06.



Professional and Other Services

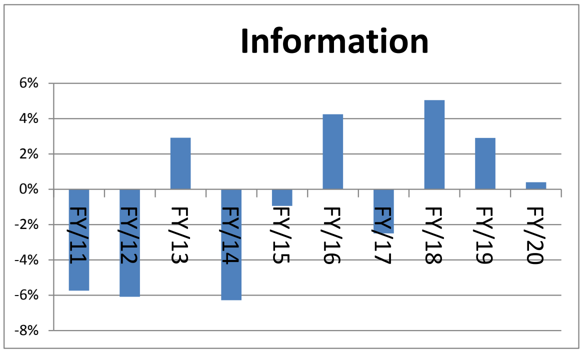
This category is a grouping of four service sectors (Professional and Technical, Management of Companies, Administrative and Waste Services, and Other Services). The category accounts for 18% of the employment in the MSA. It includes temporary employment agencies, some of Albuquerque's back-office operations,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



While the national labs gained some positions in FY/11 through FY/14, the sector as a whole was weak. This began to change in FY/15 as construction services (engineering and architecture) began adding jobs. The sector shows growth at about 2% a year from FY/16 to FY/18. In FY/20 it still remains 3,000 jobs below the peak of FY/08.

Information

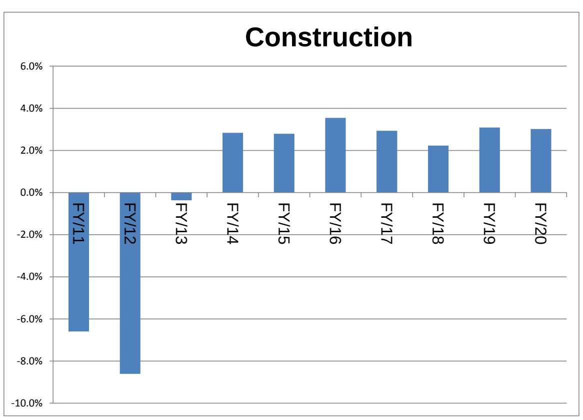
This sector includes businesses in telecommunications, broadcasting, publ-ishing and internet service establishments. It also includes the film studios. It accounts for about 2% of employment in the MSA. FY/13 posted solid growth, but FY/14 showed a substantial decline and FY/15 is expected to decline again. The remainder of the forecast shows the shows swings in growth as the sector remains relatively unstable.



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 well below pre-recession permitting. 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.

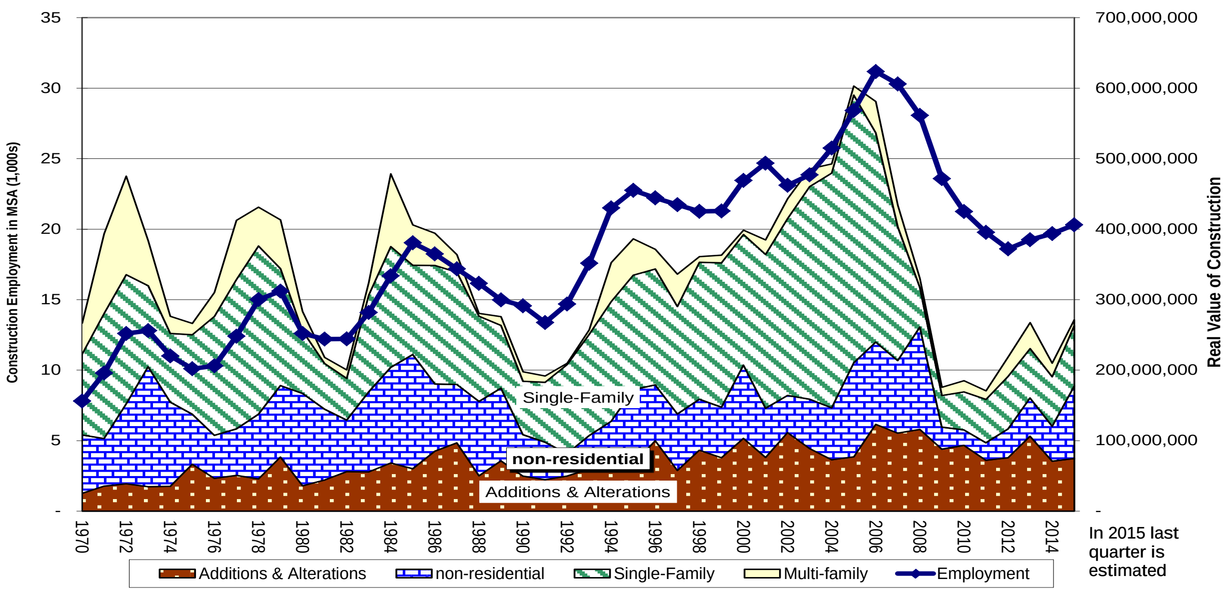
Looking forward, single family permitting is expected to grow relatively slowly. In FY/14 only 814 single family units were permitted, down about 100 units from FY/13. In FY/15 there was a small increase to 902 units. In FY/16 this is expected to increase to 1,200 units. The forecast trends up to 1,900 units by FY/20. 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 showed some strength in FY/13 with 933 units and 760 units in FY/14. These permits fell to only 192 units in FY/15, but are expected to rebound with 626 units in FY/16. This is expected to increase somewhat with 823 units permitted in FY/20.

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

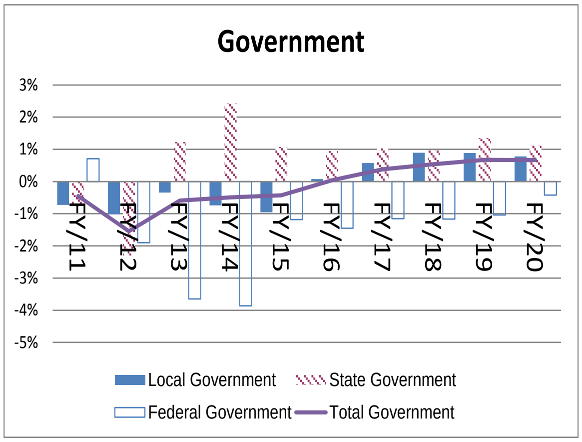


Government

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.

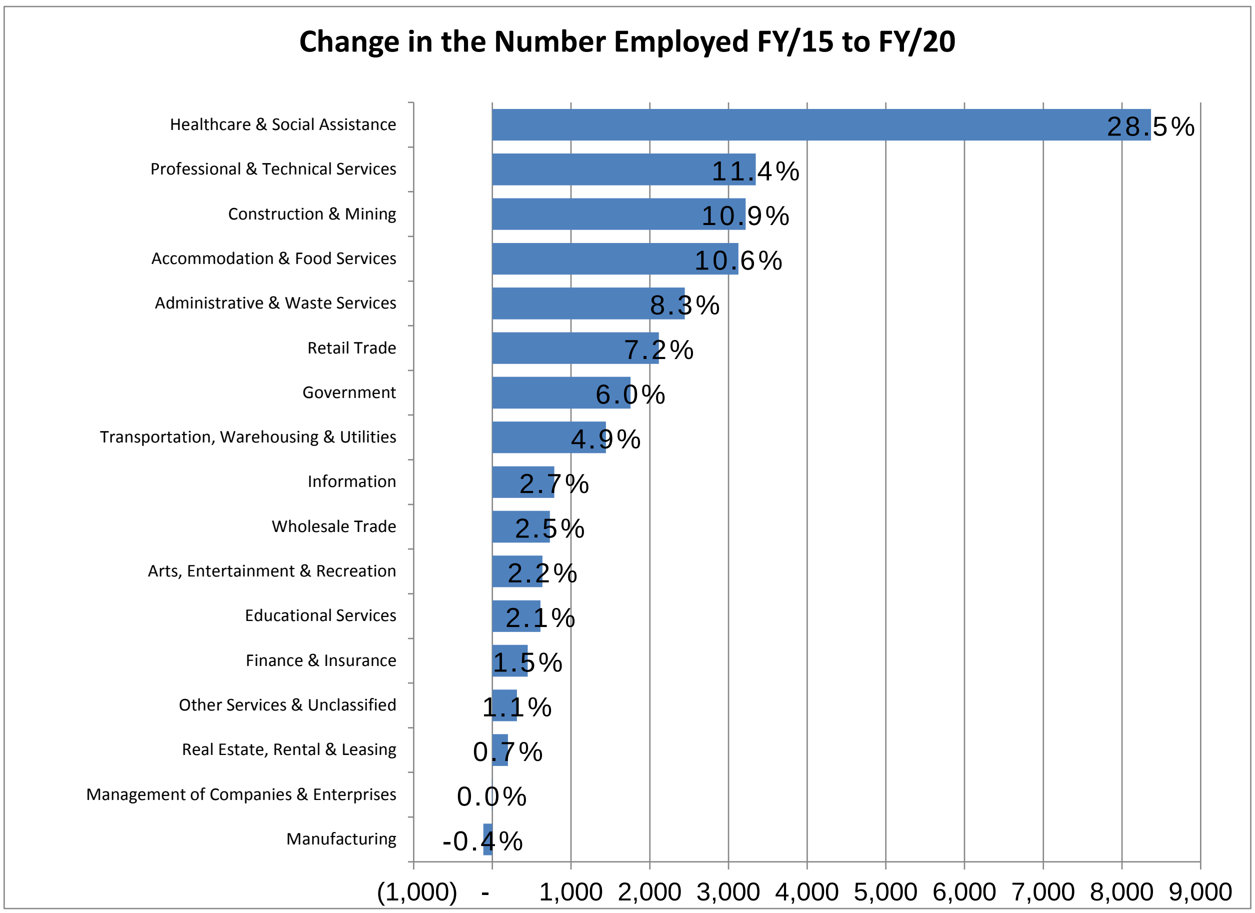
Active military is around 6,000 or about 1.7% of the total non-agricultural employment. Nationally military is 1% of total non-ag employment.

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.



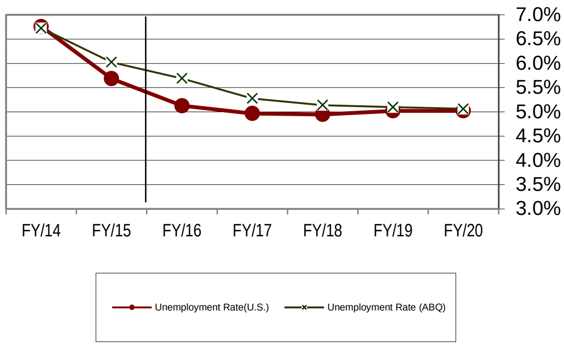
Federal Government after growing strongly in FY/10 showed little growth in FY/11 and declines in FY/12 through the remainder of the forecast. This occurs due to the federal government taking steps to reduce its expenditures. The forecast has continued losses in federal jobs with local government having a bit of a recovery.

