CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2021-2025

January 2021

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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 2021 (FY/21) through FY/25. The purpose of this forecast is to identify key trends in revenues and expenditures and provide information about the financial landscape anticipated over the next five 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 the data available through December 2020. The Executive Summary discusses only the baseline scenario. The optimistic and pessimistic scenarios have the same key assumptions as the baseline but are driven by different economic assumptions and inflationary factors. As the FY/22 budget is developed, revenue and expenditure projections will be updated based on the most current information.

Revenues

The revenue projections are based on revenue received through October 2020 and forecasts of economic activity for Albuquerque and New Mexico. A number of key economic forecast variables used in the City's revenue forecast models were prepared by the Bureau of Business and Economic Research at the University of New Mexico (BBER) (local variables) and IHS Global Insight (national variables). The City's Forecasting Advisory Committee, made up of experts from within and outside government, reviewed the forecasts and revenue projections prepared by the City Economist.

The current five-year outlook for revenue growth is dominated by the impacts and ongoing uncertainties from the onset of the COVID-19 health crisis. This time last year, recurring General Fund growth was projected at 7.0% for FY/20. In the end, FY/20 GRT unaudited revenues were $6.7 million, or 1.7%, above the amount estimated in the approved FY/21 budget process, performing somewhat better than early estimates of potential impacts of the COVID-19 crisis. This is $22.8 million, or 5.8% over FY/19. Just over $9 million of this is one-time revenue, about $6.8 million of which is from a lump sum payment from the State resulting from an amended tax return. The remaining amount is the portion of hold harmless revenue that will not be recurring in FY/21 due to the phase out of all food and medical hold harmless payments.

Total FY/20 General Fund growth, which includes non-recurring revenue, is 4.0% over FY/19, boosted by the $6.8 million one-time lump sum payment of food hold harmless revenue.

For FY/21, GRT revenue growth had a very weak start, with cumulative growth at around -4.1% as of November 2020, when excluding the lump sum payment received in the beginning of FY/20. This is nearly 0.5% below the estimated decline for the year of -3.5%, due to depressed economic activity and a two-week “reset” Statewide health order at the end of November 2020 to help control a resurgence of the virus. Growth for the month of November 2020 alone was -7.8% as measured by the state-shared 1% increment.

Nevertheless, FY/21 GRT benefits from a slightly larger beginning base due to better-than-expected revenues in FY/20, an additional $6 million in state-shared internet sales revenue for a total of $12 million, and a slightly improved outlook from the previous quarter's estimate.

For FY/22, base GRT growth is expected to rebound at 3% on expectations that much of the population will receive a COVID-19 vaccine and the economy begins a fuller recovery. Additionally, FY/22 includes $18 million in projected revenue from internet sales. Assuming technology updates can be made at the State level to apply local tax increments to internet sales, revenues from internet sales could increase by a third from the $12 million in internet sales currently being shared by the State. However, actual revenues could vary considerably since it is unknown exactly how the tax changes will affect different municipalities. In the remainder of the forecast, growth increases to 3.6% in FY/23 and then averages about 3% for the remainder of the forecast.

GRT receipts, which comprised 68.5% of all General Fund revenues in FY/20, have been volatile the last few years, largely due to the erratic nature of the hold harmless food and medical payments resulting from inconsistent tax filers. This is in addition to the reduction in the distribution for food and medical hold harmless payments resulting from a 15 year phase-out that began in FY/16. Further, due to public health orders restricting restaurants and other businesses, food purchases became even more difficult to project. To account for the one-time nature of this revenue, a percentage is phased-out each year and treated as non-recurring revenue. That same principle is applied in all years of this forecast as the phase-out compounds.

Additionally, there are other expected reductions affecting growth in GRT. Tax Increment Development Districts (TIDDS), particularly the expansion of Winrock, will divert GRT revenues from the General Fund; however, in FY/20 and FY/21 these deductions were largely stalled. The effect of these deductions increases in the out years when it is expected that the Winrock and Mesa Del Sol TIDDs will resume expansion and have an increased impact including more retail and eating and drinking establishments.

Along with the impact of TIDDs there are the impacts of the Local Economic Development Act (LEDA). These are estimated at $250 thousand per year during the forecast, beginning in FY/22.

Building permit revenues remained remarkably strong through most of FY/20, finishing $826 thousand above FY/19. FY/21 revenues are expected to cool somewhat, decreasing about 5% from FY/20. For FY/22, there is the possibility of a significant new construction project, the Orion Center, an aerospace and technology facility on a 122-acre plot adjacent to the Sunport. Should the project go forward as proposed, building permits alone could increase by as much as $6 million in both FY/22 and FY/23; however, the estimate for FY/22 conservatively includes just $2 million in additional revenue until the project financing is finalized and construction is underway.

For FY/20, property taxes were $426 thousand, or .05%, over the FY/20 budget expectations and $3 million, or 3.5%, over FY/19. In FY/21, revenues are projected to rise by 3%. For FY/22, property taxes are expected rise by 2.8%, and near 3% by the end of the forecast period.

Recurring FY/20 franchise tax revenues were $682 thousand above the estimate, largely due to the electricity franchise. Revenue has been fairly strong for PNM during the pandemic, possibly due to higher residential usage as more people work from home. For FY/21, the electric franchise is expected to be $3.2 million, or about 50%, above the FY/20 actuals following an increase in the franchise fee from 2% to 3%. Flat to slightly negative growth is expected for the remaining franchises. For FY/22 and beyond, flat to modest growth is expected for all franchises.

In FY/20, charges for services revenues finished just $205 thousand, or 1%, above the estimate, which had been reduced in anticipation of negative impacts from the pandemic. FY/20 revenues finished 12%, or $2.6 million below FY/19. FY/21 revenues are reduced further by $3.6 million, or 18% from FY/20 estimated actuals to account for impacts from the closure of City parks and venues and cancellation of City events that attract large crowds. In FY/22, it is assumed that many if not most of these venues and services will experience a rebound.

Interest earnings on investments in part reflect interest rates and City General Fund balances; however, despite lower interest rates in the recent past, interest earnings for FY/20 finished $1.3 million, or 151% above the estimate due to strong markets. FY/21 is conservatively estimated to be flat with FY/20 revenues given the ongoing volatility of markets. FY/22 to FY/25 are assumed to grow with the expected increases in two year treasury rates as forecasted by IHS.

Fiscal Year 2021 Budget Outlook

The adjusted approved General Fund budget for FY/21 is significantly lower at $595.1 million reflecting a total decrease of $46.4 million or 7.2% under the original FY/20 budget, not including reserves. The amount of non-recurring appropriations at $24.6 million is significantly lower as compared to the $42.5 million in estimated actuals for FY/20. This decrease reflects the reduction of one-time funding due to the City's revenue recognition policy change in FY/20 that increased one-time appropriations. In addition, the decreased FY/21 budget is also due to the broad economic impacts COVID-19 has had on City resources.

The majority of new appropriated dollars is targeted for improving public safety in the community, expanding services and support for vulnerable populations, and increasing park security. The Police budget includes $5 million in funding for additional officers and a computer aided dispatch and records management system. The Family and Community Services Department budget includes $9.4 million in increased funding to support vulnerable populations during the public health emergency, including five million dollars for a crisis triage and medical facility.

The FY/21 adjusted budget also includes the use of $71 million for eligible General Fund costs. In addition, the Transit Department General Fund subsidy has also been reduced by $5 million to account for the reduction in support need for FY/21. The Transit Department received additional federal aid from the CARES Act that will allow the department to maintain adequate service levels during the public health emergency.

Fiscal Year 2022 Budget Outlook

The forecast for FY/22 includes all anticipated expenses using the best available information. The net effect is a forecasted budget of $695.9 million. This would be a $100.8 million or a 16.9% increase over the original FY/21 Budget. The large FY/22 increase is primarily due to the restoration of $76 million in General Fund that was funded by CARES for eligible costs in FY/21.

Five-Year Forecast increases for FY/22 include $16.1 million for the operation of new capital projects coming-on-line; $1.7 million for the increase in medical benefits; $8.9 million for the purchase and continued operations of the City/County building, and $1.5 million for the City's general elections.

Historically, the majority of non-recurring resources comes from unspent appropriations from prior years. As budgets get tighter and tighter, those resources become less common, putting a constraint on the allocation for non-recurring uses. The FY/22 forecast includes $8.2 million in non-recurring expenses, while only $2.4 million is available in non-recurring resources. As is typically the case in the annual budget process, decisions will have to be made to either eliminate some of these non-recurring expenses or absorb them with recurring resources. A complete list of non-recurring items can be found in the "Expenditure Outlook" section of this document. All of these non-recurring expenses are carried into the out-years, which contributes to the out-year deficits.

The City is self-insured for workers compensation and general liability. Based on recent trends and analysis by the Risk Division, an overall increase in the cost of risk allocated to the departments is reflected in this forecast. Workers' compensation and tort is $2.5 million higher (8.1%) for the General Fund in FY/22 as compared to FY/21. The Risk Recovery Program transfer is fully funded at $3.6 million in the General Fund for FY/22.

The revenue estimates may change over the next few months depending on the outcome of the remaining GRT distributions from the State. Should the revenue estimates hold or worsen, the assumptions regarding expenditures will have to be revised in order to present a balanced budget for FY/22. Some expenses will have to be fully funded. However, some expenses may be scaled back or deferred to later years if possible. It is also possible that some of these early estimated costs will be lowered in the coming months as new information is made available. The available fund balance for FY/22 is forecasted to be a $8.2 million.

Fiscal Years 2022 – 2025 Budget Outlook

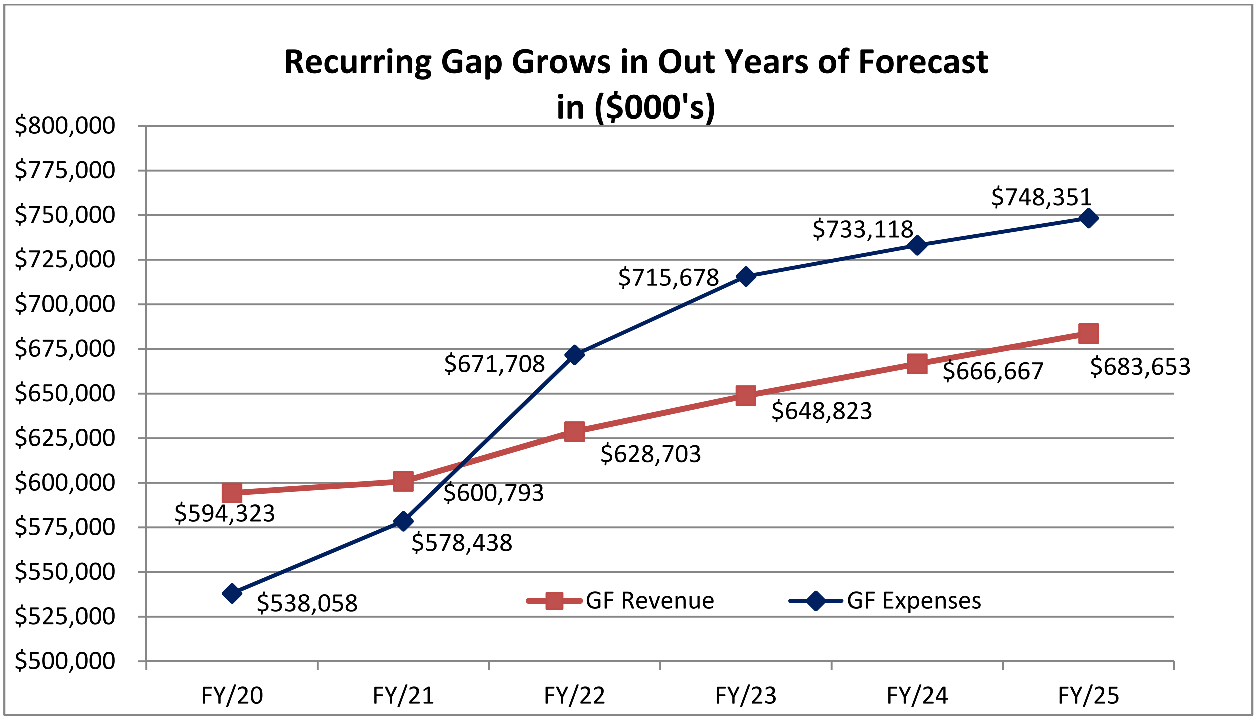
Most of the underlying assumptions in FY/21 are carried forward in the out years of the forecast period. For example, funding for CIP coming-on-line stays in the base and is adjusted in increments as additional projects are added. Inflation factors from IHS Global Insight are used to grow most line items with the exception of those developed in-house, which are based on local information. For instance, health care cost increases were estimated by the City's Human Resources Insurance and Benefits Division. The forecast includes a sustained increase of approximately 6% for health care costs through FY/25. Other costs were estimated by the respective departments or OMB.