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

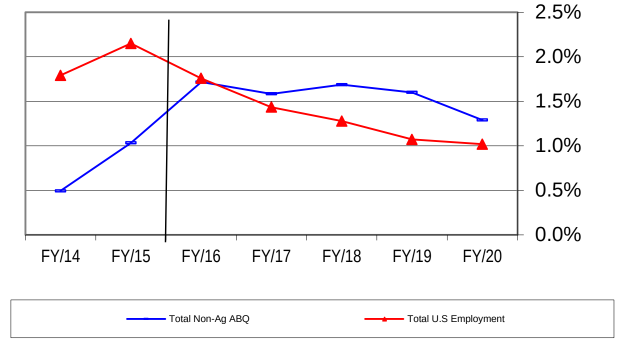


Albuquerque MSA and Comparisons to the U.S -- Fiscal Year October 2015

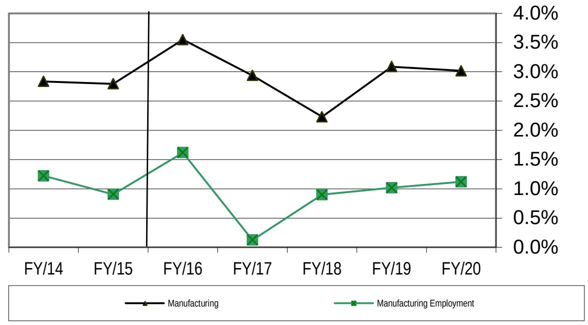
Albuquerque MSA vs. U.S. Unemployment Rates



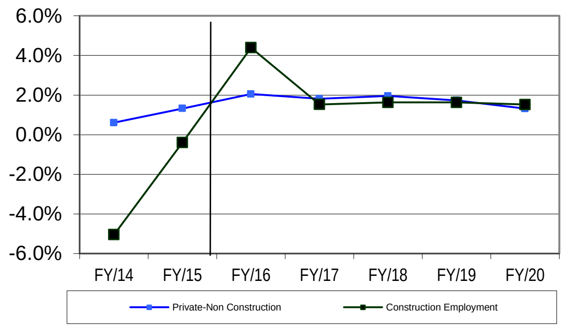
Albuquerque MSA vs. U.S. Employment Growth



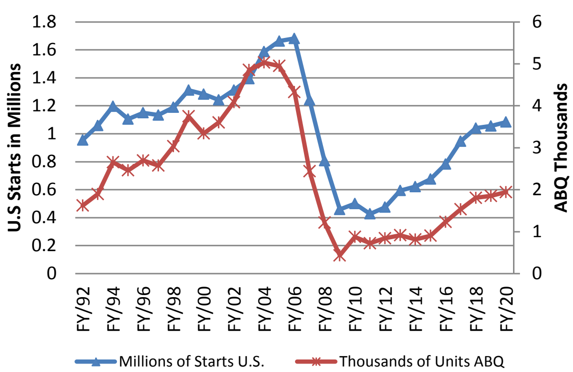
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



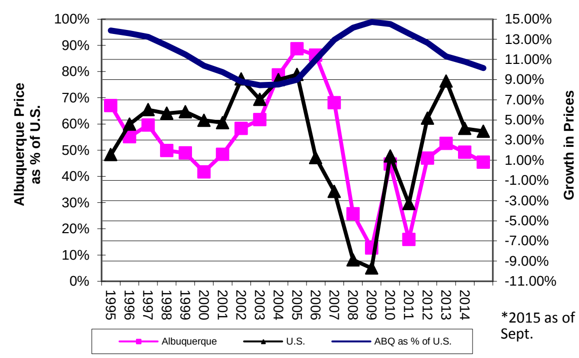
Albuquerque MSA Construction and Private Non-Construction Employment Growth



Single Family Construction

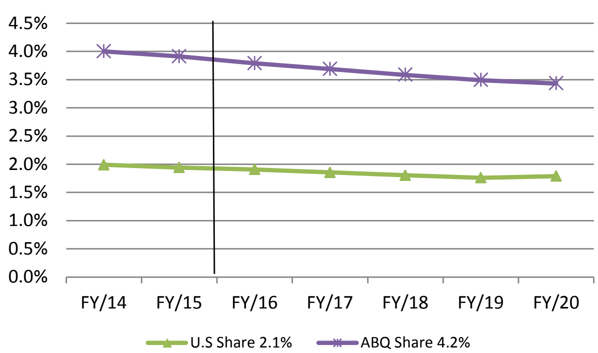


Comparison of Growth in Existing Home Sales Price by Calendar Year

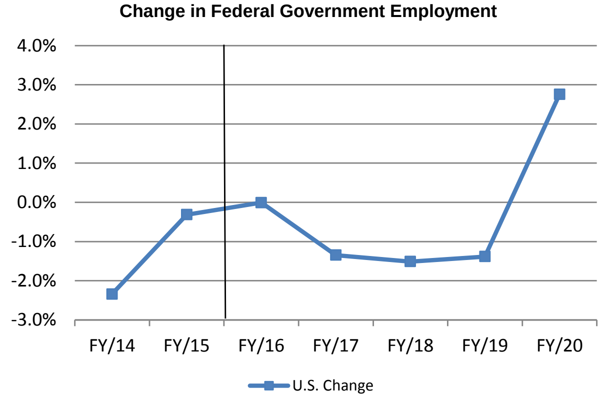


*2015 as of Sept.

Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



Economic Variables Underlying the Forecast by Fiscal Year

	Historical			Forecast				
	FY/13	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20
National Variables								
Real GDP Growth	1.4%	2.1%	2.7%	2.5%	3.1%	2.7%	2.5%	2.5%
Federal Funds Rate	0.1%	0.1%	0.1%	0.4%	1.4%	2.4%	3.2%	3.3%
10 U.S. Bonds	1.8%	2.7%	2.2%	2.4%	2.7%	3.0%	3.6%	3.6%
CPI U	1.7%	1.6%	0.7%	0.8%	2.2%	2.6%	2.6%	2.5%
Unemployment Rate(U.S.)	7.8%	6.8%	5.7%	5.1%	5.0%	4.9%	5.0%	5.0%
Total U.S Employment	1.6%	1.8%	2.1%	1.8%	1.4%	1.3%	1.1%	1.0%
Manufacturing Employment	1.2%	0.9%	1.6%	0.1%	0.9%	1.0%	1.1%	0.6%
Consumer sentiment index--University of Mic	78.2	80.6	90.6	92.7	94.3	94.4	94.0	95.1
Exchange Rates	0.96	0.98	1.09	1.19	1.15	1.09	1.05	1.03
Current Trade Account (billions of $)	(410.5)	(364.9)	(429.0)	(396.8)	(476.9)	(558.1)	(630.1)	(633.4)
Change in output per hour	0.1%	0.6%	0.7%	0.8%	1.5%	1.7%	1.9%	1.8%
Natural Gas-Henry Hub $ per MCF	3.4	4.3	3.3	2.8	3.0	3.2	3.2	3.5
West TX Intermediate (dollars per bbl)	92.3	101.2	69.2	45.9	55.0	66.6	77.7	84.9
Wage Growth	1.8%	1.9%	2.3%	2.0%	2.6%	2.9%	3.1%	3.1%
Albuquerque Variables								
Employment Growth and Unemployment in Albuquerque MSA								
Total Non-Ag ABQ	0.4%	0.5%	1.0%	1.7%	1.6%	1.7%	1.6%	1.3%
Private-Non Construction	0.8%	0.6%	1.3%	2.1%	1.8%	2.0%	1.7%	1.3%
Construction Employment	-0.4%	-5.0%	-0.4%	4.4%	1.5%	1.6%	1.6%	1.5%
Manufacturing	-0.9%	2.8%	2.8%	3.5%	2.9%	2.2%	3.1%	3.0%
Government	-0.6%	-0.5%	-0.4%	0.0%	0.4%	0.5%	0.7%	0.7%
Unemployment Rate (ABQ)	6.9%	6.7%	6.0%	5.7%	5.3%	5.1%	5.1%	5.1%
Construction Units Permitted in City of Albuquerque								
Single-Family Permits	915	915	902	1,232	1,536	1,805	1,851	1,942
Muli-Family Permits	933	933	189	626	737	757	789	823
Total Residential Permits	1,848	1,848	1,091	1,858	2,273	2,562	2,639	2,765

Source Global Insight and FOR-UNM October 2015 Baseline Forecasts

Albuquerque MSA Employment in Thousands

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Total Employment	356.560	358.320	362.019	368.229	374.060	380.367	386.450	391.430
Private Employment	280.507	282.641	286.665	292.846	298.386	304.285	309.854	314.322
Mining & Agriculture	0.754	0.716	0.713	0.745	0.756	0.768	0.781	0.793
Construction	18.876	19.412	19.954	20.662	21.269	21.744	22.415	23.091
Manufacturing	17.548	16.871	16.355	16.152	16.150	16.148	16.275	16.241
Wholesale Trade	11.520	11.459	11.620	11.733	11.881	12.033	12.216	12.349
Retail Trade	40.830	41.484	41.667	42.210	42.731	42.996	43.439	43.782
Transportation, Warehousing & Utilities	8.998	9.039	9.173	9.474	9.767	10.275	10.430	10.615
Information	8.195	7.681	7.609	7.932	7.734	8.124	8.361	8.394
Finance & Insurance	10.675	11.068	11.392	11.490	11.578	11.666	11.753	11.840
Real Estate, Rental & Leasing	5.227	5.160	5.117	5.179	5.207	5.249	5.290	5.314
Professional & Technical Services	28.015	28.182	28.796	29.672	30.492	31.172	31.689	32.142
Management of Companies & Enterprises	3.298	3.349	3.351	3.330	3.336	3.340	3.342	3.343
Administrative & Waste Services	24.216	24.146	23.788	24.000	24.511	25.286	25.831	26.234
Educational Services	4.898	5.024	5.284	5.422	5.538	5.661	5.779	5.894
Healthcare & Social Assistance	48.551	49.287	50.772	52.795	54.629	56.223	57.763	59.141
Arts, Entertainment & Recreation	4.291	4.292	4.376	4.520	4.663	4.779	4.909	5.012
Accommodation & Food Services	34.913	35.990	37.171	37.846	38.416	39.042	39.756	40.298
Other Services & Unclassified	9.704	9.482	9.528	9.685	9.729	9.780	9.825	9.840
Government	76.053	75.679	75.354	75.383	75.674	76.082	76.597	77.108
Local Government	40.446	40.146	39.762	39.793	40.021	40.378	40.737	41.055
State Government	20.699	21.202	21.429	21.633	21.857	22.069	22.367	22.617
Federal Government	14.908	14.332	14.163	13.957	13.795	13.634	13.493	13.436
Military Employment	6.153	6.114	6.141	6.113	6.093	6.081	6.076	6.078
Growth Rates								
Total Employment	0.4%	0.5%	1.0%	1.7%	1.6%	1.7%	1.6%	1.3%
Private Employment	0.7%	0.8%	1.4%	2.2%	1.9%	2.0%	1.8%	1.4%
Mining & Agriculture	1.6%	-5.0%	-0.4%	4.4%	1.5%	1.6%	1.6%	1.5%
Construction	-0.4%	2.8%	2.8%	3.5%	2.9%	2.2%	3.1%	3.0%
Manufacturing	-0.9%	-3.9%	-3.1%	-1.2%	0.0%	0.0%	0.8%	-0.2%
Wholesale Trade	0.3%	-0.5%	1.4%	1.0%	1.3%	1.3%	1.5%	1.1%
Retail Trade	0.2%	1.6%	0.4%	1.3%	1.2%	0.6%	1.0%	0.8%
Transportation, Warehousing & Utilities	1.5%	0.5%	1.5%	3.3%	3.1%	5.2%	1.5%	1.8%
Information	2.9%	-6.3%	-0.9%	4.2%	-2.5%	5.1%	2.9%	0.4%
Finance & Insurance	0.6%	3.7%	2.9%	0.9%	0.8%	0.8%	0.7%	0.7%
Real Estate, Rental & Leasing	2.3%	-1.3%	-0.8%	1.2%	0.5%	0.8%	0.8%	0.4%
Professional & Technical Services	-1.4%	0.6%	2.2%	3.0%	2.8%	2.2%	1.7%	1.4%
Management of Companies & Enterprises	-1.3%	1.5%	0.1%	-0.6%	0.2%	0.1%	0.1%	0.0%
Administrative & Waste Services	-0.4%	-0.3%	-1.5%	0.9%	2.1%	3.2%	2.2%	1.6%
Educational Services	-0.7%	2.6%	5.2%	2.6%	2.1%	2.2%	2.1%	2.0%
Healthcare & Social Assistance	2.2%	1.5%	3.0%	4.0%	3.5%	2.9%	2.7%	2.4%
Arts, Entertainment & Recreation	8.8%	0.0%	1.9%	3.3%	3.2%	2.5%	2.7%	2.1%
Accommodation & Food Services	2.8%	3.1%	3.3%	1.8%	1.5%	1.6%	1.8%	1.4%
Other Services & Unclassified	-1.6%	-2.3%	0.5%	1.7%	0.5%	0.5%	0.5%	0.2%
Government	-0.6%	-0.5%	-0.4%	0.0%	0.4%	0.5%	0.7%	0.7%
Local Government	-0.3%	-0.7%	-1.0%	0.1%	0.6%	0.9%	0.9%	0.8%
State Government	1.2%	2.4%	1.1%	1.0%	1.0%	1.0%	1.3%	1.1%
Federal Government	-3.6%	-3.9%	-1.2%	-1.5%	-1.2%	-1.2%	-1.0%	-0.4%
Military Employment	-0.6%	-0.6%	0.4%	-0.5%	-0.3%	-0.2%	-0.1%	0.0%

REVENUE OUTLOOK

Overview

The following forecast of revenues is presented in tables following this section. They are based on the October 2015 IHS and FOR-UNM baseline forecasts. The presentation provides unaudited FY/15 receipts, the FY/16 budget and revised estimates for FY/16 and the baseline forecast receipts for fiscal years 2017-2020. 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 sections on the economy.