The out years of this forecast reflect a fund balance deficit that compounds with each year the budget is not brought into balance, which is a highly unlikely outcome given the City's commitment to submit a structurally balanced annual budget. That said, the baseline forecast for FY/22, reflects an overall fund balance of $8.2 million, which transitions to an unmet compounded need of $279.1 million in FY/25.

Table B on the following page shows the entire General Fund Baseline summary.

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

($000's)	UNAUDITED ACTUAL FY/20	REVISED BUDGET FY/21	FORECASTS FY/22	FY/23	FY/24	FY/25
RESOURCES:						
Recurring Revenue	594,323	600,793	628,703	648,823	666,667	683,653
% Change Recurring Revenue		1.1%	4.6%	3.2%	2.8%	2.5%
Total Non-recurring	9,416	1,424	2,439	2,575	2,702	2,628
TOTAL REVENUES	603,739	602,217	631,141	651,398	669,369	686,280
% Change Total Revenue		-0.3%	4.8%	3.2%	2.8%	2.5%
BEGINNING FUND BALANCE	92,057	137,526	132,235	67,381	(26,099)	(120,174)
TOTAL RESOURCES	695,796	739,743	763,377	718,779	643,271	566,107
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	538,058	578,438	687,802	736,684	755,250	770,909
% Change Recurring Appropriation		7.5%	18.9%	7.1%	2.5%	2.1%
Non-recurring Exp/App:						
One-time Items	20,212	29,070	8,194	8,194	8,194	8,194
TOTAL EXPEND/APPROP	558,270	607,508	695,996	744,877	763,444	779,103
UNADJUSTED FUND BALANCE	137,526	132,235	67,381	(26,099)	(120,174)	(212,996)
ADJUSTMENTS:						
Encumbrances	(11,185)	0	0	0	0	0
Unrealized Gains on Investments	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)
Other Accounting Adjustments	(53)	(53)	(53)	(53)	(53)	(53)
TOTAL ADJUSTMENTS	(12,324)	(1,139)	(1,139)	(1,139)	(1,139)	(1,139)
ADJUSTED FUND BALANCE	125,202	131,096	66,242	(27,238)	(121,313)	(214,135)
RESERVES:						
1/12th Operating Reserve	53,463	48,595	58,000	62,073	63,620	64,925
Reserve for the Cost of Labor	17	0	0	0	0	0
Increase to Reserve	258	0	0	0	0	0
Misc	92	0	0	0	0	0
TOTAL RESERVES	53,830	48,595	58,000	62,073	63,620	64,925
AVAILABLE FUND BALANCE	71,372	82,501	8,242	(89,311)	(184,933)	(279,060)
1/12th Operating Reserve	46,523	50,626	58,000	62,073	63,620	64,925
Recurring Surplus/(Deficit)	56,248	22,355	(59,100)	(87,860)	(88,583)	(87,256)



The above graph illustrates the underlying trend in recurring revenues to recurring expenses from FY/20 through FY/25. CIP Coming-On-Line costs are excluded from the expense amount to provide a more realistic outlook for recurring costs. The CIP Coming-On-Line amounts depict the anticipated needs of each department but are often well above the funding capacity of the General Fund. As a result, the City funds the most critical CIP Coming-On-Line needs. Most CIP Coming-On-Line costs are absorbed by the respective departments through the realignment of existing resources.

Based on the assumptions presented in this baseline forecast, expenses exceed resources beginning in FY/22. The recurring deficit, excluding CIP Coming-On-Line, in FY/25 is $64.7 million with recurring expenses at $748.3 million and recurring revenue at $683.6 million. The recurring gap is important because it demonstrates the underlying potential structural imbalance going forward. The gap is driven by general inflationary factors, labor costs (wages and benefits), and mandated costs such as medical and pension increases. If this predicted possible scenario actually occurs in the out-years, the Administration and Council will work together to close the gap between revenue and expenses and manage within available resources.

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 federal agencies, national labs and military bases. Inflation affects prices of local purchases as well as wages and employee salaries.

The following information is from the Five-Year Forecast prepared in October 2020 and reflects the best available data to assess the economic impacts of COVID-19. The data utilizes October 2020 forecasts from IHS Global Insight (IHS) and the University of New Mexico Bureau of Business and Economic Research (BBER). Unless otherwise noted, all annual data has been adjusted for City fiscal years. Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios. The Five-Year Forecast is available on the City's website at http://www.cabq.gov/dfa/budget/five-year-forecast.

The following pages contain graphic information about the scenario data discussed in the following section.

Baseline Scenario

In the baseline forecast, assigned a probability of 50%, IHS Global Insight (IHS) projected annual Real GDP growth slowing to 1.0% for FY/21, followed by a rebound of 3.8% growth in FY/22 and 3.0% in FY/23. Growth slows to 2.6% through the end of the forecast.

The national unemployment rate in this scenario declines from 7% in FY/21 to 5.1% in FY/22. For FY/23 through the end of the forecast the rate continues to drop steadily to 4.0%.

Core inflation is projected to grow at 1.5% in FY/21, increasing 2.4% in FY/22. For FY/23 and FY/24 the rate remains close to 2% before rising again to nearly 3% in FY/25. It is assumed the federal government maintains the federal policy rate near 0% through the beginning of FY/27. The IHS credits quick cuts in the federal policy rate, massive injections of liquidity, and guidance to banks for exceptional forbearance, for allowing credit markets to continue to operate. In this scenario, consumer sentiment falls to a low of 78 in FY/21, far below the upper 90's last seen in FY/18 and FY/19. In FY/22 it climbs just above 86, before reaching back into the 90's in FY/23 through FY/25.

Wages are expected to grow at 1.4% in FY/21, increasing only slightly to 1.5% in FY/22. This slow growth continues through the end of the forecast period, ending at 1.6% in FY/25.

Oil price (West Texas Intermediate) is expected to increase slowly from just over $40 per barrel in FY/21 to near $49 by FY/22 and just missing the $60 high of FY/19 in FY/25.

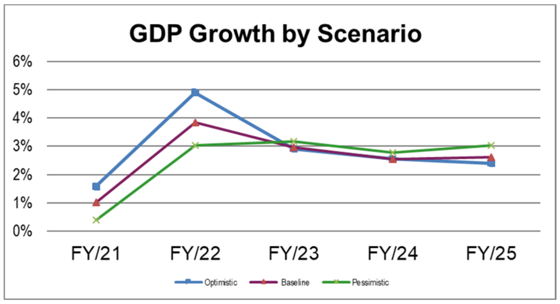
The risks and uncertainties in the forecast are many. Despite the good news of the future prospect of additional federal stimulus and a vaccine expected to be near fully deployed by the end of summer 2021, the City has yet to understand the full impacts of the pandemic on FY/21 resulting from continued business restrictions and high unemployment. While FY/22 is expected to experience a rebound of positive growth, Albuquerque MSA employment is not expected to approach FY19 levels until FY/24.

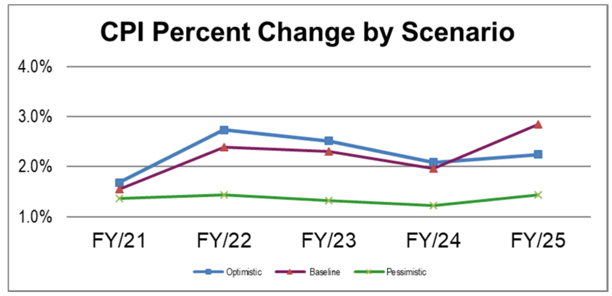
Pessimistic Scenario

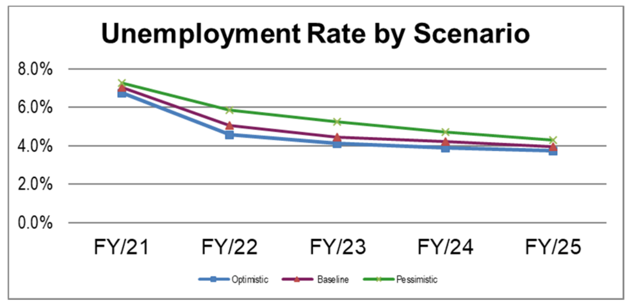
The pessimistic scenario is assigned a probability of 30%. In this scenario, real GDP recovers in FY/21 and FY/22 at a slower rate and unemployment remains around 0.5% higher than in the baseline. It is assumed that the recent increase in new COVID-19 cases and deaths cannot be reduced as quickly as in the baseline forecast, which keeps consumers from resuming more normal spending habits.

Optimistic Scenario

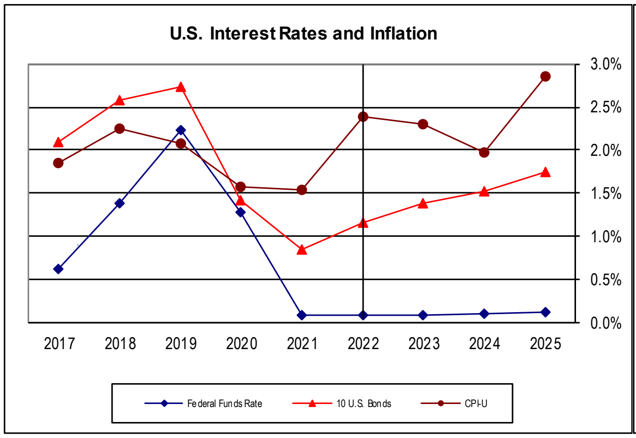
The optimistic scenario is assigned a probability of 20%. This scenario assumes that the spread of COVID-19 slows, with the daily number of new cases and deaths quickly easing. The scenario also assumes that a somewhat effective treatment for the virus is in use by the fall of 2020 leading to generally better outcomes and reduced mortality. This in turn allows for a faster rebound in consumer spending and a quicker return to some semblance of normalcy.

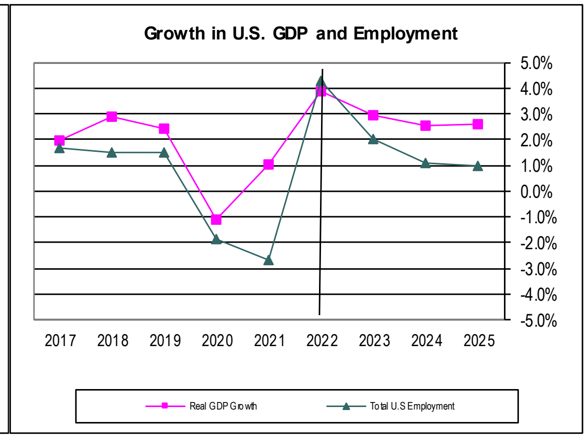


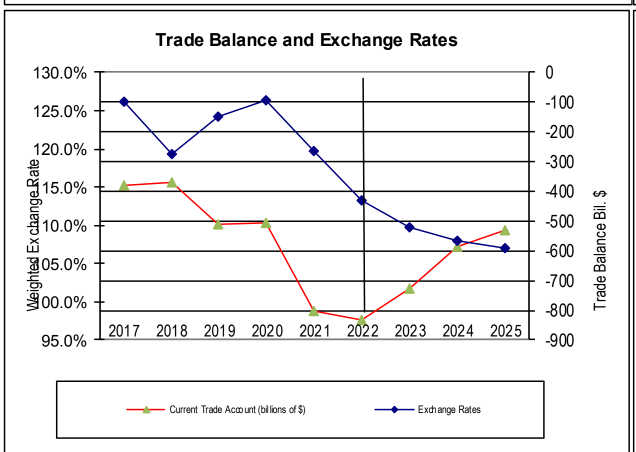


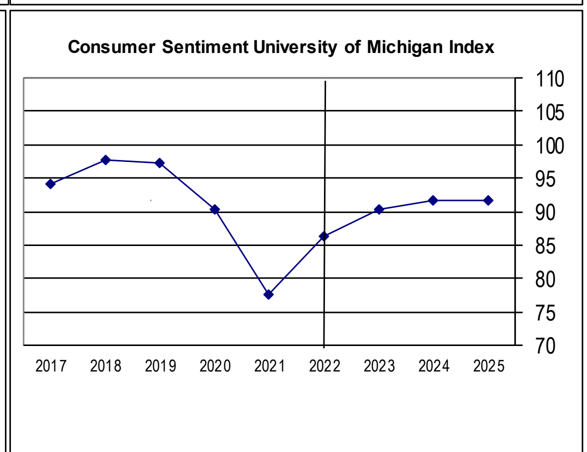


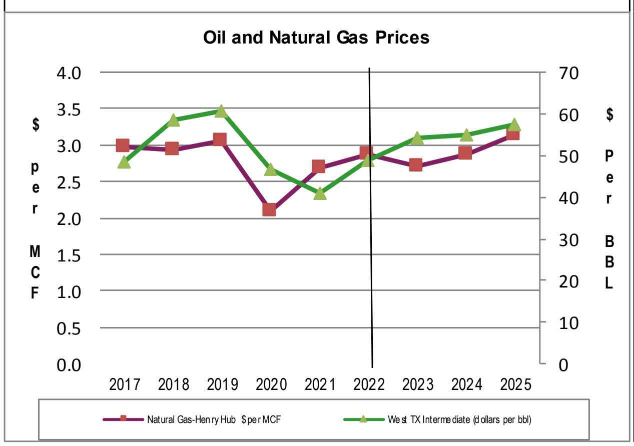
U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
December 2020 Baseline Forecast

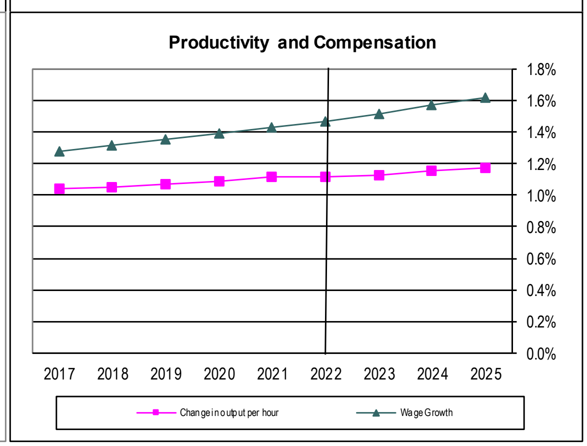












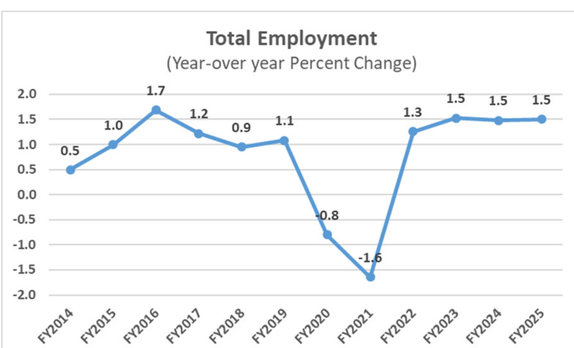
ALBUQUERQUE ECONOMY

The employment outlook for the Albuquerque economy is developed by BBER at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts for the state and local economy. The UNM BBER forecasting model for October 2020 provides the forecast of the Albuquerque economy presented in the following section.

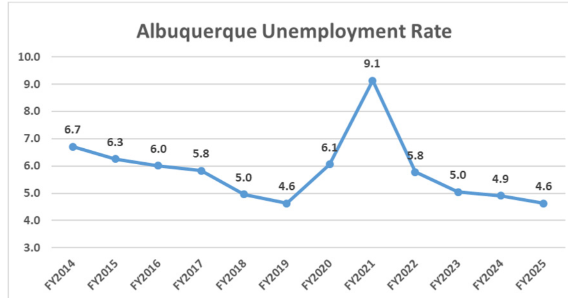
During the 2008 recession, Albuquerque's economy declined in sync with the national economy but lagged in its recovery. The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12, a 7% loss of total employment.

However, after 7 years of gains, employment in the Albuquerque Metropolitan Statistical Area (MSA) registered 384,571 jobs in the first quarter of FY/20, finally exceeding the pre-recession peak of 384,370 jobs reached in FY/08. The unemployment rate temporarily dropped to a low of 4.1% in December 2019.

In April 2020, during the most severe portion of the economic shut-down to curb the spread of COVID-19, the Albuquerque MSA unemployment rate spiked to 12.8%. The rate dropped to 9.4% in May 2020 and 8.2% in June 2020 but spiked again in July to 13.1% as workers originally furloughed began looking for work. The average unemployment rate for FY/21 is projected at 9.1%; however, as of November 2020, the unemployment rate was 7.5%. However, this lower rate could be the result of some individuals dropping out of the workforce or leaving the state.



In FY/21, employment is expected to decrease by about 1.6% and then rebound with positive growth of 1.3% in FY/22. Growth then levels out to 1.5% for the remainder of the forecast. Total employment in the Albuquerque MSA isn't projected to return to pre-COVID-19 levels until the beginning of FY/24.



In addition to the tables embedded in the following section there are a series of charts and tables providing comparisons of Albuquerque to the U.S. economy. Additionally, Albuquerque MSA employment numbers are provided for FY/20 to FY/25 by major North American Industrial Classification System (NAICS) categories.

<u>Retail and Wholesale Trade</u>

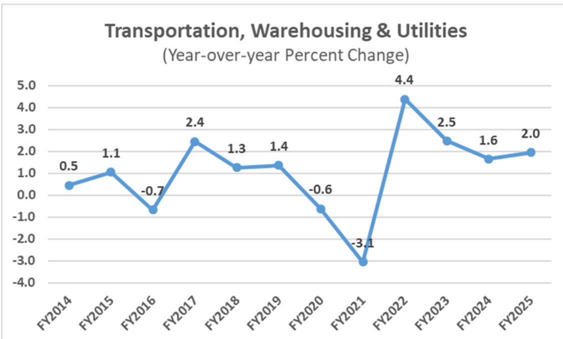
This sector accounts for about 13.3% of employment in the MSA and is particularly important in terms of the Gross Receipts Tax (GRT), historically comprising about 25% of GRT. During the 2008 recession, closure of stores and reductions in purchases substantially impacted employment and GRT in this sector.

In FY/17 and FY/18 employment in this sector declined a total of 540 jobs. Due to the COVID-19 pandemic, local retail trade has again been impacted, with a great deal of sales moving online. From FY/20 to FY/22 this sector is expected to decline 1,533 jobs, or about 2%. In FY/22, growth is essentially flat, before a slight rebound in FY/23 of 0.7% growth.

<u>Transportation, Warehousing and Utilities</u>

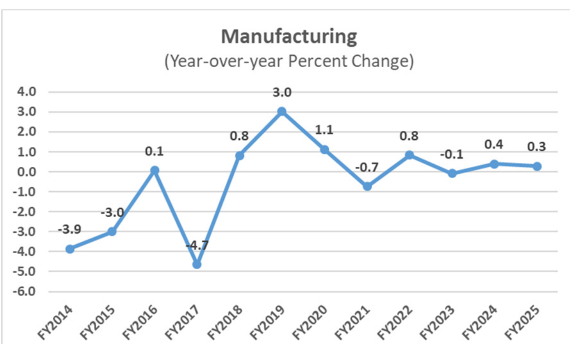
This sector, while important, accounts for just 2.5% of employment. The sector had initially been impacted by the effects of COVID-19 when non-essential businesses were required to close.

However, the sector rebounded somewhat as business activity began to recover somewhat. From FY/20 to FY/22 this sector is expected to grow by about 113 jobs or about 0.6%, decreasing in FY/21 but rebounding in FY/22. Growth stabilizes around 2% for the remainder of the forecast.



Manufacturing

This sector accounts for about 4.4% 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.



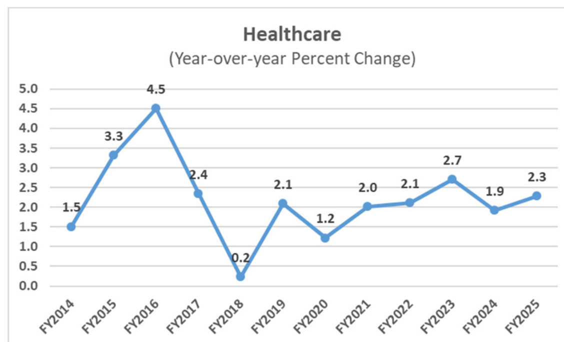
The sector had steady growth from FY/17 to FY/19. However, growth slowed in FY/20 and is expected to stay relatively flat from FY/21 through the end of the forecast. Hovering around 16,000 jobs, the sector remains substantially below the high of nearly 23,000 jobs during the FY/08 high.

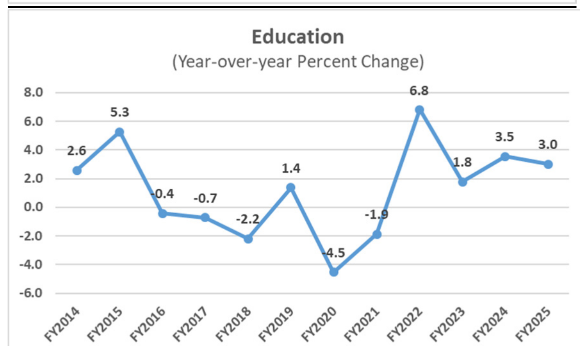
Educational and Health Services

This section represents two sectors, to match the summary of jobs generally shown in the NAICS sectors. The sector's jobs are predominantly health services and account for 16.8% of total employment. Albuquerque is a major regional medical center that attracts people into the area for services. Presbyterian Hospital and its HMO are one of the largest employers in the area. Importantly, this was the only sector that increased through the 2008 recession.

During the current recession, healthcare growth initially declined as elective procedures and routine medical care was put on hold to ensure capacity to treat COVID-19 cases. However, with recovery, from FY/20 to FY/22 this sector is expected to add 2,350 jobs, or 2.1%, and hovering around 2.5% for the remainder of the forecast.

Educational services was impacted as schools struggle with decisions about remote learning and lost revenues associated with having students on campus. For FY/20 the sector declined by 4.5% and declines another 1.9% in FY/21. In FY/22 sector growth rebounds and is expected to gain 238 jobs from FY/20 to FY/22, or about 2.4%, returning to pre-pandemic levels.



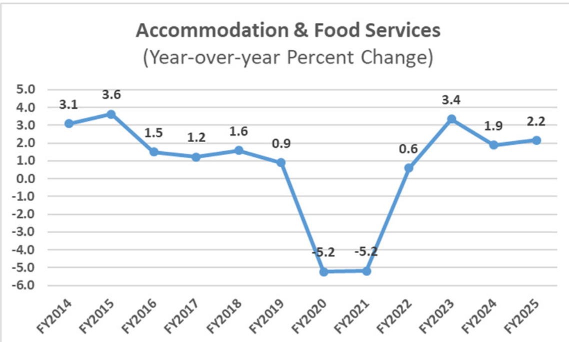


Accommodation and Food Services

This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounts for 9.5% of employment in the MSA. The sector is a major contributor to both GRT and Lodgers' Tax and was a major contributor to employment growth since the 2008 recession.

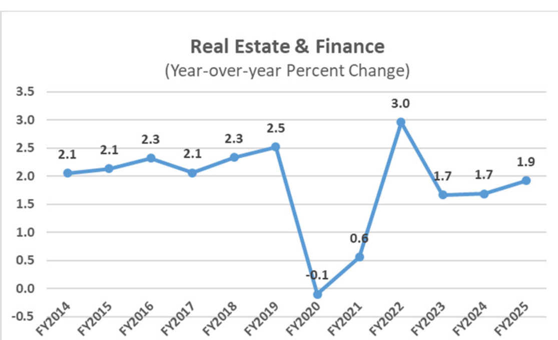
This sector is of course one of the most severely impacted by COVID-19, dropping from modest growth to a more than 5% decline expected for both FY/20 and FY21. From FY/21 FY/22 the sector is expected to 1,700 jobs or 2.3%. The

FY/22 recovery is very modest, before reaching growth at 3.4% in FY/23. However, the sector does not reach its pre-pandemic high of 39,300 within this forecast period, topping out at about 38,200 in FY/25.



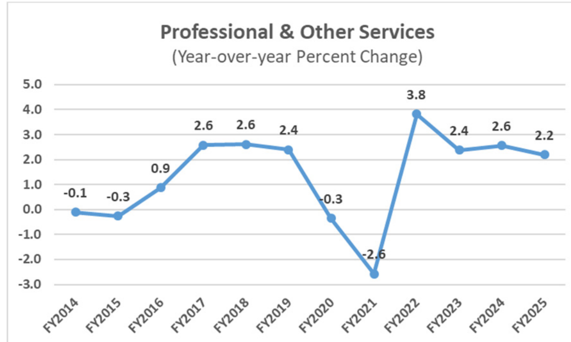
Real Estate & Financial Activities

This section includes two sectors, finance & insurance and real estate, including credit intermediation. It accounts for about 4.9% of employment in the MSA. The 2008 financial crisis, consolidation of banking, and the collapse of real estate negatively impacted this sector; however, FY/14 to FY/19 growth was strong at above 2% each year. However, following the impact from COVID-19, the growth hit a wall and is expected to be nearly flat for FY/20 and FY/21, returning to strong growth at 3% in FY/23. For Albuquerque, record low interest rates fueling demand combined with a very low supply of homes contributed to 10% growth in housing prices from FY/19 to FY/20 compared with 3% for the US. Growth from FY/20 to FY/22 includes about 640 additional jobs or about 3.2% growth.