In FY/16 recurring revenues are expected to increase 2.9%. This represents an increase of $3.4 million from the original budget. Total revenue increases 2.7%, with non-recurring revenues remaining at the budgeted level. GRT growth is somewhat higher as employment growth is better than was originally anticipated. It is also boosted by the large growth of 6% in state shared GRT in the first quarter of FY/16. The economy appears to have finally turned, and FY/17 shows growth near FY/16, even with reductions from the food and medical hold harmless and the tax increment development districts. Even so, there are substantial risks. Employment growth though positive is limited, single family permits remain limited and commercial construction has started to grow but much of this is driven by the public schools and healthcare sectors. 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, declined in FY/15, though single-family permits increased over FY/14. The beginning of FY/16 is showing some strength particularly in commercial permitting. FY/17 also represents the second year that the hold harmless distribution for food and medical services is reduced. The reduction of the distribution of over $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 2.9%, 2.6%, 3.2%, 3.0%, and 2.7% in FY/16, FY/17, FY/18, FY/19, and FY/20 respectively.

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

General Fund Revenue Estimates

Gross Receipts Tax

The GRT revenues for FY/15 were $2.7 million above the amount estimated in the approved FY/16 budget. Approximately $826 thousand of this is additional one-time revenue in penalty and interest and compensating tax. There was $1.7 million included in the estimate of one-time revenue for past over payments to the Winrock TIDD. GRT growth has been growing, but sporadically and the 4th quarter of FY/15 and the 1st quarter of FY/16 show large growth that is most likely associated with one-time adjustments in the food hold harmless and payment adjustments for tax payers that were improperly paying compensating tax rather than GRT. In FY/17 the only one-time revenue included is the additional $2.4 million in the hold harmless distribution that will be removed in FY/18.

The FY/16 budget had anticipated that the GRT distributions would increase by 2.5%, but based on a strong increase of 6% in the first quarter and continued increases in employment this is adjusted to 3%. This is an increase of $3.4 million in recurring GRT revenue from the original budget. In FY/17 growth is expected to increase, but it is offset by the loss of $2.3 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 3.9% to 2.9%, a loss of 1% in growth. This is detailed in the following table.

Adjustments to GRT Growth

	FY/16	FY/17	FY/18	FY/19	FY/20
Growth w/o adjustments	4.4%	3.9%	4.8%	4.3%	3.8%
Comp., Penalty & Interest	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing Consumables	-0.3%	-0.1%	-0.1%	0.0%	0.0%
F&M hold harmless	-0.7%	-0.7%	-0.7%	-0.6%	-0.6%
TIDDs	-0.3%	-0.2%	-0.3%	0.0%	0.0%
Adjusted Rate	3.1%	2.9%	3.7%	3.7%	3.1%

The growth without adjustments in the GRT is estimated 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 manufacturing consumables, 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/15 revenues were near expectations and FY/16 revenues are kept at the budgeted level. Growth in FY/17 is expected to remain limited with yield control limiting increases due to a relatively low 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/16	FY/17	FY/18	FY/19	FY/20
Property Tax Adjustments for MDS	(200)	(246)	(250)	(350)	(350)

Franchise Taxes

Franchise taxes in FY/15 were below estimate. This was primarily due to a shortfall in revenue from the natural gas franchise and the cable franchise. Additionally in FY/15 the Water Utility Authority franchise was near budget only due to a $559 thousand adjustment to move to accrual accounting. FY/16 is now expected to be $782 thousand below the budget estimate due to reductions in all franchise estimates with the exception of electricity.

In FY/17 to FY/20 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 largely due to an adjustment). The natural gas franchise is kept at the FY/15 actual level. The growth in future years 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 and increases in fuel costs based on natural gas. Electricity franchise revenue could grow more rapidly if rate increases are allowed by the Public Utility Commission. Telecommunications franchise includes companies other than Century Link and are left at the FY/16 budgeted level for the entire forecast. Cable franchise revenues for FY/16 are revised down based on a 1% increase above the FY/15 actual revenue and limited to 1% annual growth in the remainder of the forecast. The Water Authority franchise revenue estimate is reduced by $284 thousand below the FY/16 budget and back to the estimate for FY/15. The actual recurring FY/15 revenues were almost $600 thousand below estimate, but this was mostly due to higher than usual rainfall. A rate increase went into effect at the beginning of FY/16 and revenues have shown strong growth. For the remaining years in the forecast it is assumed that there will be a rate increase of 4% in FY/18 and FY/20. 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/16 budgeted level. Growth is limited to expected population growth of 1%.

Building Permits

Building inspection permit revenues reached a peak in FY/06. Between FY/06 and FY/10 the level of permits fell 63%. Permits have grown since, though FY/15 was somewhat below FY/14. FY/15 did come in better than the estimated actual prepared with the FY/16 budget and growth in the first quarter of FY/16 shows growth of 10% over FY/15. Both FY/16 and FY/17 are allowed to grow at 10%. The growth in permits in FY/18 to FY/20 is allowed to grow with the forecast of residential housing permits 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/16 revenue is kept at the budgeted level. In FY/17 through FY/20 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.

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/15 actual revenues were somewhat below estimated revenues, they are well below peak levels reached in FY/09 and FY/10. FY/16 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/17 to FY/20 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/16 revenues are adjusted slightly down to account for the FY/15 actual. The remainder of the forecast is limited to growth of 1%, approximately the expected growth in population.

Internal Service

In FY/16 revenues are adjusted down to account for the actual revenue received in FY/15. The remaining years increase at the rate of wage and salary compensation as forecast by IHS.

Indirect Overhead

Indirect overhead in FY/16 is held at the budgeted level. FY/17 is increased by 1% and FY/18 through FY/20 is increased at the rate of wage and salary compensation as forecast by IHS.

CIP-Funded Positions

FY/16 is kept at the budgeted level and FY/17 is increased by 1% for wages and an additional $300 thousand for positions associated with managing the new BioPark capital fund. FY/18 through FY/20 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/16 is kept at the budgeted level. 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/16 include a one-time $1.3 million transfer from the Special Assessment District Fund. FY/17 is increased by 1%, after reductions for one-time revenue. The out years are increased at the rate of wage and salary compensation as forecasted by IHS.

PROJECTED REVENUES FOR FISCAL YEARS 2016 TO 2020

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

	Unaudited	Budget	Five year					dif to budget	Growth				
	FY/15	FY/16	FY/16	FY/17	FY/18	FY/19	FY/20	FY/16	FY/16	FY/17	FY/18	FY/19	FY/20
GRT													
State Shared 1.225%	186,075	189,581	191,825	197,434	204,660	212,159	218,766	2,243.8	3.1%	2.9%	3.7%	3.7%	3.1%
Local GRT (w/o public safety)	86,266	87,868	88,932	91,532	94,882	98,359	101,422	1,063.7	3.1%	2.9%	3.7%	3.7%	3.1%
GRT 1/4 Public Safety*	37,405	38,108	38,561	39,688	41,141	42,648	43,976	452.7	3.1%	2.9%	3.7%	3.7%	3.1%
local distribution compensating tax	2,000	2,062	2,062	2,046	2,088	2,176	2,263	-	3.1%	-0.8%	2.1%	4.2%	4.0%
Penalty and Interest	2,300	2,374	2,374	2,466	2,584	2,696	2,799	-	3.2%	2.9%	3.7%	3.7%	3.1%
Recurring GRT	314,045	319,993	323,753	333,167	345,355	358,039	369,226	3,760.2	3.1%	2.9%	3.7%	3.7%	3.1%
One-Time GRT*	2,495	-											
Total GRT	316,540	319,993	323,753	333,167	345,355	358,039	369,226	3,760	2.3%	2.9%	3.7%	3.7%	3.1%
Property Taxes	79,233	80,320	80,320	81,360	82,330	83,627	84,949	-	1.4%	1.3%	1.2%	1.6%	1.6%
								-					
Telephone	1,690	1,703	1,639	1,590	1,590	1,590	1,590	(63.9)	-3.0%	-3.0%	0.0%	0.0%	0.0%
Electric	9,535	9,344	9,630	9,786	9,948	10,058	10,234	285.9	1.0%	1.6%	1.7%	1.1%	1.7%
Gas	3,908	4,367	3,908	4,069	4,244	4,308	4,512	(458.7)	0.0%	4.1%	4.3%	1.5%	4.7%
Cable TV	4,060	4,362	4,101	4,142	4,183	4,225	4,267	(261.2)	1.0%	1.0%	1.0%	1.0%	1.0%
Water Authority Franchise	7,065	7,384	7,100	7,100	7,384	7,384	7,679	(284.0)	0.5%	0.0%	4.0%	0.0%	4.0%
Telecommunications	204	220	220	220	220	220	220	-	7.9%	0.0%	0.0%	0.0%	0.0%
Franchise (subtotal)	26,462	27,380	26,598	26,906	27,569	27,786	28,503	(781.9)	0.5%	1.2%	2.5%	0.8%	2.6%
								-					
Other Intergovl	4,327	4,367	4,367	4,389	4,411	4,433	4,455	-	0.9%	0.5%	0.5%	0.5%	0.5%
Building Permits	6,186	6,139	6,805	7,485	8,438	8,692	9,104	665.6	10.0%	10.0%	12.7%	3.0%	4.7%
Other Licenses/Fees	5,121	5,175	5,121	5,172	5,224	5,276	5,329	(54.3)	0.0%	1.0%	1.0%	1.0%	1.0%
Charges for Services	20,841	20,938	20,841	21,250	21,462	21,677	21,894	(96.5)	0.0%	1.0%	1.0%	1.0%	1.0%
Fines and Penalties	121	120	121	121	121	121	121	0.8	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on Invest	398	430	430	767	1,298	1,620	1,621	-	8.0%	78.5%	69.2%	24.8%	0.1%
Other Miscellaneous	1,049	1,580	1,580	1,580	1,580	1,580	1,580	-	0.0%	0.0%	0.0%	0.0%	0.0%
Interfund Transfers	2,624	3,803	3,803	2,511	2,585	2,664	2,746	-	45.0%	-34.0%	2.9%	3.1%	3.1%
PILOT	1,847	1,756	1,756	1,765	1,782	1,800	1,818	-	-4.9%	0.5%	1.0%	1.0%	1.0%
Indirect Overhead	15,085	16,700	16,700	16,867	17,362	17,895	18,446	-	10.7%	1.0%	2.9%	3.1%	3.1%
Internal Service	257	306	257	260	267	276	284	(48.8)	0.0%	1.0%	2.9%	3.1%	3.1%
CIP-Funded Positions	9,664	10,330	10,330	10,733	11,048	11,387	11,739	-	6.9%	3.9%	2.9%	3.1%	3.1%
Total Revenue	489,756	499,337	502,782	514,332	530,833	546,872	561,816	3,445.2	2.7%	2.3%	3.2%	3.0%	2.7%
Non-Recurring Revenue	4,836	4,005	4,005	2,431	2,536	2,633	2,735	-	-17.2%	-39.3%	4.3%	3.8%	3.9%
Recurring Revenue	484,920	495,332	498,777	511,901	528,297	544,239	559,080	3,445	2.9%	2.6%	3.2%	3.0%	2.7%

* one-time doesn't include Food and Medical one-time which is included in total non-recurring

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.