Professional and Other Services

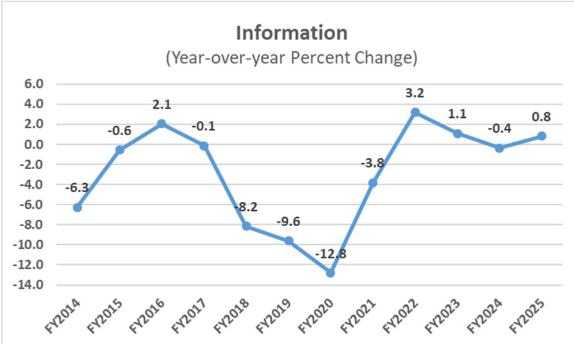
This category is a grouping of four service sectors (Professional and Technical, Management of Companies, Administrative and Waste Services, and Other Services) and accounts for 18.5% of employment in the MSA. It includes temporary employment agencies, some of Albuquerque's back-office operations, and architecture and engineering firms that are closely tied to construction. It also includes Sandia National Labs (SNL).



The sector as a whole remained weak until FY/16 when construction services (engineering and architecture) began adding jobs. The sector showed growth in FY/16 of less than 1%, growing to over 2% from FY/17 to FY/19. With many of these jobs allowing for work from home, this sector was not impacted as much as some; however, for FY/21 the sector is expected to dip by 2.6%. Further, the sector rebounds rather quickly at 3.8% in FY/21, and then levels out at just over 2% for the remainder of the forecast. Stronger growth in professional and technical services outweighs some losses in administrative and waste services, with a total gain of about 809 jobs for the grouping.

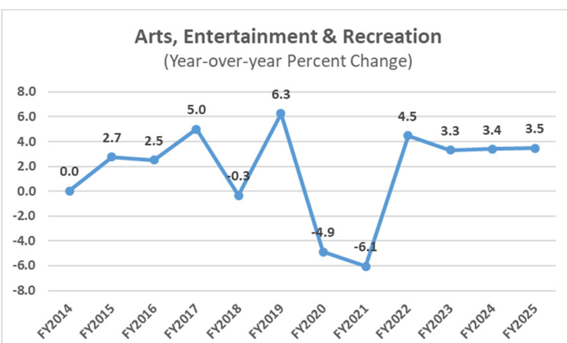
Information

This sector includes businesses in telecom, broadcasting, publishing, internet service establishments, and the film studios. It accounts for about 1.5% of employment in the MSA. This sector declined steadily since FY/16, with a pronounced decline of 8.2% and 9.6% in FY/18 and FY19, respectively. Then in FY/20, the sector experienced a significant 12.8% drop, in part due to the pandemic. In FY/21, slow recovery combined with the Internet Tax Freedom Act (ITFA), which prohibits states from taxing internet access beginning July 1, 2020, results with negative growth at 3.8%. In FY/22 positive growth returns at 3.2% before nearly flat performance through the remainder of the forecast. From FY20 through FY/22 this sector loses about 41 jobs or about 0.4%.



Arts, Entertainment and Recreation

This is a relatively small sector with 1.2% of MSA employment. It includes artists, entertainers, spectator sports, and recreation facilities such as bowling alleys and fitness centers. In FY/19, this sector showed strong growth of 6.3% and was expected to grow 5% in FY/20. Unfortunately, given the nature of such events often bringing large crowds together, this sector was particularly hard hit during the pandemic. For FY/20 and FY/21 this sector is expected to decline 4.9% and 6.1%, respectively. In FY/22, when it is expected that a vaccine will have been widely distributed, the sector is expected to rebound 4.5%, just shy of the FY/19 high of 5,000 jobs.

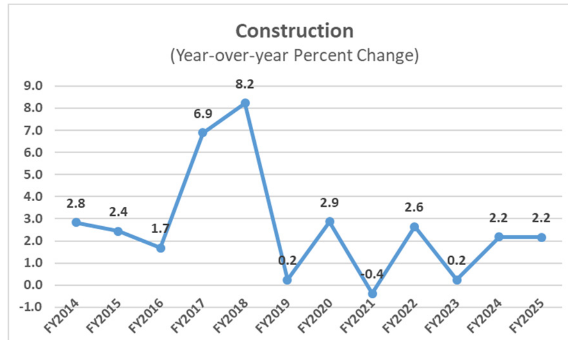


Construction

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 6.5%. This sector lost 12,000 jobs from FY/07 to FY/13. After falling consistently from FY/07, employment in construction began increasing at the end of FY/13 and continued to grow rapidly through FY/18. Construction began FY/20 with very strong growth and maintained much of the momentum despite the health crisis as this sector was deemed essential during the peaks of the crisis. For FY/21 it is expected that growth will be flat or slightly negative before rebounding again modestly in FY/22. This sector is expected to gain nearly 500 jobs or about 1% from FY/20 to FY/22.

The remainder of the forecast shows modest cycles of growth.

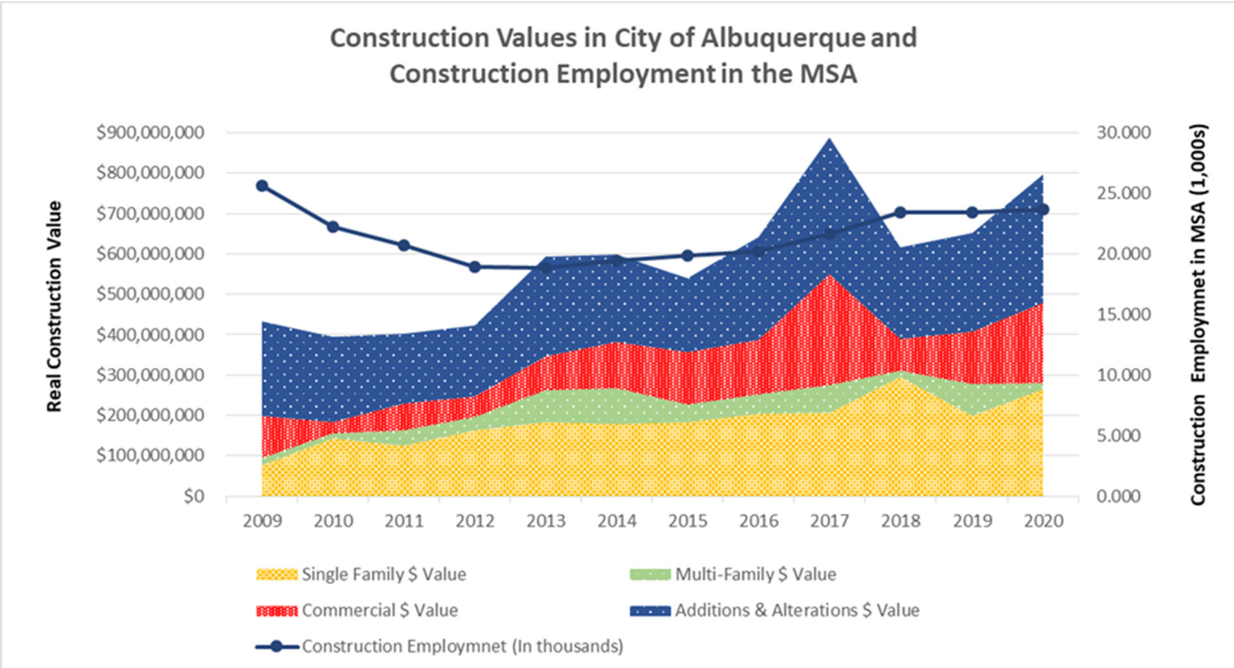
Construction permits typically show the trends in construction and the types of construction. The graph following this section shows the real values of building permits after adjusting by the CPI. Construction is categorized as new construction or additions, alterations, and repairs.



Total housing permits declined -47.6% in the 2008 recession, with the split being roughly equal between single-family units and multi-family units. Growth was somewhat steady through FY/16, FY/17 and again in FY/19. In FY/20, mostly multi-family units led a drop from the previous year. However, for FY/21, total housing units are expected to increase 10.5%, consisting almost entirely of multi-family units.

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. The rapid growth in construction employment in 2017 coincides with a large increase in building permits. In 2018, construction employment showed continued increases while building permit values declined substantially. This was due primarily to two factors: first, the City experienced a very large increase in commercial construction in 2017, and as of 2018, APS no longer obtains building permits from the City. Instead, APS now obtains permits from the State, as UNM does. Secondly, Facebook had a very large construction project in Los Lunas that employed 800 to 1,000 construction workers; however, this also does not generate building permits in the City.

As shown in the chart below, 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.



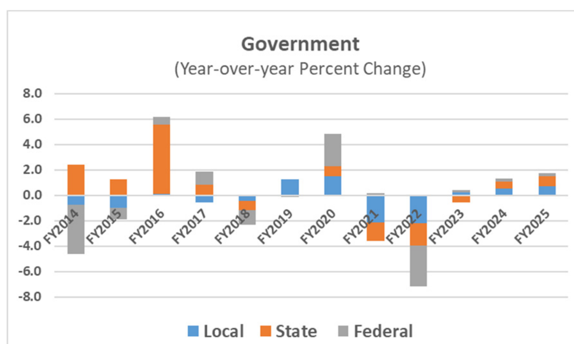
Government

The government sector makes up almost 21% of the Albuquerque MSA employment, with the largest part of State and Local government being education. Local government includes public schools and State government includes the University of New Mexico and Central New Mexico Community College. The local sector also includes Native American enterprises. Federal government makes up 3.9% of Albuquerque MSA employment but only 1.9% of national employment. Note this does not include military employment, which is counted separately, or employment at the national labs which is included in professional and business services.

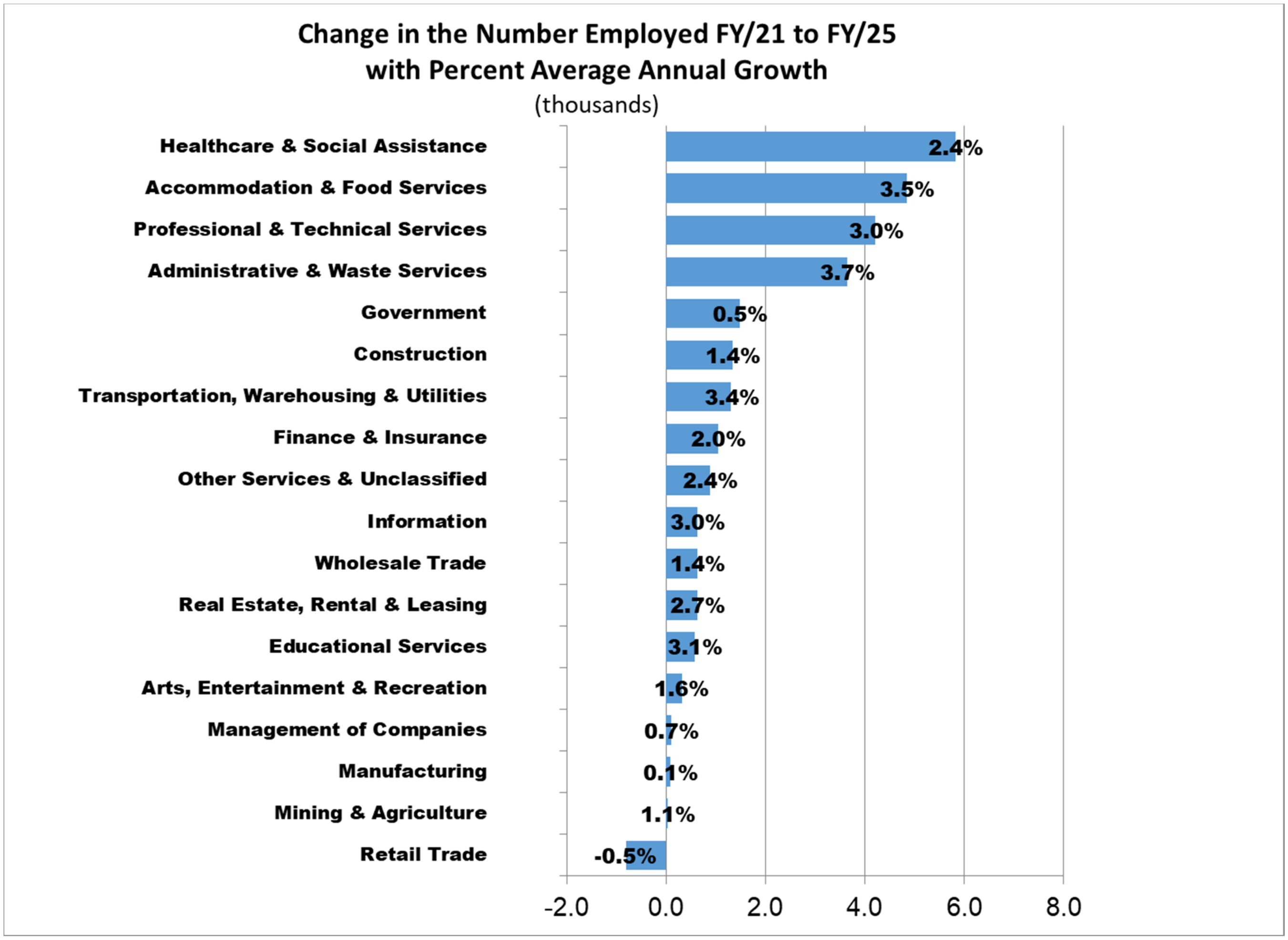
Active military is around 6,000 or about 1.8% of the total non-agricultural employment. Nationally, military is 1% of total non-agricultural employment.