Food and Medical Hold Harmless

The first year of the phased out reduction began in FY/16. The distribution is reduced by 6% in FY/16 and an additional 6% in each of the following years. The general fund will lose approximately $2.2 million, $4.6 million, $7.0 million, $9.5 million and $12.2 million in FY/16, FY/17, FY/18, FY/19, and FY/20 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 was 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 correct. Winrock has developed a plan associated with bonds that were issued in the Fall of 2015 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 shown below. It is assumed that the construction revenues are not a net loss to the General Fund, but the retail sales revenues are a net loss 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.

Adjustments for Tax Increment Development districts

	FY/16	FY/17	FY/18	FY/19	FY/20
Winrock	(600)	(1,310)	(2,463)	(2,653)	(2,936)
Mesa Del Sol (MDS)	(400)	(412)	(424)	(437)	(450)
Total for TIDDS	(1,000)	(1,722)	(2,887)	(3,090)	(3,386)
Property Taxes adjustment for MDS	(200)	(246)	(250)	(350)	(350)

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.

Adjustments to GRT (000's)

	FY/16	FY/17	FY/18	FY/19	FY/20	FY/16	FY/17	FY/18	FY/19	FY/20
Total GRT W/O Adjustments	327,786	340,442	356,622	372,107	386,278	4.38%	3.9%	4.8%	4.3%	3.8%
Manufacturing Inputs (grown at manufacturing employment)	(800)	(1,000)	(1,397)	(1,457)	(1,513)	0.0%	3.9%	4.8%	4.3%	3.8%
Construction Services(grows at forecast construction GRT)	Included in Estimates									
Deductions For Food and Medical Hold Harmless	(2,233)	(4,553)	(6,984)	(9,520)	(12,153)					
TIDDS	(1,000)	(1,722)	(2,887)	(3,090)	(3,386)					
Adjusted GRT Estimate	323,753	333,167	345,355	358,039	369,226	3.1%	2.9%	3.7%	3.7%	3.1%

EXPENDITURE OUTLOOK

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/16 through FY/20. For the current fiscal year ending June 30, 2016, 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 $3.4 million in re-appropriated encumbrances, $4.2 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/16.

FY/17 estimated costs are, for the most part, derived independently of FY/16 estimates. The FY/17 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/17 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/17 is largely driven by inflationary factors applied to the FY/17 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of IHS Global Insight 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/17	FY/18	FY/19	FY/20
CPI - All Urban Consumers, All Items	CPI-U	2.2%	2.6%	2.6%	2.5%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	2.6%	2.9%	3.1%	3.1%
Price Index Consumer Exp Medical Care	MEDICAL	1.5%	1.9%	2.0%	2.0%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	0.7%	0.5%	0.8%	0.3%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	2.4%	2.3%	2.3%	2.2%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	3.1%	3.3%	0.5%	3.7%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	5.8%	9.9%	10.0%	6.0%
PPI - Fuels & Related Products, Electric Power	ELECT	0.6%	0.7%	0.1%	0.7%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	2.0%	2.5%	2.5%	2.5%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.6%	0.9%	1.0%	1.0%
Growth of Gross Receipts Tax Revenue	GRT	2.9%	3.7%	3.7%	3.1%

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

($000's)	UNAUDITED ACTUAL FY/15	REVISED BUDGET FY/16	FORECASTS FY/17	FY/18	FY/19	FY/20
RESOURCES:						
Recurring Revenue	484,920	498,777	511,901	528,297	544,239	559,080
% Change Recurring Revenue		2.9%	2.6%	3.2%	3.0%	2.7%
Total Non-recurring	4,836	4,005	2,431	2,536	2,633	2,735
TOTAL REVENUES	489,756	502,782	514,332	530,833	546,872	561,816
% Change Total Revenue		2.7%	2.3%	3.2%	3.0%	2.7%
BEGINNING FUND BALANCE	63,444	63,229	52,610	35,064	10,410	(10,205)
TOTAL RESOURCES	553,200	566,011	566,942	565,897	557,282	551,611
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	465,657	497,556	520,279	542,144	556,388	572,037
% Change Recurring Appropriation		6.9%	4.6%	4.2%	2.6%	2.8%
Non-recurring Exp/App:						
One-time Items	24,314	15,845	11,599	13,343	11,099	13,672
Total Non-recurring	24,314	15,845	11,599	13,343	11,099	13,672
TOTAL EXPEND/APPROP	489,971	513,401	531,878	555,487	567,487	585,709
UNADJUSTED FUND BALANCE	63,229	52,610	35,064	10,410	(10,205)	(34,098)
ADJUSTMENTS:						
Encumbrances	(3,435)	0	0	0	0	0
Unrealized Gains on Investments	(12)	(12)	(12)	(12)	(12)	(12)
Other Accounting Adjustments	(23)	(23)	(23)	(23)	(23)	(23)
TOTAL ADJUSTMENTS	(3,470)	(35)	(35)	(35)	(35)	(35)
ADJUSTED FUND BALANCE	59,759	52,575	35,029	10,375	(10,240)	(34,133)
RESERVES:						
1/12th Operating Reserve	41,630	42,381	44,323	46,291	47,291	48,809
Reserve for the Cost of Labor	162	0	0	0	0	0
Increase to Reserve	800	1,000	1,200	1,400	1,600	1,800
Other Reserves	250	0	0	0	0	0
TOTAL RESERVES	42,842	43,381	45,523	47,691	48,891	50,609
AVAILABLE FUND BALANCE	16,917	9,194	(10,494)	(37,316)	(59,131)	(84,742)
1/12th Operating Reserve	40,831	42,783	44,323	46,291	47,291	48,809
Recurring Surplus/(Deficit)	19,101	1,221	(8,378)	(13,847)	(12,148)	(12,957)

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

	ACTUAL FY/15	BUDGET FY/16	FY/17	% change	FY/18	% change	FY/19	% change	FY/20	% change
PERSONNEL	309,487	338,413	340,802	0.7%	350,697	2.9%	361,450	3.1%	372,587	3.1%
OPERATING	92,120	87,206	86,248	-1.1%	88,053	2.1%	89,835	2.0%	91,790	2.2%
CAPITAL	2,041	0	0	na	0	na	0	na	0	na
TRANSFERS	86,323	83,923	88,232	5.1%	94,212	6.8%	95,542	1.4%	97,811	2.4%
ADDITIONAL ITEMS FACTORED	0	3,859	16,596	na	22,525	35.7%	20,660	-8.3%	23,520	13.8%
GRAND TOTAL	489,971	513,401	531,878	3.6%	555,487	4.4%	567,487	2.2%	585,709	3.2%

This forecast does not assume any reductions in recurring expenses for FY/17 which drives a recurring gap between revenues and expenses. As shown in Table C, the total percentage increase in expenses peaks in FY/17, mostly due to assumed costs of bringing capital on-line, including streets, parks, and exhibits at the BioPark.

While the personnel category reflects only a 1.7% increase for FY/17 in the above table, it is a bit misleading as several capital costs reflected in the "Additional Items Factored" include salaries for employees needed to bring those facilities on-line. That said, a 1% wage increase for all employees is included in Personnel shown above for FY/17. The out years grow at a larger rate because they are tied to the Employment Cost Index shown in the first table.

Several non-recurring items are included for the entire forecast period. These items are assumed to be discretionary and would be the first options for reductions should non-recurring revenue not be available. They are shown in the table below.

Department	Purpose	Amount in ($000's)
Animal Welfare	Trap, Neuter, Release	200
City Support	Transfer to Solid Waste Fund 651 (median landscape contracts)	384
Cultural Services	Various events including, Fusion, Flamenco, Hispanic Heritage, etc.	687
Economic Development	Nob Hill Mainstreet	60
	ED Investment	1,000
	STEPS	25
Family & Community	Various contracts including Heading Home, Homework Diner, Mission Graduate, etc.	900
Park & Recreation	Transfer to Open Space 851: Mayor's Bosque Youth Program	80
Planning	Transfer to Metro Redevelopment Fund 275	225
Police	DOJ	4,110
Various Departments	Risk Management - Risk Recovery including subsidized funds	3,428
	TOTAL	11,099

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 $4.9 million in additional funding to operate projects coming-on-line in FY/17. The estimates for FY/18 through FY/20 are $10 million, $10.7 million, and $11.6 million, respectively. The following table shows a detailed list of capital projects and the respective operating costs estimated to bring them on-line in the forecast period. Note that the costs 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	Budgeted in FY 16	FY 17	FY 18	FY 19	FY 20
Animal Welfare Department						
Kennel D Project Phase II addition Bldg operation costs:utilities & supplies (1	TBD		$17,000	$17,000	$17,000	$17,000
Total Animal Welfare		***$0***	***$17,000***	***$17,000***	***$17,000***	***$17,000***
Cultural Services						
Albuquerque Museum History Exhibit Renovation	Dec 2015	$30,000	$28,119	$28,119	$28,119	$28,119
Casa San Ysidro	Dec. 2019				$184,000	$184,000
Albuquerque Museum, Phase 3 (Education Center)	Est FY/21					$60,527
Albuquerque BioPark Otters	Oct 2017		$146,323	$126,373	$126,373	$126,373
Albuquerque BioPark Penguins	Dec 2018			$242,240	$242,240	$242,240
Library Automation	On-Going		$21,000	$21,000	$21,000	$21,000
Central & Unser Library	Jan 2015	$87,621				
International District Library	Jan 2020					$809,976
Total Cultural Services		***$117,621***	***$195,442***	***$417,732***	***$601,732***	***$1,472,235***
Family and Community Services						
Pat Hurley Community Center	March 2017		$78,747	$189,296	$189,296	$189,296
Dennis Chavez Community Center	July 2016		$63,075	$151,540	$151,540	$151,540
West Gate Community Center	July 2017			$173,169	$262,296	$262,296
Sing Arrow Community Center	July 2017			$108,402	$144,536	$144,536
Total Family and Community Services		***$0***	***$141,822***	***$622,407***	***$747,667***	***$747,667***
Fire Department						
Mesa del Sol Fire Station	TBD	$0	$571,561	$1,143,121	$1,143,121	$1,143,121
Total Fire Department		***$0***	***$571,561***	***$1,143,121***	***$1,143,121***	***$1,143,121***
DMD/ Traffic Engineering Division						
Intersection Signalization	On-Going		$110,000	$110,000	$110,000	$110,000
Albuquerque Traffic Management System/Intelligent Traffic Systems	On-Going		$290,000	$330,000	$360,000	$390,000
Street Light maintenance & marking/signage	On-Going		$1,000,000	$1,000,000	$1,000,000	$1,000,000
Increase in electricity costs due to additional equipment and rate increases of 2%	On-Going	$180,000	$250,000	$250,000	$250,000	$250,000
New Street lighting staff, equipment and materials	On-Going		$300,000	$300,000	$300,000	$300,000
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 (2 Staff)	2014	$80,000				
Streets/Storm Division						
New Expanded Roadways	On-Going		$800,000	$800,000	$800,000	$800,000
New drainage systems	On-Going		$350,000	$350,000	$350,000	$350,000
TOTAL DMD		***$260,000***	***$3,150,000***	***$3,190,000***	***$3,220,000***	***$3,250,000***
Parks & Recreation Department						
Bosque Trail Development	Dec 2015		$50,609	$50,609	$50,609	$50,609
Balloon Fiesta Park Improvements	Oct 2015		$15,000	$15,000	$15,000	$15,000
Open Space Land Acquisition, Fencing & Protection	Dec 2017		$25,305	$50,609	$50,609	$50,609
New Park Development & Land Acquisition	Dec 2017		$38,892	$338,892	$376,392	$376,392
Sid Cutter Pilot's Pavilion	Dec 2015	$209,608	$69,869	$69,869	$69,869	$69,869
Total Parks & Recreation Department		***$209,608***	***$199,675***	***$524,979***	***$562,479***	***$562,479***

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Complete Date	Budgeted in FY 16	FY 17	FY 18	FY 19	FY 20
Planning						
Posse Software	July 2016	$ 69,500	$ 3,475	$ 7,124	$ 10,955	$ 14,978
Route 66 Wayfinding signs	June 2015		$ 15,000	$ 16,000	$ 17,000	$ 18,000
Eplan Software License/Maintenance Fees (DRB, DRC, EPC, ZHE, Board of Appe:	June 2016		$ 32,187	$ 28,144	$ 28,989	$ 30,754
Railyards Utilities Cost	June 2016		$ 15,000	$ 15,000	$ 15,000	$ 15,000
Railyards Maintenance Cost	June 2016	$ 105,000	$ -	$ -	$ -	$ -
Total Planning Department		***$ 174,500***	***$ 65,662***	***$ 66,268***	***$ 71,944***	***$ 78,732***
Senior Affairs						
1st Street Property(New)- Home Services	May 2016		$32,272	$32,272	$32,272	$32,272
North West Multigenerational Center	July 2017			$1,037,726	$1,037,726	$1,037,726
North Domingo Baca Phase III (Gym)	June 2017			$168,288	$168,288	$168,288
Palo Duro Fitness Addition	March 2018			$29,153	$116,610	$116,610
Total Department of Senior Affairs		***$0***	***$32,272***	***$1,267,438***	***$1,354,896***	***$1,354,896***
Department of Technology and Innovation						
Symantec Backup Bundle and additional licenses w/3yr maint	1/2014	$3,000	$34,000	$35,000	$35,000	**$35,000**
HP Switch and Storevirtual		$40,000				
HP SB Gen 8 Server,Bladesytems		$5,000				
Kronos Blade Center		$10,000				
CDW-F5 Load Balancer w/ 3yr maint	6/2014		$10,000	$10,000	$10,000	**$10,000**
CDW-IBM X3650 M4 blades	6/2014		$1,500	$1,500	$1,500	**$1,500**
CDW-Fortres CPU/1010/70 and controller for Kiosks	8/2015		$900	$900	$900	**$900**
SHI- Fishing Box tool	8/2015		$1,200	$1,200	$1,200	**$1,200**
CloudFlare - DNS Proxy server	7/2015		$2,500	$2,500	$2,500	**$2,500**
SHI -Proof Point	7/2015		$55,000	$55,000	$55,000	**$55,000**
HP 2600 NZ IPS PC Mgmt Project	4/2015		$20,000	$20,000	$20,000	**$20,000**
DLT - Treasury App User Licensing ERP Project	12/2015		$14,000	$14,000	$14,000	**$14,000**
Latitude - GEO Cortex GIS CIP continued maintenance pd by DTI	7/2015		$5,800	$5,800	$5,800	**$5,800**
Secure - SmartFile	12/2015		$6,300	$6,300	$6,300	**$6,300**
CDW Big 5 IP	12/2015		$35,000	$35,000	$7,000	**$7,000**
KACE Appliance	12/2015			$30,000	$30,000	**$30,000**
CDW Big 5 IP	12/2014			$49,000	$49,000	**$49,000**
Oracle Encryption w/ 18 mo. Maint.	02/2016		$0	$50,000	$50,000	**$50,000**
SUBTOTAL ACTUALS		$58,000	**$186,200**	**$316,200**	**$288,200**	**$288,200**
Business Application Technology	On-Going		$100,000	$100,000	$100,000	$100,000
IT Infrastructure Upgrade	On-Going		$80,000	$80,000	$80,000	$80,000
Central Avenue Broadband/WiFi, Phase I	June 2016		$150,000	$150,000	$150,000	$150,000
Total Department of Technology and Innovation		***$58,000***	***$516,200***	***$646,200***	***$618,200***	***$618,200***
Total General Fund Departments CIP Coming-On-Line		**$819,729**	**$4,889,634**	**$7,895,145**	**$8,337,039**	**$9,244,330**
Transit Department						
Subsidy to Fund 661 from General Fund (ART and CUTC Platform Project)			$15,000	$2,125,000	$2,395,000	$2,395,000
Transit Department		***$0***	***$15,000***	***$2,125,000***	***$2,395,000***	***$2,395,000***
Total GF Subsidized CIP Coming-On-Line		**$0**	**$15,000**	**$2,125,000**	**$2,395,000**	**$2,395,000**
Total CIP Coming-On-Line		**$819,729**	**$4,904,634**	**$10,020,145**	**$10,732,039**	**$11,639,330**

REVENUES AND EXPENDITURES UNDER 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 2015 forecasts from the FOR-UNM model from the Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). IHS prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. BBER uses the results from the IHS alternatives to estimate the impact to Albuquerque and New Mexico. Previous sections were based on the baseline scenario which is assigned a probability of 65%.

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 may 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/17	FY/18	FY/19	FY/20
Baseline	(10,494)	(37,316)	(59,131)	(84,742)
Optimistic	1,367	(16,309)	(29,805)	(49,855)
Pessimistic	(20,544)	(55,596)	(84,970)	(121,060)

The sections on the following pages 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.

IHS 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 with employment growth of 1.9% in FY/16 or 0.2% above the baseline. Employment exceeds the FY/08 employment peak at the beginning of FY/18; a year before the baseline forecast. Construction employment growth is well above the baseline with FY/17 growth exceeding the baseline by 2.4%. Residential housing permits increase and are 240 to 350 units above the baseline in FY/16 through FY/20. The unemployment rate drops to 4.3% by FY/20 well below the baseline 5.1%. This growth in employment and construction are stronger than the baseline and GRT growth is faster than the baseline and even after deductions for the hold harmless, manufacturing and TIDDs they show real recovery.

Even in this optimistic scenario, growth in revenue does not equal the growth in expenditures and the available fund balance becomes negative in FY/18.

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					
	2016	2017	2018	2019	2020
All Items	1.3%	2.5%	1.9%	2.2%	2.3%
Employment Cost Index-Wages & Salary	2.2%	3.1%	3.3%	3.4%	3.4%
Medical Care	0.9%	1.2%	1.9%	2.3%	2.6%
New Cars	0.8%	1.9%	-0.1%	-0.4%	-0.6%
Trasportation	1.3%	2.8%	2.0%	2.1%	2.2%
Natural Gas*	0.0%	3.8%	2.9%	-0.2%	3.2%
Gasoline & Oil	-9.7%	3.8%	-2.1%	6.9%	6.3%
Electricity Chained Price Index**	0.0%	0.8%	0.6%	0.0%	0.6%
PRICE INDEX-Govt Consumption Noncompensation	1.2%	2.4%	2.4%	2.4%	2.6%
Tires/Tubes/Accessories/Parts	0.6%	1.2%	0.0%	0.2%	0.6%

*adjusted for City
**electricity fuel escalator only

General Fund Revenues

	Five Year Forecast					Growth Rate				
	FY/16	FY/17	FY/18	FY/19	FY/20	FY/16	FY/17	FY/18	FY/19	FY/20
Gross Receipts	325,967	339,345	350,765	362,370	372,943	3.8%	4.1%	3.4%	3.3%	2.9%
Taxes	108,674	110,610	112,340	114,123	115,841	1.1%	1.8%	1.6%	1.6%	1.5%
Shared	4,367	4,389	4,411	4,433	4,455	0.9%	0.5%	0.5%	0.5%	0.5%
Permits	12,235	13,353	15,242	16,408	16,595	8.2%	9.1%	14.1%	7.7%	1.1%
Charges for Services	20,841	21,250	21,462	21,677	21,894	0.0%	2.0%	1.0%	1.0%	1.0%
Intra City	20,760	19,630	20,281	20,975	21,697	15.6%	-5.4%	3.3%	3.4%	3.4%
Misc	2,585	3,532	4,208	4,458	4,334	78.6%	36.7%	19.1%	6.0%	-2.8%
CIP Funded	10,630	10,736	11,092	11,472	11,867	10.0%	1.0%	3.3%	3.4%	3.4%
Total Revenue	506,059	522,844	539,800	555,917	569,627	3.9%	3.3%	3.2%	3.0%	2.5%

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

($000's)	UNAUDITED ACTUAL FY/15	REVISED BUDGET FY/16	FORECASTS FY/17	FY/18	FY/19	FY/20
RESOURCES:						
Recurring Revenue	484,920	502,092	520,393	537,251	553,276	566,852
% Change Recurring Revenue		3.5%	3.6%	3.2%	3.0%	2.5%
Total Non-recurring	4,836	3,967	2,451	2,549	2,641	2,775
TOTAL REVENUES	489,755	506,059	522,844	539,800	555,917	569,627
% Change Total Revenue		3.3%	3.3%	3.2%	3.0%	2.5%
BEGINNING FUND BALANCE	63,444	63,228	55,886	46,920	31,402	19,175
TOTAL RESOURCES	553,199	569,287	578,730	586,720	587,319	588,802
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	465,657	497,556	520,211	541,974	557,045	574,149
% Change Recurring Appropriation		6.9%	4.6%	4.2%	2.8%	3.1%
Non-recurring Exp/App:						
One-time Items	24,314	15,845	11,599	13,343	11,099	13,688
Total Non-recurring	24,314	15,845	11,599	13,343	11,099	13,688
TOTAL EXPEND/APPROP	489,971	513,401	531,810	555,317	568,144	587,836
UNADJUSTED FUND BALANCE	63,228	55,886	46,920	31,402	19,175	966
ADJUSTMENTS:						
Encumbrances	(3,435)	0	0	0	0	0
Unrealized Gains on Investments	(12)	(12)	(12)	(12)	(12)	(12)
Other Accounting Adjustments	(23)	(23)	(23)	(23)	(23)	(23)
TOTAL ADJUSTMENTS	(3,470)	(35)	(35)	(35)	(35)	(35)
ADJUSTED FUND BALANCE	59,758	55,851	46,885	31,367	19,140	931
RESERVES:						
1/12th Operating Reserve	41,630	42,381	44,318	46,276	47,345	48,986
Reserve for the Cost of Labor	162	0	0	0	0	0
Increase to Reserve	800	1,000	1,200	1,400	1,600	1,800
Other Reserves	250	0	0	0	0	0
TOTAL RESERVES	42,842	43,381	45,518	47,676	48,945	50,786
AVAILABLE FUND BALANCE	16,916	12,470	1,367	(16,309)	(29,805)	(49,855)
1/12th Operating Reserve	40,831	42,783	44,318	46,276	47,345	48,986
Recurring Surplus/(Deficit)	19,101	4,536	181	(4,723)	(3,769)	(7,296)

This scenario is based on the IHS pessimistic alternative that is assigned a probability of 20%. In this scenario the recovery slows, the strong dollar weakens exports and the Eurozone falls back into recession. The U.S. economy does not fall back into recession, but growth contracts about 1%. In Albuquerque the unemployment rate grows from 5.7% in FY/16 to 5.9% in FY/20 and 0.8% above the baseline. Employment growth is just above 1% throughout the forecast and below the baseline in all years. Total employment does not equal the FY/08 level until FY/20. Residential housing falters and declines to 552 units below the baseline in FY/20.