The major sources of state and local jobs are education though the Labor Department does not keep individual counts for these jobs at the local level for Albuquerque. Local government declined in FY/14 through FY/18, but increased moderately in FY/19 and FY20. Federal government increased temporarily in FY/20 due to the U.S. Census.

All government declines by FY/21 and FY/22 as federal census work winds down and state and local jobs decline due to tighter budgets and possibly less demand for some services, and stays relatively flat through the remainder of the forecast.

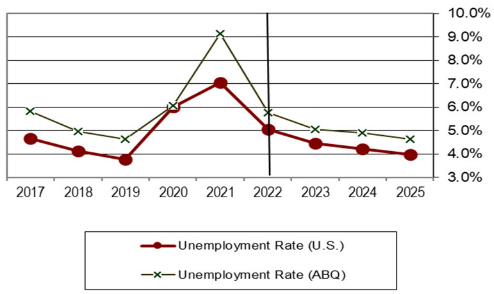


The following charts and tables present more information on the Albuquerque economy and its comparison to the U.S.

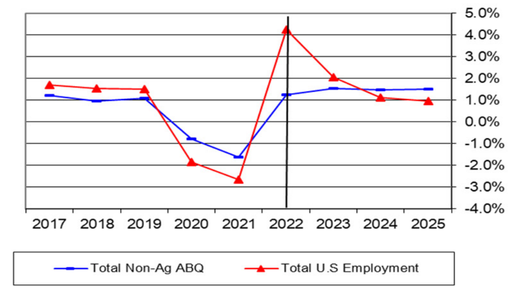

Change in the Number Employed FY/21 to FY/25
with Percent Average Annual Growth
(thousands)
Healthcare & Social Assistance
Accommodation & Food Services
Professional & Technical Services
Administrative & Waste Services
Government
Construction
Transportation, Warehousing & Utilities
Finance & Insurance
Other Services & Unclassified
Information
Wholesale Trade
Real Estate, Rental & Leasing
Educational Services
Arts, Entertainment & Recreation
Management of Companies
Manufacturing
Mining & Agriculture
Retail Trade
2.4%
3.5%
3.0%
3.7%
0.5%
1.4%
3.4%
2.0%
2.4%
3.0%
1.4%
2.7%
3.1%
1.6%
0.7%
0.1%
1.1%
-0.5%
-2.0
0.0
2.0
4.0
6.0
8.0

Albuquerque MSA and Comparisons to the U.S -- Fiscal Year December 2020

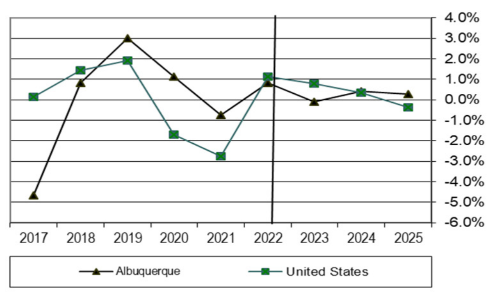
Albuquerque MSA vs. U.S. Unemployment Rates



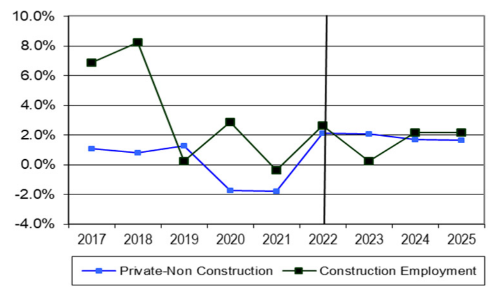
Albuquerque MSA vs. U.S. Employment Growth



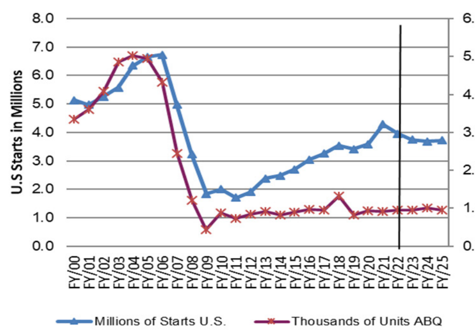
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



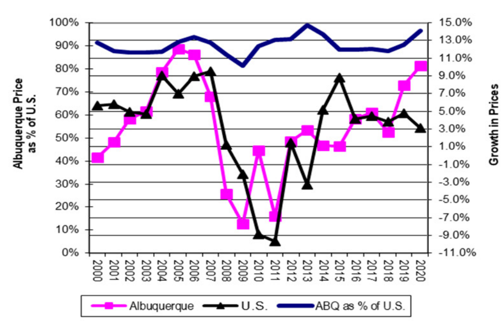
Albuquerque MSA Construction and Private Non-Construction Employment Growth



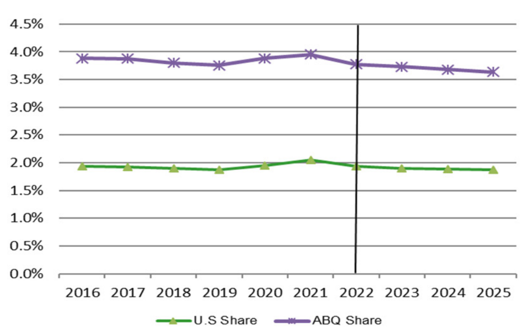
Single Family Construction



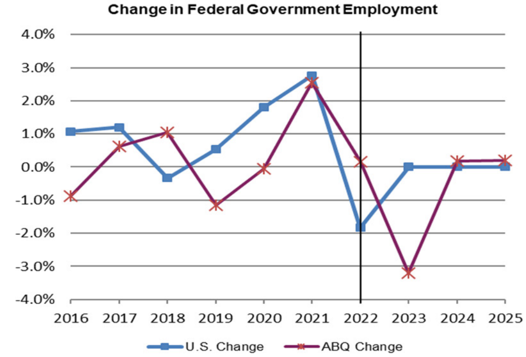
Comparison of Growth in Existing Home Sales Price by Calendar Year (history only)



Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



Economic Variables Underlying the Forecast by Fiscal Year

	Historical			Forecast			
Fiscal Year	2019	2020	2021	2022	2023	2024	2025
National Variables							
Real GDP Growth	2.5%	-1.1%	1.0%	3.8%	3.0%	2.6%	2.6%
Federal Funds Rate	2.2%	1.3%	0.1%	0.1%	0.1%	0.1%	0.1%
10 U.S. Bonds	2.7%	1.4%	0.8%	1.2%	1.4%	1.5%	1.7%
CPI-U	2.1%	1.6%	1.5%	2.4%	2.3%	2.0%	2.8%
Unemployment Rate (U.S.)	3.8%	6.0%	7.0%	5.1%	4.5%	4.2%	4.0%
Total U.S Employment	1.5%	-1.9%	-2.7%	4.3%	2.0%	1.1%	1.0%
Manufacturing Employment	1.9%	-1.7%	-2.8%	1.1%	0.8%	0.3%	-0.4%
Consumer sentiment index--University of Michigan	97.28	90.43	77.69	86.38	90.33	91.70	91.64
Exchange Rates	124.2%	126.3%	119.7%	113.3%	109.8%	107.9%	107.0%
Current Trade Account (billions of $)	(512.0)	(508.0)	(800.5)	(830.0)	(724.7)	(586.3)	(531.5)
Change in output per hour	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%
West TX Intermediate (dollars per bbl)	60.82	46.72	40.87	48.93	54.21	55.02	57.43
Wage Growth	1.4%	1.4%	1.4%	1.5%	1.5%	1.6%	1.6%
Natural Gas-Henry Hub $ per MCF	3.05	2.10	2.70	2.88	2.72	2.88	3.14
Albuquerque Variables							
Employment Growth and Unemployment in Albuquerque MSA							
Total Non-Ag ABQ	1.1%	-0.8%	-1.6%	1.3%	1.5%	1.5%	1.5%
Private-Non Construction	1.3%	-1.7%	-1.8%	2.1%	2.1%	1.7%	1.7%
Construction Employment	0.2%	2.9%	-0.4%	2.6%	0.2%	2.2%	2.2%
Manufacturing	3.0%	1.1%	-0.7%	0.8%	-0.1%	0.4%	0.3%
Government	0.6%	1.5%	-1.5%	-2.3%	0.0%	0.5%	0.6%
Unemployment Rate (ABQ)	4.6%	6.1%	9.1%	5.8%	5.0%	4.9%	4.6%
Growth in Personal Income	4.3%	6.2%	0.1%	1.5%	4.7%	4.9%	4.8%
Construction Units Permitted in City of Albuquerque							
Single-Family Permits	827	935	916	943	951	1,012	957
Muli-Family Permits	839	126	257	221	305	368	421
Total Residential Permits	1,666	1,061	1,173	1,164	1,256	1,380	1,378