The slowdown in employment and construction has a substantial impact on the GRT and other revenues. Revenue slows in FY/16 and is only 1.1% in FY/17. Revenue in FY/18 through FY/20 is around $7 million below baseline.

Revenues grow slower than expenses and the available fund balance is a negative $20.5 million in FY/17. Assuming that the initial deficit is not dealt with, the deficit compounds to negative $121 million by FY/20. The underlying recurring imbalance grows from negative $16.6 million in FY/17 to negative $23 million in FY/20.

Pessimistic Scenario Inflation Factors

GLOBAL INSIGHT PESSIMISTIC SCENARIO					
	2016	2017	2018	2019	2020
All Items	0.5%	1.8%	2.7%	3.0%	2.9%
Employment Cost Index-Wages & Salary	1.6%	1.7%	2.5%	3.0%	3.4%
Medical Care	0.9%	1.2%	1.9%	2.3%	2.6%
New Cars	0.1%	-0.1%	0.3%	1.1%	1.0%
Trasportation	0.6%	1.7%	2.3%	2.7%	2.9%
Natural Gas*	0.0%	2.7%	3.3%	1.1%	4.2%
Gasoline & Oil	-19.9%	6.4%	17.3%	14.9%	6.4%
Electricity Chained Price Index**	0.0%	0.5%	0.7%	0.2%	0.8%
PRICE INDEX-Govt Consumption Noncompensation	0.8%	1.6%	2.2%	2.5%	2.8%
Auto Parts and Acessories	-0.3%	0.1%	1.0%	1.4%	1.7%

*adjusted for New Mexico
**electricity fuel escalator only

General Fund Revenues

	Five Year Forecast					Growth Rate				
	FY/16	FY/17	FY/18	FY/19	FY/20	FY/16	FY/17	FY/18	FY/19	FY/20
Gross Receipts	322,156	326,984	337,865	351,075	362,528	2.6%	1.5%	3.3%	3.9%	3.3%
Taxes	108,674	109,734	110,631	111,620	112,456	1.1%	1.0%	0.8%	0.9%	0.7%
Shared	4,367	4,389	4,411	4,433	4,455	0.9%	0.5%	0.5%	0.5%	0.5%
Permits	11,616	11,642	12,642	12,667	12,693	2.7%	0.2%	8.6%	0.2%	0.2%
Charges for Services	20,841	21,250	21,462	21,677	21,894	0.0%	2.0%	1.0%	1.0%	1.0%
Intra City	20,760	19,630	20,115	20,717	21,423	15.6%	-5.4%	2.5%	3.0%	3.4%
Misc	1,974	2,402	3,721	4,783	4,783	36.3%	21.7%	55.0%	28.5%	0.0%
CIP Funded	10,630	10,736	11,002	11,331	11,717	10.0%	1.0%	2.5%	3.0%	3.4%
Total Revenue	501,019	506,766	521,849	538,303	551,949	2.8%	1.1%	3.0%	3.2%	2.5%

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

($000's)	UNAUDITED ACTUAL FY/15	REVISED BUDGET FY/16	FORECASTS FY/17	FY/18	FY/19	FY/20
RESOURCES:						
Recurring Revenue	484,920	497,110	504,376	519,349	535,704	549,286
% Change Recurring Revenue		2.5%	1.5%	3.0%	3.1%	2.5%
Total Non-recurring	4,836	3,909	2,391	2,500	2,599	2,663
TOTAL REVENUES	489,756	501,019	506,766	521,849	538,303	551,949
% Change Total Revenue		2.3%	1.1%	3.0%	3.2%	2.5%
BEGINNING FUND BALANCE	63,444	63,229	50,847	25,070	(7,924)	(36,126)
TOTAL RESOURCES	553,200	564,248	557,613	546,919	530,379	515,823
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	465,657	497,556	520,944	541,500	555,405	572,529
% Change Recurring Appropriation		6.9%	4.7%	3.9%	2.6%	3.1%
Non-recurring Exp/App:						
One-time Items	24,314	15,845	11,599	13,343	11,099	13,669
Total Non-recurring	24,314	15,845	11,599	13,343	11,099	13,669
TOTAL EXPEND/APPROP	489,971	513,401	532,543	554,843	566,504	586,198
UNADJUSTED FUND BALANCE	63,229	50,847	25,070	(7,924)	(36,126)	(70,375)
ADJUSTMENTS:						
Encumbrances	(3,435)	0	0	0	0	0
Unrealized Gains on Investments	(12)	(12)	(12)	(12)	(12)	(12)
Other Accounting Adjustments	(23)	(23)	(23)	(23)	(23)	(23)
TOTAL ADJUSTMENTS	(3,470)	(35)	(35)	(35)	(35)	(35)
ADJUSTED FUND BALANCE	59,759	50,812	25,035	(7,959)	(36,161)	(70,410)
RESERVES:						
1/12th Operating Reserve	41,630	42,381	44,379	46,237	47,209	48,850
Reserve for the Cost of Labor	162	0	0	0	0	0
Increase to Reserve	800	1,000	1,200	1,400	1,600	1,800
Other Reserves	250	0	0	0	0	0
TOTAL RESERVES	42,842	43,381	45,579	47,637	48,809	50,650
AVAILABLE FUND BALANCE	16,917	7,431	(20,544)	(55,596)	(84,970)	(121,060)
1/12th Operating Reserve	40,831	42,783	44,379	46,237	47,209	48,850
Recurring Surplus/(Deficit)	19,101	(446)	(16,568)	(22,151)	(19,701)	(23,243)

Comparison of Scenarios—National and Local Variables

	SCENARIO			Difference		
Indicator/FY	Optimistic	Baseline	Pessimistic	Optimistic	Pessimistic	
GRT- Total (before deductions)						
2016	5.2%	4.4%	4.0%	0.8%	-0.4%	
2017	5.1%	3.9%	2.5%	1.2%	-1.4%	
2018	4.5%	4.8%	4.4%	-0.3%	-0.3%	
2019	4.0%	4.3%	4.6%	-0.4%	0.2%	
2020	3.6%	3.8%	3.9%	-0.2%	0.1%	
Employment -Albuquerque MSA						
2016	1.9%	1.7%	1.6%	0.2%	-0.1%	L
2017	2.2%	1.6%	1.0%	0.6%	-0.6%	O
2018	2.0%	1.7%	1.4%	0.4%	-0.3%	C
2019	1.6%	1.6%	1.4%	0.0%	-0.2%	A
2020	1.2%	1.3%	1.1%	-0.1%	-0.2%	L
Unmployment Rate -Albuquerque MSA						
2016	5.6%	5.7%	5.7%	-0.1%	0.0%	
2017	4.9%	5.3%	5.7%	-0.4%	0.4%	
2018	4.4%	5.1%	5.7%	-0.8%	0.6%	
2019	4.2%	5.1%	5.8%	-0.8%	0.7%	
2020	4.3%	5.1%	5.9%	-0.7%	0.8%	
GRT Construction						
2016	8.2%	6.7%	5.8%	1.6%	-0.8%	
2017	15.0%	10.3%	5.2%	4.7%	-5.1%	
2018	9.6%	7.5%	4.0%	2.1%	-3.5%	
2019	7.9%	7.1%	6.7%	0.8%	-0.4%	
2020	5.7%	6.2%	4.7%	-0.5%	-1.6%	
MSA Construction Employment						I
2016	4.3%	3.5%	3.1%	0.8%	-0.5%	D
2017	5.3%	2.9%	0.2%	2.4%	-2.7%	I
2018	4.8%	2.2%	-0.4%	2.6%	-2.6%	C
2019	4.1%	3.1%	2.2%	1.0%	-0.9%	A
2020	2.7%	3.0%	1.5%	-0.4%	-1.5%	T
Residential Housing Permits-Inside City						O
2016	2,100	1,858	1,689	242	(170)	R
2017	2,558	2,273	1,899	285	(374)	S
2018	2,879	2,562	2,185	317	(378)	
2019	2,990	2,639	2,205	350	(434)	
2020	3,091	2,765	2,212	327	(552)	
Real GDP						
2016	3.1%	2.5%	1.8%	0.6%	-0.6%	
2017	4.3%	3.1%	1.8%	1.3%	-1.2%	
2018	3.4%	2.7%	2.4%	0.7%	-0.3%	
2019	2.8%	2.5%	1.8%	0.3%	-0.7%	
2020	2.5%	2.5%	1.7%	0.0%	-0.8%	
Unemployment Rate U.S.						
2016	5.0%	5.1%	5.3%	-0.2%	0.1%	
2017	4.2%	5.0%	5.6%	-0.7%	0.7%	N
2018	3.9%	4.9%	5.7%	-1.0%	0.8%	A
2019	4.0%	5.0%	5.9%	-1.0%	0.9%	T
2020	4.2%	5.0%	6.2%	-0.8%	1.1%	I
Price Index Consumer Price Index-Urban Consumers						O
2016	1.3%	0.8%	0.5%	0.5%	-0.3%	N
2017	2.5%	2.2%	1.8%	0.3%	-0.4%	A
2018	1.9%	2.6%	2.7%	-0.7%	0.1%	L
2019	2.2%	2.6%	3.0%	-0.5%	0.4%	
2020	2.3%	2.5%	2.9%	-0.1%	0.5%	
Interest Rates-Federal Funds Rate						
2016	0.8%	0.4%	0.0%	0.4%	-0.4%	I
2017	2.5%	1.4%	0.0%	1.1%	-1.4%	N
2018	3.4%	2.4%	0.2%	1.0%	-2.3%	D
2019	4.0%	3.2%	1.9%	0.8%	-1.3%	I
2020	3.8%	3.3%	3.6%	0.6%	0.4%	C
Interest Rates-10 Year Treasury Bond						A
2016	2.7%	2.4%	2.1%	0.3%	-0.3%	T
2017	3.9%	2.7%	1.9%	1.1%	-0.8%	O
2018	4.3%	3.0%	2.0%	1.2%	-1.0%	R
2019	4.4%	3.6%	3.4%	0.9%	-0.1%	S
2020	4.3%	3.6%	4.4%	0.7%	0.7%	
West Texas Intermediate Crude- Dollars per barrel						
2016	54.9	45.9	42.6	9.00	(3.26)	
2017	62.3	55.0	52.2	7.24	(2.84)	
2018	60.9	66.6	71.1	(5.65)	4.52	
2019	68.1	77.7	88.5	(9.55)	10.78	
2020	75.1	84.9	96.8	(9.73)	11.90	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic -Baseline					Optimistic-Baseline				
	FY/16	FY/17	FY/18	FY/19	FY/20	FY/16	FY/17	FY/18	FY/19	FY/20
Gross Receipts	(1,597)	(6,182)	(7,489)	(6,965)	(6,698)	2,213	6,178	5,410	4,331	3,717
Taxes	-	(297)	(1,051)	(1,593)	(2,815)	-	579	658	911	571
Shared	-	-	-	-	-	-	-	-	-	-
Permits	(309)	(1,015)	(1,020)	(1,300)	(1,739)	309	696	1,580	2,441	2,162
Charges for Services	-	-	-	-	-	-	-	-	-	-
Intra City	-	(8)	(99)	(117)	(54)	-	(8)	66	140	220
Misc	(157)	(67)	722	1,462	1,461	454	1,064	1,209	1,138	1,012
CIP Funded	300	3	(47)	(56)	(21)	300	3	44	85	129
Total Revenue	(1,763)	(7,566)	(8,984)	(8,569)	(9,867)	3,276	8,512	8,967	9,045	7,811