Sources: IHS Global Insight Dec 2020 and FOR-UNM Oct 2020 Baseline Forecasts

Albuquerque MSA Employment in Thousands

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Total Employment	380.1	377.0	370.8	375.5	381.2	386.8	392.6
Private Employment	303.3	299.1	294.1	300.4	306.2	311.4	316.8
Mining & Agriculture	0.8	0.7	0.6	0.7	0.7	0.7	0.7
Construction	23.5	24.1	24.0	24.7	24.7	25.3	25.8
Manufacturing	16.2	16.4	16.3	16.4	16.4	16.5	16.5
Wholesale Trade	11.5	11.4	11.2	11.4	11.5	11.5	11.6
Retail Trade	41.3	39.5	38.2	37.9	38.2	38.3	38.1
Transportation, Warehousing & Utilities	9.5	9.5	9.2	9.6	9.8	10.0	10.2
Information	6.5	5.6	5.4	5.6	5.7	5.6	5.7
Finance & Insurance	12.6	12.7	12.7	13.2	13.4	13.6	13.8
Real Estate, Rental & Leasing	5.5	5.5	5.5	5.6	5.7	5.8	6.0
Professional & Technical Services	31.6	32.3	32.5	34.0	35.0	36.0	36.5
Management of Companies & Enterprises	3.8	3.8	3.8	3.8	3.8	3.9	3.9
Administrative & Waste Services	25.3	24.8	23.3	24.0	24.6	25.3	26.4
Educational Services	5.2	4.9	4.9	5.2	5.3	5.5	5.6
Healthcare & Social Assistance	55.7	56.4	57.6	58.8	60.4	61.5	63.0
Arts, Entertainment & Recreation	5.0	4.8	4.5	4.7	4.8	5.0	5.2
Accommodation & Food Services	39.3	37.2	35.3	35.5	36.7	37.4	38.2
Other Services & Unclassified	10.0	9.5	9.0	9.4	9.5	9.6	9.7
Government	76.8	77.9	76.8	75.0	75.0	75.4	75.9
Local Government	39.9	40.5	39.6	38.7	38.8	39.1	39.3
State Government	22.6	22.8	22.5	22.1	22.0	22.1	22.3
Federal Government	14.3	14.6	14.7	14.2	14.2	14.2	14.3
Military Employment	6.1	6.5	6.5	6.5	6.5	6.5	6.5
private non-construction	279.8	275.0	270.0	275.8	281.5	286.2	291.0
Other Indicators							
PERSONAL INCOME, $BILLIONS	39.7	42.2	42.2	42.9	44.9	47.1	49.3
LABOR FORCE, NSA, $THOUSANDS	432.5	433.0	422.6	431.8	436.0	440.0	443.9
TOTAL HOUSING UNITS, $THOUSANDS (CITY OF ABQ ONL	1.7	1.1	1.2	1.2	1.3	1.4	1.4
SINGLE-FAMILY HOUSING UNITS, $THOUSANDS	0.8	0.9	0.9	0.9	1.0	1.0	1.0
MULTI-FAMILY HOUSING UNITS, $THOUSANDS	0.8	0.1	0.3	0.2	0.3	0.4	0.4
UNEMPLOYMENT RATE, NOT SEASONALLY ADJUSTED	4.6	6.1	9.1	5.8	5.0	4.9	4.6
Growth Rates							
Total Employment	1.1%	-0.8%	-1.6%	1.3%	1.5%	1.5%	1.5%
Private Employment	1.2%	-1.4%	-1.7%	2.2%	1.9%	1.7%	1.7%
Mining & Agriculture	-9.3%	-8.4%	-6.9%	2.4%	1.0%	0.5%	0.8%
Construction	0.2%	2.9%	-0.4%	2.6%	0.2%	2.2%	2.2%
Manufacturing	3.0%	1.1%	-0.7%	0.8%	-0.1%	0.4%	0.3%
Wholesale Trade	0.2%	-1.3%	-1.2%	1.6%	0.6%	0.1%	1.3%
Retail Trade	-0.7%	-4.4%	-3.2%	-0.8%	0.7%	0.3%	-0.6%
Transportation, Warehousing & Utilities	1.4%	-0.6%	-3.1%	4.4%	2.5%	1.6%	2.0%
Information	-9.6%	-12.8%	-3.8%	3.2%	1.1%	-0.4%	0.8%
Finance & Insurance	2.4%	0.1%	0.7%	3.2%	1.6%	1.6%	1.6%
Real Estate, Rental & Leasing	2.7%	-0.5%	0.1%	2.3%	1.9%	2.0%	2.8%
Professional & Technical Services	3.4%	2.0%	0.7%	4.7%	2.8%	2.8%	1.3%
Management of Companies & Enterprises	2.2%	1.9%	-1.0%	0.9%	0.6%	0.6%	0.8%
Administrative & Waste Services	1.6%	-1.9%	-6.0%	2.8%	2.6%	3.0%	4.2%
Educational Services	1.4%	-4.5%	-1.9%	6.8%	1.8%	3.5%	3.0%
Healthcare & Social Assistance	2.1%	1.2%	2.0%	2.1%	2.7%	1.9%	2.3%
Arts, Entertainment & Recreation	6.3%	-4.9%	-6.1%	4.5%	3.3%	3.4%	3.5%
Accommodation & Food Services	0.9%	-5.2%	-5.2%	0.6%	3.4%	1.9%	2.2%
Other Services & Unclassified	1.4%	-4.7%	-5.5%	4.6%	1.1%	1.1%	0.8%
Government	0.6%	1.5%	-1.5%	-2.3%	0.0%	0.5%	0.6%
Local Government	1.3%	1.5%	-2.1%	-2.2%	0.2%	0.6%	0.7%
State Government	-0.1%	0.8%	-1.5%	-1.7%	-0.6%	0.5%	0.8%
Federal Government	-0.1%	2.5%	0.2%	-3.2%	0.2%	0.2%	0.2%
Military Employment	7.8%	5.2%	0.5%	0.0%	0.0%	0.2%	0.1%
PERSONAL INCOME, BILLIONS	4.3%	6.2%	0.1%	1.5%	4.7%	4.9%	4.8%
LABOR FORCE, NSA, THOUSANDS	1.1%	0.1%	-2.4%	2.2%	1.0%	0.9%	0.9%
TOTAL HOUSING UNITS, THOUSANDS (CITY OF ABQ ONLY)	13.5%	-36.3%	10.5%	-0.8%	7.9%	9.9%	-0.2%
SINGLE-FAMILY HOUSING UNITS, THOUSANDS	-37.3%	13.1%	-2.1%	3.0%	0.9%	6.4%	-5.4%
MULTI-FAMILY HOUSING UNITS, THOUSANDS	459.3%	-85.0%	104.1%	-14.1%	38.0%	20.9%	14.2%

REVENUE OUTLOOK

Overview

The following forecast of revenues is presented in tables following this section. They rely on the October 2020 IHS Global Insights (IHS) and October 2020 University of New Mexico Bureau of Business and Economic Research (BBER) baseline forecasts. The presentation provides unaudited FY/20 receipts, the FY/21 budget and revised estimates for FY/21, and the baseline forecast receipts for FY/22 through FY/25. 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.

GRT revenue for FY/21 is expected to decline by 2.6%, or about $10.7 million, from FY/20 actuals resulting from impacts of the pandemic. Included is an estimated $3.3 million in GRT decline due to the cancellation of the 2020 International Balloon Fiesta and summer festivals. Another major impact of the pandemic is the decline in revenue from City services and entertainment events such as museum, concert venue and BioPark ticket sales, concession revenue, licenses and fees, and other similar revenues. Total losses from these sources are estimated at $3.5 million from FY/20 actuals.

In FY/21, recurring revenue is expected to increase 1.1%, or $6.5 million, over FY/20 actuals in the baseline scenario. Contributing to this growth despite a challenging year is an additional $6 million in State-shared internet sales revenue over FY/20, or $12 million total for the year. There is also about $5 million in additional electricity franchise revenue due to an increase in the franchise fee from 2% to 3%, in line with the rate in other municipalities. Finally, both BBER and IHS revised their economic forecasts for FY/21 slightly upward from estimates in the previous quarter.

While recurring revenue for FY/21 increases slightly, total revenue for FY/21, which includes non-recurring revenue, is expected to decline by $1.5 million from FY/20 actuals. This is due in part to a large, $6.8 million one-time hold harmless revenue distribution received in FY/20 associated with an amended tax return from a large retailer. A smaller amount, around $1.5 million, will be ongoing assumed the retailer continues to comply with reporting requirements.

Food hold harmless distributions in FY/21 have been difficult to project due to changes in consumer behavior as people buy more food generally and less from restaurants during different phases of the Governor's restrictive health orders. These fluctuations further compound the challenge of estimating revenues as the City contends with declines in the total value of these distributions, estimated at over $35 million, as they are phased out over 15 years beginning in FY/16.

While employment has recovered somewhat from the initial impact of the pandemic, total employment for FY/20 is expected to show a decline of 0.8%, once final data is available, and decline by another 1.6% in FY/21. The sectors most affected by the health crisis are in arts, entertainment and recreation, accommodation and food services, and other services and unclassified.

Single family building permits increased 13% and multi-family permits declined 85% in FY/20; however, in FY/21, nearly the opposite is expected, with single family permits decreasing -2.1% and multi-family housing permits increasing 104%. Interestingly, GRT revenue for construction stayed relatively strong through the early months of the pandemic, maintaining some of the very strong momentum in early FY/20.

Building permit revenue dropped substantially following the Albuquerque Public Schools (APS) decision to employ the State Construction Industries Division to issue permits rather than the City; however, this change does not affect GRT revenue from APS construction projects. Building permits and revenue have cooled somewhat nearly halfway through FY/21, and are estimated at about 5%, or about $400 thousand, below FY/20.

Property tax revenue is expected to grow 3% over FY/20 as record low interest rates fuel buyer demand and tight housing supply drive up home prices in Albuquerque. Yield control is based on inflation, and is less of a limiting factor in current years than it was from FY/16 to FY/18.

The long-term baseline forecast anticipates General Fund recurring revenue growth at 1.1%, 4.6%, 3.2%, 2.8%, and 2.5%, in FY/21, FY/22, FY/23 FY/24, and FY/25, respectively.

More detail on GRT revenues and other General Fund sectors is presented in the following text.

General Fund Revenue Estimates

Gross Receipts Tax

The GRT revenues for FY/20 were $6.7 million above the amount estimated in the approved FY/21 budget process, performing somewhat better than early estimates of potential impacts of the COVID-19 crisis. It is estimated that $9.4 million of this is one-time revenue, about $6.8 million of which is from a lump sum payment from the state for food hold harmless resulting from an amended tax return that addressed several years of non-compliance for a large grocer. The remaining is additional hold harmless revenue that will not be recurring in FY/21 due to the phase out of all medical and food hold harmless payments that began in FY/16.

GRT growth continued to be erratic throughout FY/20. Revenue fluctuated from month to month due to problems with food hold harmless distributions and spikes from consumers switching from eating at restaurants to purchasing more food at grocers during COVID-19 related restrictions. Medical hold harmless distributions were generally flat to modestly negative during the same period.

For FY/21, GRT revenue growth has had a very weak start, with cumulative growth at around -4.1% when excluding the lump sum payment received in the beginning of FY/20. This is nearly 0.5% below the estimated decline for the year of -3.5%, due to depressed economic activity and a two-week “reset” health order at the end of November 2020 to help control a resurgence of the virus. Growth for the month of November 2020 alone was -7.8% as measured by the state-shared 1% increment.

The FY/21 budget assumed base GRT distributions could decrease by as much as 6% from the estimated actual of FY/20; however, unaudited FY/20 actuals performed better than the conservative estimate. Consequently, FY/21 begins with a slightly larger base that, when combined with slightly improved quarterly estimates from IHS Market and UNM Bureau of Economic and Business Research (BBER) forecasts, results in an expected decline of 3.5% for FY/21. In FY/21, the City will also receive an additional $6 million in internet sales revenue the state began sharing with municipalities as part of legislation passed in the 2019 Regular Legislative Session, bringing the total to $12 million for FY/21.

For FY/22, base GRT growth is expected to rebound at 3% on expectations that much of the population will receive a COVID-19 vaccine and the economy begins a fuller recovery. Additionally, for FY/22 $18 million in revenue is projected from internet sales. Assuming technology updates can be made at the State level to apply local tax increments to internet sales, revenues could increase by a third from the $12 million in internet sales currently being shared by the

State. However, actual revenues could vary considerably since it is unknown exactly how the tax changes will affect different municipalities. In the remainder of the forecast, growth increases to 3.6% in FY/23 and then averages about 3% for the remainder of the forecast.

Deductions for the Tax Increment Development Districts (TIDDs) largely stalled in FY/20 and will in FY/21 due to delayed construction and temporary or possibly permanent business closures such as restaurants and movie theaters. However, new development in the Winrock and Mes Del Sol TIDDs are expected to increase these deductions by 25%, or about $2 million from FY/21 to FY/25.

Adjustments to GRT Growth

Adjustments Made to Gross Receipts (1.225% base growth)					
	FY/21	FY/22	FY/23	FY/24	FY/25
Growth w/o adjustments	-0.9%	4.7%	4.5%	4.0%	3.7%
F&M hold harmless	-2.1%	-1.4%	-0.8%	-0.8%	-0.7%
TIDDs and Incentives	-0.4%	-0.3%	-0.1%	0.0%	-0.1%
Adjusted Rate	-3.4%	3.0%	3.6%	3.2%	2.9%

Growth without adjustments in the GRT is estimated using forecasts of economic activity. Adjustments are then made for known or expected changes. In this forecast, adjustments are made for TIDDs and changes in the food and medical hold harmless distributions.

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

Property Tax

FY/20 actual revenues were $426 thousand, or 0.5%, over the FY/20 budget expectations and $3 million, or 3.5%, over FY/19, almost completely due to current property taxes; delinquent property taxes were nearly flat with FY/19. In FY/21, revenues are projected at 3%. Inflation is currently low and home prices in Albuquerque are rising briskly; however, further economic stimulus from the federal government may alter these factors going forward. Yield control will be somewhat limited, with inflation projected to pick up modestly beginning in FY/22. For FY/22, property taxes are expected at 2.7%, and rising back near 3% by the end of the forecast period.

Franchise Taxes

Recurring FY/20 franchise tax revenues were $682 thousand above the estimate, largely due to the electricity franchise. Revenue has been fairly strong for PNM during the pandemic, possibly due to higher residential usage as more people work from home. Remaining franchise revenue actuals were close to expectations, which had been revised downward, closer to FY/19 actuals and reduced expectations due to the pandemic. In total, they were $88 thousand above the estimate, with telephone down $58 thousand as more and landlines are abandoned, and cable, water and telecom modestly up.

For FY/21, the electric franchise is expected to be $3.2 million, or about 50%, above the FY/20 actuals following an increase in the franchise fee from 2% to 3%, combined with continued modest growth in the franchise. Telephone franchise revenues have been flat to negative; the FY/21 budget reduces the estimate by 0.5% thousand or about $58 thousand, in line with FY/20 actual revenues.

For FY/21, growth in the natural gas franchise is decreased by just $2 thousand. Growth in future years is based on limited population growth and changes in natural gas prices forecasted by IHS. The other telecommunications franchise includes companies other than Century Link. For FY/21, revenue is increased by $41 thousand, or about 18%, over the estimate, in line with FY/20 actuals and accounting for an increase resulting from increased ongoing income resulting from the completion of a fiber build-out for APS.

Cable franchise revenues are increased modestly in FY/21 to be more in line with FY/20 actuals and are expected to grow slowly with population growth. Similarly, the Water Authority franchise revenue estimate is increased 1%, or about $73 thousand to be more in line with the FY/20 level and then increased by 4% every other year consistent with the policy to seek rate increases of 3% to 4.5% every other year. No additional growth is expected except for these rate increases. Any growth in the number of customers is expected to be offset by water conservation.

Other than electric, for FY/21 to FY/25, growth is moderate in all franchises, largely due to uncertain household and business formation. Employment, commercial construction, housing construction and population growth all impact franchise revenue and all are uncertain and highly dependent on the depth of the recession in FY/21 and the subsequent strength of an economic rebound expected to begin in FY/22.

Payments-In-Lieu-Of-Taxes (PILOT)

PILOT revenues are maintained at the FY/21 budgeted level, with growth limited by continued slow to moderate population and economic growth.

Building Permits

In FY/18, revenue was above the estimate allowing an increase in FY/19 revenues of $213 thousand from the budget. Then FY/19 actual revenue exceeded that estimate by another $639 thousand for a growth rate of 11.3% over FY/18. Notably, FY/18 revenue experienced a decline from FY/17 based on a fall in the value of permits and a reduction of $1 million due to Albuquerque Public Schools (APS) moving its permitting process to the State. Consequently, the City no longer receives revenue or provides permitting for APS projects.

FY/20 revenue was $567 thousand above the estimate, showing significant strength in early FY/20 and continued strength despite the onset of the health crisis. Year-to-date revenues for FY/21 have slowed somewhat and revenue is expected to decline -5.0 below FY/20 unaudited actual. For FY/22, there is the possibility of a significant new construction project called the Orion Center, an aerospace and technology facility on a 122-acre plot adjacent to the Sunport. Should the project go forward as proposed, building permits alone could increase by as much as $6 million in both FY/22 and FY/23; however, the estimate for FY/22 conservatively includes just $2 million in additional revenue until the project financing is finalized and construction is underway. Out year revenue projections are otherwise consistent with residential housing permits in the UNM BBER forecast and projected construction employment.

As a note, major construction projects planned by the State (now to include APS) or the federal government, or road projects do not fall under the City's 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. While the FY/20 revenue was $273 thousand above the estimate, FY/21 revenue is kept nearly flat with FY/20. Through the beginning of FY/21, revenues for restaurant and other business inspections and other fees have been impacted as a result of lower demand but will be re-evaluated during the FY/22 budget process. Growth is expected to rebound somewhat in FY/22 at 5.1% as business activity and potentially population growth begins to rebound.

Other Intergovernmental Assistance

Other intergovernmental assistance includes State shared revenues (excluding GRT), grants and county shared revenues. This category had declined in recent years due to changes in State policy and the manner in which grant revenue is received. Revenue for FY/20 was $211 thousand, or 4%, below the estimate due entirely due to decreased revenue from State shared motor vehicle registrations and Municipal Road Gas Tax revenues.

For FY/21 and the remainder of the forecast, the estimate assumes all intergovernmental revenue remains near growth of 0.5%, or a conservative estimate of population growth.

<u>Charges for Services</u>

Charges for services include fees charged for entry into City venues and services provided to citizens and other entities. FY/21 revenues are adjusted downward to account for significant impacts to City revenues from the closure of City parks and venues and cancellation of City events that attract large crowds. Additionally, reduced business activity, and in some cases waived fees, have impacted revenues. Revenue for FY/20 finished just $205 thousand, or 1%, above the estimate, which had been reduced in anticipation of negative impacts. FY/20 revenues finished 12%, or $2.6 million below FY/19. FY/21 revenues are reduced further by $3.6 million, or 18% from FY/20. In FY/22, it is assumed that many if not most of these venues and services will experience a rebound following the roll out of vaccines to much of the population and the economic recovery, if modest, to follow.

<u>Internal Service</u>

FY/21 revenues are kept at the budgeted level. FY/22 revenues through the remainder of the forecast are expected to increase with the rate of wage and salary compensation as forecasted by IHS.

<u>Indirect Overhead</u>

Indirect overhead in FY/21 is reduced modestly. FY/22 through the remainder of the forecast is increased at the rate of wage and salary compensation forecasted by IHS.

<u>CIP-Funded Positions</u>

FY/21 is reduced slightly from the budgeted level and FY/22 through the remainder of the forecast increases at the rate of wage and salary compensation forecasted by IHS.

<u>Miscellaneous</u>

This includes fines, rental of City property and "other miscellaneous" revenues. The FY/20 revenues were $1.3 million, or 37.6% below the estimate. FY/21 revenues are reduced an additional $1 million to reflect additional flat to negative revenues due to COVID-19 related sluggish activity. FY/22 revenues are then increased at 0.5% per year for the remainder of the forecast.

<u>Interest Earnings</u>

Interest earnings for FY/20 finished $1.3 million, or 151% above the estimate due to strong markets and earnings. FY/17 and FY/18 showed negative interest earnings due to a GASB adjustment for unrealized losses. These GASB entries are ultimately offset by an adjustment in the fund balance. In the forecast, it is assumed earnings do not reflect the adjustment for unrealized losses. The fund balance table will also not have an adjustment to offset unrealized losses or gains. FY/21 is conservatively estimated to be flat with FY/20 revenues given the ongoing volatility of markets. FY/22 to FY/25 are assumed to grow with the expected increases in two-year treasury rates as forecasted by IHS.

<u>Interfund Transfers</u>

Interfund transfers for FY/20 were $66 thousand below the estimate and FY/21 is kept flat with the budget. Transfers are kept at this level for the remainder of the forecast.

PROJECTED REVENUES FOR FISCAL YEARS 2021 TO 2025

	Unaudited	Budget	Five year					Growth				
	FY/20	FY/21	FY/21	FY/22	FY/23	FY/24	FY/25	FY/21	FY/22	FY/23	FY/24	FY/25
GRT												
State Shared 1.225%	212,306	194,063	205,058	211,211	218,748	225,820	232,349	-3.4%	3.0%	3.6%	3.2%	2.9%
Local GRT (w/o public safety)	96,508	89,210	91,691	93,422	96,171	98,776	101,079	-5.0%	1.9%	2.9%	2.7%	2.3%
GRT 1/4 Public Safety	42,268	37,521	40,662	41,773	43,202	44,544	45,773	-3.8%	2.7%	3.4%	3.1%	2.8%
local distribution compensating tax	1,766	1,543	1,766	-	-	-	-	0.0%	N/A	N/A	N/A	N/A
Penalty and Interest	2,955	2,589	2,928	2,987	3,047	3,107	3,170	-0.9%	2.0%	2.0%	2.0%	2.0%
3/8th Hold Harmless	51,675	50,276	51,210	53,616	56,029	58,270	60,426	-0.9%	4.7%	4.5%	4.0%	3.7%
Internet Sale	6,012	12,024	12,024	18,000	18,810	19,562	20,286	100.0%	49.7%	4.5%	4.0%	3.7%
Total GRT	413,490	387,226	405,339	421,010	436,007	450,081	463,083	-2.0%	3.9%	3.6%	3.2%	2.9%
2020 Balloon Fiesta	-		(3,250)									
Netflix			676	889	1,182	1,216	936	N/A	31.5%	33.0%	2.9%	-23.1%
Total GRT	413,490	387,226	402,765	421,899	437,189	451,297	464,019	-2.6%	4.8%	3.6%	3.2%	2.8%
Property Taxes	89,547	91,527	92,234	94,705	97,375	100,630	103,718	3.0%	2.7%	2.8%	3.3%	3.1%
Telephone	1,238	1,290	1,232	1,226	1,226	1,226	1,226	-0.5%	-0.5%	0.0%	0.0%	0.0%
Electric	9,367	12,594	14,050	14,390	14,667	14,982	15,307	50.0%	2.4%	1.9%	2.1%	2.2%
Gas	3,392	3,343	3,341	3,341	3,445	3,522	3,596	-1.5%	0.0%	3.1%	2.2%	2.1%
Cable TV	3,933	3,924	3,952	3,972	3,988	4,000	4,008	0.5%	0.5%	0.4%	0.3%	0.2%
Water Authority Franchise	7,917	7,844	7,917	8,234	8,234	8,563	8,563	0.0%	4.0%	0.0%	4.0%	0.0%
Telecommunications	274	225	266	266	266	266	266	-3.0%	0.0%	0.0%	0.0%	0.0%
Franchise (subtotal)	26,121	29,219	30,758	31,428	31,825	32,558	32,965	17.8%	2.2%	1.3%	2.3%	1.3%
Other Intergov'l	5,010	5,247	5,035	5,060	5,081	5,096	5,106	0.5%	0.5%	0.4%	0.3%	0.2%
Building Permits	8,248	7,336	7,836	10,010	10,546	9,335	9,528	-5.0%	27.7%	5.4%	7.5%	2.1%
Other Licenses/Fees	5,617	5,344	5,348	5,621	5,705	5,762	5,819	-4.8%	5.1%	1.5%	1.0%	1.0%
Charges for Services	20,030	21,191	16,425	20,137	21,144	21,355	21,569	-18.0%	22.6%	5.0%	1.0%	1.0%
Fines and Penalties	139	100	139	139	139	139	139	0.0%	0.0%	0.0%	0.0%	0.0%
Interest on Invest	2,183	872	872	874	878	881	885	-60.1%	0.3%	0.4%	0.4%	0.4%
Other Miscellaneous	2,207	3,433	2,350	1,922	1,931	1,941	1,951	6.5%	0.5%	0.5%	0.5%	0.5%
Enterprise - Golf	-	3,741	3,741	3,741	3,741	3,741	3,741	N/A	0.0%	0.0%	0.0%	0.0%
Interfund Transfers	2,283	2,401	2,401	2,401	2,401	2,401	2,401	5.2%	0.0%	0.0%	0.0%	0.0%
PILOT	2,184	2,234	2,234	2,263	2,291	2,320	2,349	2.3%	1.3%	1.3%	1.3%	1.3%
Indirect Overhead	16,369	18,888	18,888	19,429	19,562	20,039	20,151	15.4%	2.9%	3.6%	3.1%	3.0%
Internal Service	227	209	209	215	216	222	223	-7.9%	2.9%	3.6%	3.1%	3.0%
Transfers for CIP-Funded Positions	10,084	10,983	10,983	11,298	11,375	11,652	11,717	8.9%	2.9%	3.6%	3.1%	3.0%
Total Revenue	603,739	589,951	602,217	631,141	651,398	669,369	686,280	-0.3%	4.8%	3.2%	2.8%	2.5%
Non-Recurring Revenue	9,416	2,361	1,424	2,439	2,575	2,702	2,628	-84.9%	71.2%	5.6%	4.9%	-2.8%
Recurring Revenue	594,323	587,590	600,793	628,703	648,823	666,667	683,653	1.1%	4.6%	3.2%	2.8%	2.5%
Top Golf				(250)	(250)	(250)	(250)					
Winrock	(671)	(900)	(900)	(1,300)	(1,500)	(1,500)	(1,500)					
Mesa Del Sol (MDS)	(176)	(300)	(526)	(997)	(1,322)	(1,361)	(1,714)					
Total for TIDDS & Incentives	(847)	(1,200)	(1,426)	(2,547)	(3,072)	(3,111)	(3,464)					

The economic models that forecast GRT use information about the economy from the national IHS forecast and the UNM BBER 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 (November and December spending) the largest of the year. The models also estimate the impact of changes in State taxation policy.

Due to changes and erratic behavior of the hold harmless distributions, GRT is estimated without these distributions included. However, this limits the GRT data to 2004 when the hold harmless was first instituted. Prior to this, data was used back to 1990.

Food hold harmless distributions were looked at historically and found to track inflation for food consumed at home and for population growth. Medical hold harmless revenues have stabilized in the past year, and for future years it is assumed to grow conservatively at the rate of inflation.

The construction GRT model is based on housing construction and construction employment. It uses the full GRT data available back to 1990. Care is taken to account for differences 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. There are also adjustments for large projects in the metro area that are not within the City. These include the large hospitals in Rio Rancho, and the Facebook project in Los Lunas.