COMPARISON OF SCENARIOS

US Macro Forecast Snapshot: October 2015

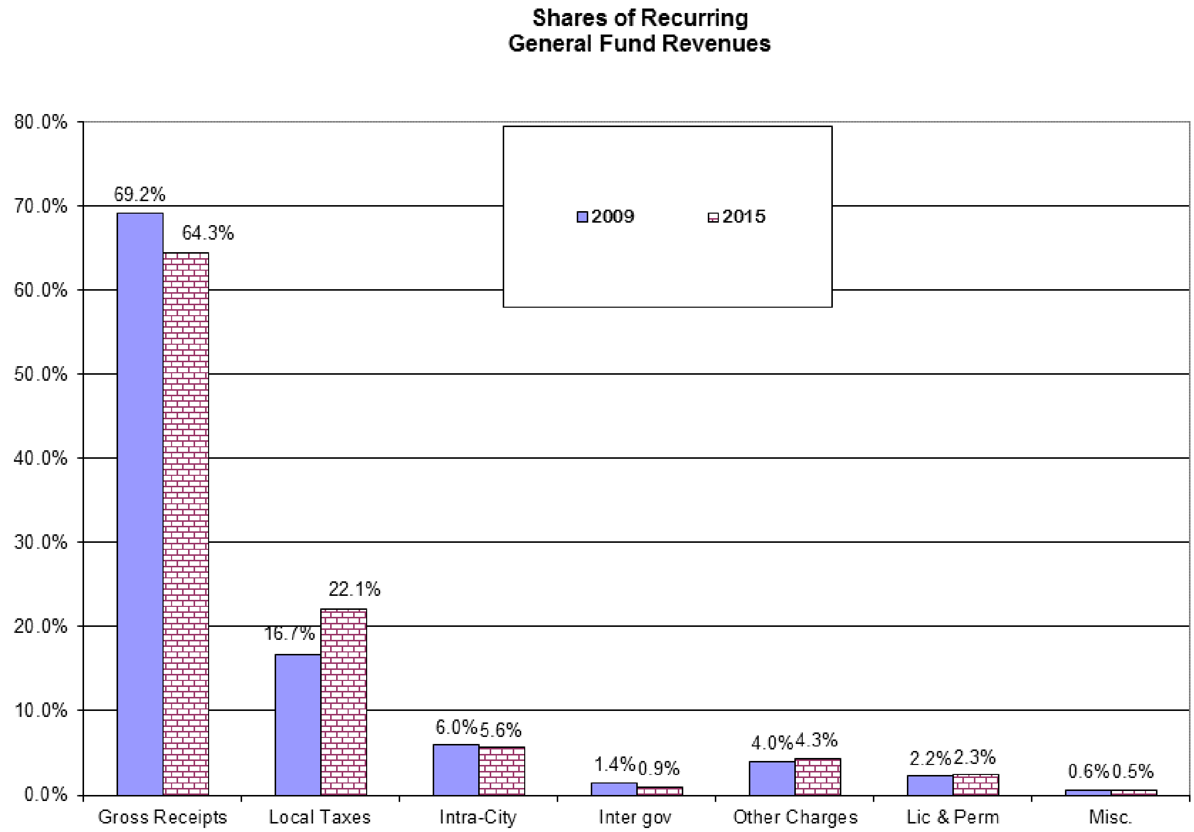
	Baseline (65%)	Pessimistic (20%)	Optimistic (15%)
GDP Growth	Moderate growth, 2.5% in 2015 and 2.9% in 2016	Growth slows to 2.4% in 2015 and contracts to 1.5% in 2016	Stronger rebound as improved wages and payroll employment feed a housing recovery, up 2.6% in 2015 and 4.0% in 2016
Consumer Spending	Moderately strong, up 3.2% in 2015 and 3.3% in 2016	Up 3.2% in 2015 but weakening to 2.4% in 2016	Economy leader as incomes rise, up 3.3% in 2015 and 3.5% in 2016
Business Fixed Investment	Solid, up 3.8% in 2015 and 6.4% in 2016	Softer, up 3.7% in 2015 and 4.6% in 2016	Strong, up 3.9% in 2015 and 8.2% in 2016
Housing	Gradual improvement, with nearly 1.2 million starts by the end of 2015	Construction stagnates, and starts remain around 1.2 million in 2016	Pace of building rises, with more than 1.5 million starts by late 2016
Exports	Mediocre, with 1.7% growth in 2015 and then a 3.4% jump in 2016	Strong dollar and global weakness dampen exports, up 1.5% in 2015 and slowing to 0.7% in 2016	Stronger, up 2.0% in 2015 and 7.4% in 2016
Fiscal Policy	Benign neglect creates neutral fiscal policy	Political paralysis prevents any meaningful fiscal action during Obama and successor administrations	Budget gap narrows as policymakers slow the pace of spending growth, while taking in more revenue
Monetary Policy	The first federal funds rate hike occurs in December 2015	First rate hike delayed until early 2018; federal funds rate remains elevated in the face of inflationary pressure	Interest rates rise in December 2015 and peak in mid-2018
Credit Conditions	Gradually easing	Lending standards remain high	Rapidly easing
Productivity Growth	Modest, averaging 1.6% during 2015–25	Stagnates and fails to improve rapidly, averaging 1.2% during 2015–25	Takes off in 2015, averaging 1.9% during 2015–25
Consumer Confidence	Peaks in late 2016 and remains roughly stable	Steadily decreases throughout forecast period as stagnation progresses	Rebounds strongly through 2017 and then retreats, leveling off higher than in the baseline
Oil Prices (Dollars/barrel)	Brent crude oil price averages $54 in 2015 and $55 in 2016	Brent crude oil price averages $53 during 2015 and slips further to $50 in 2016, exceeding baseline thereafter as supply tightens	Brent crude oil price rises to $71 by the end of 2015 but trends below the baseline thereafter
Stock Markets	The S&P 500 undergoes a correction and then regains traction, averaging 1.8% in 2016 and 3.4% between 2015-25	S&P 500 contracts sharply in mid-2015 on declining corporate profits, regaining early-2015 levels only by 2019	The S&P 500 grows at a brisk pace of 5.1% in 2016 and averages 4.1% between 2015 and 2025
Inflation (CPI)	Headline CPI inflation moves sideways in 2015 as lower oil prices take effect; core CPI inflation reaches 2.0% y/y in late 2015	Weak demand keeps inflation below 2.0% until late 2016 but an inflationary environment takes hold and inflation exceeds the baseline starting late 2017	Core prices hit 1.9% y/y in late 2015 and remain slightly below the baseline
Foreign Growth	In 2016, Eurozone growth will proceed around 1.7% and China's will slow to 6.3%	Eurozone falls back into recession; global growth stagnates among major and other important trading partners	Global growth picks up, with developed economies and emerging markets experiencing strong accelerations
US Dollar	In 2015, the inflation-adjusted dollar appreciates 11.6% against the broad index of trading partners' currencies	Appreciates faster than the baseline through early 2016, then begins to depreciate at a slower pace than the baseline	World-leading growth causes appreciation against other currencies through 2016

Source: IHS Global Insight

REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/09 to FY/15 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. The FY/15 numbers represent unaudited numbers and may change. 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/09 and FY/15. 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.



In the period from FY/09 to FY/15, 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 following sections cover changes that occurred in this period by category.

GENERAL FUND
HISTORICAL COMPARISON OF REVENUE SOURCES
($000'S)

REVENUE SOURCE	FY/09	FY/10	FY/11	FY/12	FY/13	FY/14	Unaudited FY/15	GROWTH FY09 TO FY15	Compound ANNUAL RATE
GROSS RECEIPTS TAX	260,494	246,149	252,335	256,661	259,787	265,745	276,573	6.2%	1.0%
BASIC SERVICES	1,674	0	0	0	0	0	0	-100.0%	-100.0%
GRT PUBLIC SAFETY	35,584	34,070	34,449	34,981	35,436	36,239	37,606	5.7%	0.9%
LOCAL COMPENSATING TAX	694	1,449	1,592	1,690	1,485	1,570	2,361	240.2%	22.6%
TOTAL GRT	298,445	281,668	288,376	293,331	296,708	303,554	316,540	-8.1%	-1.4%
OTHER LOCAL TAXES	71,866	98,056	99,827	104,779	104,957	105,273	107,542	74.2%	9.7%
LICENSES AND PERMITS	9,470	9,255	9,629	10,370	11,343	11,705	11,307	-0.7%	-0.1%
INTER-GOVERNMENTAL AID	6,033	5,626	5,179	4,837	4,750	4,808	4,327	-19.1%	-3.5%
INTRA-CITY CHARGES (1)	32,779	42,214	30,061	29,941	26,897	28,054	27,630	10.9%	1.7%
OTHER SERVICE CHARGES	17,170	16,540	17,979	19,758	20,599	22,301	20,841	26.6%	4.0%
MISCELLANEOUS	2,515	3,808	1,540	2,783	2,998	2,235	1,568	-50.9%	-11.2%
TOTAL REVENUES	438,279	457,168	452,591	465,799	468,252	477,930	489,756	4.8%	0.8%
LESS NON-RECURRING	9,379	11,869	3,034	3,724	2,330	3,199	4,836	-86.6%	-28.5%
RECURRING REVENUES	428,900	445,299	449,557	462,075	465,922	474,731	484,920	9.9%	1.6%

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 16.7% in FY/09 to 22.1% in FY/15. Property tax revenues increased at a compound rate of 9.3%, mostly due to the shift of two mills in property taxes from debt service to operating in FY/10. One mill was shifted in FY/09. The underlying growth taking out the shift in mills is 7.7% or annual rate of 1.2%. Property tax revenue growth has slowed in the past several years. 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. However, the declines in home values with the recession will limit these increases. Property taxes distributed to the City for operational purposes 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, 2.6% in FY/14 and FY/15. 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, a 2% decline in FY/14 and 4.5% decline in FY/15. Rates were already at a maximum on commercial properties, so yield control offered no relief. Total growth in FY/14 and FY/15 were limited by non-residential as well as yield control lowering residential rates. Growth was 0.8% in FY/14 and 1.2% in FY/15.

Franchise revenues in total grew at a compound annual rate of 1.8% for the period. The electric franchise had the strongest recurring growth with annual average growth of 5.2%. This was due mostly to increased rates in FY/09 and FY/11. Other franchise revenue declined substantially in FY/10 when NM Utilities, a private water company, was purchased by the Albuquerque Bernalillo Water Authority (Water Authority). Other franchise revenues now only include telecommunication franchises other than Century Link which is counted in the Telephone Franchise. Revenues from the water franchise increased at an average annual rate of 6.2%, but only 4.8% on a recurring basis. In FY/15 there is $559 thousand of one-time revenue associated with changing to a modified accrual basis of accounting. The growth was mostly due to a series of rate increases beginning 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. In FY/15 the recurring revenue increased 18% much of it due to a rate increase that had anticipated substantially more revenue. 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 2.2% in FY/09 and 2.3% in FY/15. The limited share is due to the fall in building permit and licensing revenue that occurred in FY/07 through FY/09. Since FY/09 building permits increased at an average annual rate of 4.7% but are still only 50% of the FY/06 level. In FY/14 growth in building permits slowed and was less than 1% and then declined 1.7% in FY/15. Other licenses and permits increased an average of 1.7% 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/15 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/09 and 0.9% in FY/15. Revenues declined 19% in this period due to losses of several shared revenue sources. 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. In past years there were grants that were generally reimbursements for one-time expenses. These are now counted in charges for services. In FY/14 $108 thousand of revenue from the county to manage household hazardous waste was moved from the General Fund to the Solid Waste Enterprise fund.

Intra-City Revenues

These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other inter-fund transfers, excluding PILOT. In FY/09 these accounted for 6.0% of recurring revenues and 5.6% in FY/15. 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 is now 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 have decreased dramatically as the City either contracted out, or moved services to separate funds. In FY/09 revenues were about $1.6 million with most of the revenue coming from a contract the Parks and Recreation Department had to provide landscape maintenance at the Sunport. Revenues declined in FY/14 with the start of the phase out of the Sunport contract. In FY/15 revenues were only $257 thousand.

Indirect overhead revenues in FY/09 were $12.2 million; in FY/15 revenues are estimated at $15.2 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.

<u>Other Charges (Charges for Services)</u>

Revenues from other charges accounted for 4.0% of General Fund recurring revenues in FY/09 and 4.3% in FY/15. 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/12, the alarm ordinance 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.

<u>Miscellaneous</u>

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 thousand associated with the photo-enforcement program. This is from a collection program to collect unpaid fines associated with the now closed program. In FY/15 there was a large $1.5 million reduction for a one-time accounting adjustment.

<u>Gross Receipts Tax</u>

GRT remains the major contributor to the General Fund making up 64.6% of recurring revenues in FY/15. 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/06 to FY/15 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 distribution in FY/15 was $2.4 million but $361 thousand of this is non-recurring.

Gross Receipts Tax revenues, including shared compensating tax, in the General Fund declined by 1.5% from FY/06 to FY/15. The decline is due to 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 state shared distribution. The one-percent distribution had annual growth of 0.9% in this period. Growth is limited in part due to an administrative fee of 3.25% on the food and medical hold harmless distribution that was imposed in FY/12. This is the first time an administrative fee impacted the state shared revenues. After adjusting for inflation the one-percent distribution in FY/15 is actually 10% below the amount in FY/06. 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 2.9% was achieved and the distribution increased in every year FY/12 to FY/15. In real terms only FY/14 and FY/15 had growth that exceeded the rate of inflation.

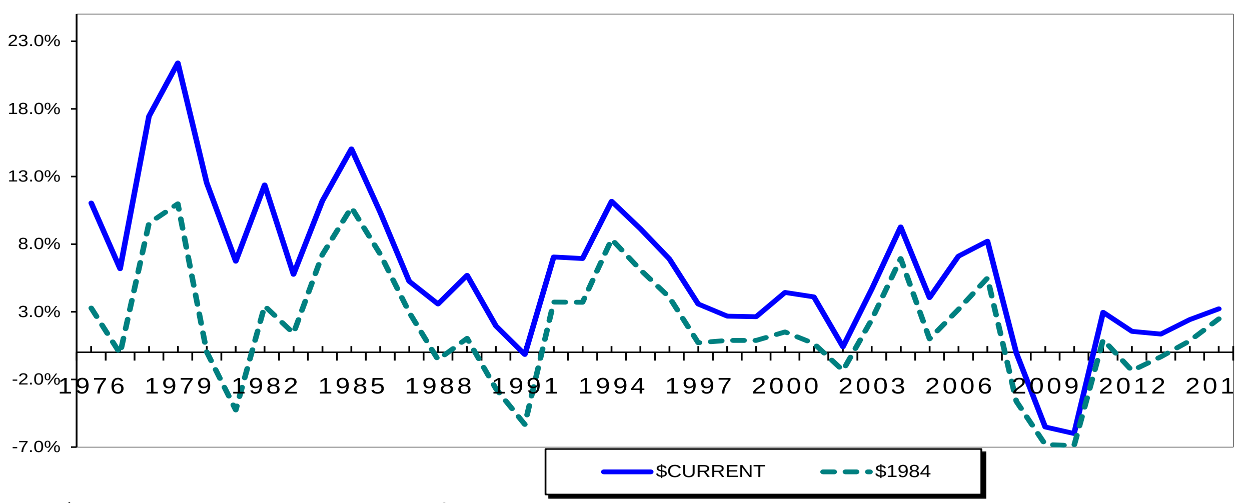
GENERAL FUND REVENUE HISTORY

GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2006 - 2015
($000's)

DETAIL ON GROSS RECEIPTS:	FY/06	FY/07	FY/08	FY/09	FY/10	FY/11	FY/12[(6)]	FY/13	FY/14	FY/15	FY'S 06-15 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:												
MUNICIPAL IMPOSED 1/2 CENT	70,079	76,302	76,098	73,129	70,062	71,026	72,081	73,006	74,661	77,481	10.6%	1.1%
BASIC SERVICES												
first 1/8(4)	17,033	18,467	18,506	1,674	0	0	0	0	0	0	-100.0%	-100.0%
Second 1/8 (4)	17,033	10,984	0	0	0	0	0	0			-100.0%	-100.0%
PUBLIC SAFETY 1/4 CENT(3)	34,066	36,933	37,011	35,584	34,070	34,449	34,981	35,436	36,239	37,606	10.4%	1.1%
INFRASTRUCTURE 1/16 CENT (2)	8,542	9,236	9,243	8,734	8,199	8,443	8,576	8,685	8,895	9,237	8.1%	0.9%
	146,753	151,922	140,858	119,121	112,330	113,918	115,637	117,127	119,795	124,324	-15.3%	-1.8%
STATE SHARED RECEIPTS												
1% DISTRIBUTION	141,128	152,730	152,654	144,247	135,604	139,618	141,780	143,688	147,162	152,725	8.2%	0.9%
.225% DISTRIBUTION	31,759	34,370	34,353	32,456	30,516	31,420	31,906	32,336	33,117	34,366	8.2%	0.9%
Municipally Shared Compensating Tax				694	1,449	1,592	1,690	1,485	1,570	2,361		
	172,887	187,100	187,007	177,397	167,569	172,629	175,375	177,509	181,849	189,452	9.6%	1.0%
TOTAL TAX RECEIPTS	319,640	339,022	327,865	296,518	279,899	286,547	291,013	294,636	301,644	313,776	-1.8%	-0.2%
PENALTY & INTEREST	2,057	2,057	2,344	1,928	1,769	1,829	2,318	2,072	1,910	2,765	34.4%	3.3%
TOTAL GENERAL FUND DISTRIBUTION(7)	321,697	341,079	330,209	298,445	281,668	288,376	293,331	296,708	303,554	316,540	-1.6%	-0.2%
MUNICIPAL IMPOSED 1/4 CENT												
TRANSPORTATION2000 (5)	34,066	36,933	37,011	35,036	19,660							
TRANSPORTATION2010 (5)						30,626	34,349	34,815	35,585	36,777		
	34,066	36,933	37,011	35,036	19,660	30,626	34,349	34,815	35,585	36,777	8.0%	0.9%
TOTAL GROSS RECEIPTS TAX REVENUES(1)	355,763	378,012	367,220	333,481	301,328	319,002	327,680	331,524	339,138	353,318	-0.7%	-0.1%

(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 hold harmless portion of all the GRT distributions and is the only admin fee on the state shared
(7) There was $1.68 million in one-time revenue due to an overpayment to the Winrock TIDD. Also, the first reduction in the food and medical hold harmles distribution in FY/16 of $2.3 million is counted as one-time revenue. Finally there were one-time revenues associated with compensating tax and penalty and interest of $826 thousand.

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2015



FY/12 growth is reduced due to the new admin fee on the hold harmless distribution
FY/15 is recurring only (excludes one-time TIDD payback)

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%. Since the recession only FY/11, FY/14 and FY/15 have posted real growth in GRT.

The other item of note is that the size of 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/15 the state legislature exempted or allowed deductions from the Gross Receipts Tax base that affect Albuquerque 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 be phased out over 15 years beginning 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/15.

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 2015 (Unaudited Results)						
Gross Receipts Tax	2,651	0.8%	5,349	1.7%	4,464	1.4%
Recurring Revenues Less CIP	1,041	0.2%	2,096	0.4%	981	0.2%
Non-Recurring	444	9.2%	939	19.4%	2,603	53.8%
FISCAL YEAR 2014						
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%

ACTUAL AND ESTIMATED GENERAL FUND REVENUES FOR FY/15

All figures in $1,000's

	UNAUDITED	ESTIMATES								
	ACTUAL	2nd Revision (March 2015)			1st Revision (Dec. 2014)			Approved Budget (May 2014)		
REVENUE SOURCES:	FY/15	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	316,540	313,889	(2,651)	-0.8%	311,191	(5,349)	-1.7%	312,076	(4,464)	-1.4%
Property Tax	79,233	79,375	142	0.2%	79,375	142	0.2%	78,707	(526)	-0.7%
Franchise Tax-Telephone	1,690	1,703	13	0.8%	1,703	13	0.8%	1,703	13	0.8%
Franchise Tax-Electric	9,535	9,310	(225)	-2.4%	9,078	(457)	-4.8%	9,169	(366)	-3.8%
Franchise Tax-Gas	3,908	4,367	459	11.7%	4,367	459	11.7%	4,367	459	11.7%
Franchise Tax-Cable TV ABQ	4,060	4,362	302	7.4%	4,163	103	2.5%	4,362	302	7.4%
Franchise Tax - Water Auth	7,065	7,100	35	0.5%	7,100	35	0.5%	6,136	(929)	-13.1%
Franchise Tax-Telecom	204	220	16	7.9%	220	16	7.9%	239	35	17.2%
Other Intergovernmental Assistance	4,327	4,356	29	0.7%	4,451	124	2.9%	4,451	124	2.9%
Building Permit Revenue	6,186	5,809	(377)	-6.1%	5,976	(210)	-3.4%	7,048	862	13.9%
Permit Revenue	5,121	5,113	(8)	-0.2%	5,415	294	5.7%	5,229	108	2.1%
Service Charges	20,841	20,779	(62)	-0.3%	22,301	1,460	7.0%	21,149	308	1.5%
Fines & Penalties	121	120	(1)	-0.7%	120	(1)	-0.7%	120	(1)	-0.7%
Earnings on Investments	398	330	(68)	-17.1%	330	(68)	-17.1%	330	(68)	-17.1%
Miscellaneous	1,049	1,930	881	83.9%	1,468	419	39.9%	1,468	419	39.9%
Transfers From Other Funds	2,624	2,094	(530)	-20.2%	2,047	(577)	-22.0%	2,047	(577)	-22.0%
Payments In Lieu of Taxes	1,847	1,720	(127)	-6.9%	1,720	(127)	-6.9%	1,720	(127)	-6.9%
IDOH	15,085	15,754	669	4.4%	15,717	632	4.2%	15,872	787	5.2%
Services Charges-Internal	257	276	19	7.3%	315	58	22.5%	315	58	22.5%
Transfers For CIP Positions	9,664	10,281	617	6.4%	10,368	704	7.3%	10,368	704	7.3%
TOTAL REVENUE	489,756	488,888	(868)	-0.2%	487,425	(2,331)	-0.5%	486,876	(2,880)	-0.6%
LESS: NON-RECUR	4,836	4,392	(444)	-9.2%	3,897	(939)	-19.4%	2,233	(2,603)	-53.8%
RECURRING REVENUE	484,920	484,496	(424)	-0.1%	483,528	(1,392)	-0.3%	484,643	(277)	-0.1%