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.

Food and Medical Hold Harmless

The first year of the phased-out reduction in food and medical hold harmless distributions was FY/16. The distribution is reduced by 6% in FY/16 and an additional 6% in each of the following years through FY/20. From FY/21 through the complete phase out, the additional phase-out is 7%. The estimated total revenue for phase out is based on the total estimate before phase out in FY/18. The total before phase out calculations actually shrunk in FY/17 and FY/18, making the impact to the City smaller than originally estimated. The actual impact to the General Fund in terms of growth is a decrease of approximately 0.6% to 0.7% in the GRT growth rate.

Tax Increment Development Districts and Other Incentives

Revenue estimates of GRT were made using the tax base excluding distributions made to the TIDDs and penalty and interest payments. For future impacts, distributions to the TIDDs are directly taken out; however, in FY/15 there was a $1.7 million dollar pay back of GRT that had been incorrectly distributed to the Winrock TIDD. The distributions now made to the TIDD by TRD 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. While some of the construction has taken place, much of the plan has not happened as rapidly as expected. It is assumed that TIDDs reduce GRT in FY/21 by $1.4 million and $2.5 million in FY/22 and averaging just over $3 million through the rest of the forecast. It is further assumed that construction revenues are not a net loss to the General Fund, but 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 have been smaller in the recent past but the community is in a position to grow in the next few years.

At this time the only other GRT incentive currently in place is the payment to TopGolf through the Local Economic Development Act (LEDA). It is assumed that additional employment and GRT impact of the project, if any, is already included in the BBER and GRT forecasts. The revenue reductions are estimated at $250 thousand per year for FY/22 to FY/25. The positive impact on revenue and the cost in incentives for other LEDA projects are not explicitly included in this report.

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/21 through FY/25. For the current fiscal year ending June 30, 2021, expenses are projected using the original appropriation as a base. The base is then adjusted to account for subsequent appropriations by the City Council including $10.4 million in re-appropriated encumbrances. The assumption is that the departments will spend their full appropriations by the end of FY/21.

FY/22 estimated costs are, for the most part, derived independently of FY/21 estimates. The FY/22 forecast is compiled using the latest available information, including actual position information updated in December 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 are analyzed independently before adjustments are made for this General Fund forecast to reflect the associated impacts. The FY/22 expenditure estimates do not yet reflect any administrative initiatives to balance expenditures 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/22 is largely driven by inflationary factors applied to the FY/22 through FY/25 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 baseline, optimistic, and pessimistic scenarios of anticipated expense activity. 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			
TABLE A BASELINE SCENARIO FACTORS	SHORT NAME	FY/22	FY/23	FY/24	FY/25
CPI - All Urban Consumers, All Items	CPI-U	2.4%	2.3%	2.0%	2.1%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	2.9%	3.6%	3.1%	3.0%
Price Index Consumer Exp Medical Care	MEDICAL	2.9%	3.1%	2.8%	2.9%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	3.0%	0.0%	-1.2%	-1.6%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	4.0%	3.1%	2.2%	2.1%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	3.3%	-2.7%	2.9%	4.6%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	10.9%	7.3%	0.9%	2.7%
PPI - Fuels & Related Products, Electric Power	ELECT	1.9%	1.5%	1.8%	2.0%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	2.5%	2.7%	2.7%	2.7%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	1.1%	-0.4%	1.0%	0.9%
Growth of Gross Receipts Tax Revenue	GRT	3.0%	3.6%	3.2%	2.9%

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

($000's)	UNAUDITED ACTUAL FY/20	REVISED BUDGET FY/21	FORECASTS FY/22	FY/23	FY/24	FY/25
RESOURCES:						
Recurring Revenue	594,323	600,793	628,703	648,823	666,667	683,653
% Change Recurring Revenue		1.1%	4.6%	3.2%	2.8%	2.5%
Total Non-recurring	9,416	1,424	2,439	2,575	2,702	2,628
TOTAL REVENUES	603,739	602,217	631,141	651,398	669,369	686,280
% Change Total Revenue		-0.3%	4.8%	3.2%	2.8%	2.5%
BEGINNING FUND BALANCE	92,057	137,526	132,235	67,381	(26,099)	(120,174)
TOTAL RESOURCES	695,796	739,743	763,377	718,779	643,271	566,107
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	538,058	578,438	687,802	736,684	755,250	770,909
% Change Recurring Appropriation		7.5%	18.9%	7.1%	2.5%	2.1%
Non-recurring Exp/App:						
One-time Items	20,212	29,070	8,194	8,194	8,194	8,194
TOTAL EXPEND/APPROP	558,270	607,508	695,996	744,877	763,444	779,103
UNADJUSTED FUND BALANCE	137,526	132,235	67,381	(26,099)	(120,174)	(212,996)
ADJUSTMENTS:						
Encumbrances	(11,185)	0	0	0	0	0
Unrealized Gains on Investments	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)
Other Accounting Adjustments	(53)	(53)	(53)	(53)	(53)	(53)
TOTAL ADJUSTMENTS	(12,324)	(1,139)	(1,139)	(1,139)	(1,139)	(1,139)
ADJUSTED FUND BALANCE	125,202	131,096	66,242	(27,238)	(121,313)	(214,135)
RESERVES:						
1/12th Operating Reserve	53,463	48,595	58,000	62,073	63,620	64,925
Reserve for the Cost of Labor	17	0	0	0	0	0
Increase to Reserve	258	0	0	0	0	0
Misc	92	0	0	0	0	0
TOTAL RESERVES	53,830	48,595	58,000	62,073	63,620	64,925
AVAILABLE FUND BALANCE	71,372	82,501	8,242	(89,311)	(184,933)	(279,060)
1/12th Operating Reserve	46,523	50,626	58,000	62,073	63,620	64,925
Recurring Surplus/(Deficit)	56,248	22,355	(59,100)	(87,860)	(88,583)	(87,256)

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

	UNAUDITED ACTUAL FY/20	BUDGET FY/21	FY/22	% change	FY/23	% change	FY/24	% change	FY/25	% change
PERSONNEL	334,604	363,998	449,428	23.5%	463,341	3.1%	476,028	2.7%	488,566	2.6%
OPERATING	120,044	133,065	119,018	-10.6%	121,995	2.5%	125,116	2.6%	128,354	2.6%
CAPITAL	4,094	128	0	NA	0	NA	0	NA	0	NA
TRANSFERS	99,528	97,946	91,538	-6.5%	112,939	23.4%	117,884	4.4%	119,203	1.1%
ADDITIONAL ITEMS FACTORED	0	12,371	36,012	NA	46,602	29.4%	44,417	4.7%	42,979	3.2%
GRAND TOTAL	558,270	607,508	695,996	14.6%	744,877	7.0%	763,444	2.5%	779,103	2.1%

This forecast does not assume any reductions in recurring expenses for FY/22 which drives a recurring gap between revenues and expenses. As shown in Table B, the total increase in expenses peaks in FY/25, mostly due to the assumed cost increases for medical, police officer growth, pension obligations, and bringing capital on-line.

Labor costs make up the majority of overall costs to bring new or expanded facilities on-line. That said, a 2% wage increase for all employees is included in the personnel section in Table C for FY/22. The out years grow at a larger rate because they increase at the Employment Cost Index factor shown in Table A above.

Some non-recurring items are included for the entire forecast period. The availability of one-time funds depends on prior year reversions and additional revenue. Non-recurring items are assumed to be discretionary and will most likely be the first options for reductions given that non-recurring revenue is not available. The table below shows what is included as the potential non-recurring appropriation for FY/22.

Non-Recurring Items for FY/22 ($000's)

Department	Purpose	Amount ($000's)
City Support	City Vehicles	700
	LEDA	1,000
Council Services	Albuquerque Energy Challenge	40
	Community Bike Program	6
	HAWKS Athletic Club	30
	Partnership with UNM SPA	30
	Sparks Antonio Lorenzo Scholarship	25
	Tiny Home Village - Bern Co	75
	Trumbull Homeless Services	10
	Vizionz-Sankofa	10
	Way Out West Film Fest/SW Gay & Lesbian FF	5
Cultural Services	One Time Sponsored Events Contracts*	1,006
	Explora	250
Economic Development	3 Sisters Kitchen	20
	ABQID	100

Non-Recurring Items for FY/22 ($000's)		
Department	**Purpose**	**Amount ($000's)**
	AED and Albuquerque Economic Development	100
	African American Chamber of Commerce	40
	Barelas Mainstreet	60
	Calle Corte Market	30
	Downtown Mainstreet	60
	International Trade - Bernco	25
	Native American Film Makers	10
	Nob Hill Mainstreet	60
	Southeast Economic Development Center	20
	Southwest Women's Collaborative	50
	TedXABQ	5
	Vizionz-Sankofa	15
	West Central Community Development Group	13
	West Fest	20
Family & Comm. Services	One Time Sponsored Initiatives*	1,315
	Mayor' Taskforce on Dom Violence Hous Vchr-	100
Fire	Equipment/Furniture for new units	5
	Fleet Operations	100
Human Resources	Bilingual Testing	8
	HR Staff Professional Development	15
	Labor Negotiations	50
Legal	Citizenship Program	25
Parks and Recreation	New Mexico Games	25
	Park Security	200
	Reforestation Program	50
	Trails and Park Maintnance	100
	UNM Summer Camp	40
Planning	ADAPT Program	300
Police	Electronic Control Weapon Lease	986
	CNM Cadet Academy	90
	Independent Monitor Contract	800
	Drag Racing Tactical Plans	50
Senior Affairs	Support COVID Response	100
	Gift Cards	5
	Tarde de Oro	15
	TOTAL	**8,194**

A capital project, whether it is a new structure or an expansion of an existing footprint, most often requires additional costs to operate. The most significant cost increase shown in this forecast is due to Capital Implementation Projects (CIP) coming-on-line. The table below shows a detailed list of capital projects and the estimated costs to operate those projects. The estimates were calculated by the respective departments managing those facilities. In many situations, the needs always exceed available resources. Many of the previous year's items have been requested again in FY/22. Departments estimate a need of $16.1 million in additional funding to operate projects coming-on-line in FY/22. Including Transit, the estimates for FY/23 through FY/25 are $23.3 million, $26.9 million, and $27.5 million, respectively. (Note: the costs shown below are in total dollars and are independent of each other, meaning they are not compounded with the inflation factors in Table A.)

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Opening Date	FY 21 Budget	FY 22	FY 23	FY 24	FY 25
Animal Welfare						
Kennel D Project Phase II remodel Bldg operation costs: utilities & supplies (1872sf)	FY19	-	17,000	17,000	17,000	17,000
Mobile Clinic -Supplies	3/2020	-	5,000	5,000	5,000	5,000
Mobile Clinic -Supplies Operating (Microchips)	3/2020	-	10,000	10,000	10,000	10,000
Mobile Clinic- Vehicle Fuel	3/2020	-	4,000	4,000	4,000	4,000
Mobile Clinic- Vehicle Maintenance	3/2020	-	8,000	8,000	8,000	8,000
Mobile Clinic -Veterinarian Drugs & Medicine (DHLP,FVRCP,Rabies)	3/2020	-	12,500	12,500	12,500	12,500
Mobile Clinic-Veterinary Supplies	3/2020	-	40,000	40,000	40,000	40,000
Two (2) Veterinary Clinic Assistants (cleaning)	FY19	-	110,255	110,255	110,255	110,255
Total Animal Welfare Department		***$0***	***$206,755***	***$206,755***	***$206,755***	***$206,755***
Cultural Services						
BIO PARK EXHIBITS						
Asia	2022	-	500,000	500,000	500,000	500,000
Australia	2022	-	372,000	372,000	372,000	372,000
Farm	2022	-	312,873	312,873	312,873	312,873
Americas	2025	-	-	-	-	400,000
Penguins		-	27,427	27,427	27,427	27,427
MUSEUMS						
Albuquerque Museum Education Center	2024	-	-	257,863	515,727	515,727
International District Library	October 2021	-	945,072	945,072	945,072	945,072
Total Cultural Services Department		***$0***	***$2,157,372***	***$2,415,235***	***$2,673,099***	***$3,073,099***
Family and Community Services						
Alamosa Health and Human Service Center	03/2021	-	5,000	5,000	5,000	5,000

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category / *Department/Division*	Opening Date	FY 21 Budget	FY 22	FY 23	FY 24	FY 25
Dennis Chavez Community Center	11/27/2017	-	159,807	159,807	159,807	159,807
Homeless Facility	7/2019	-	6,216,307	6,216,307	6,216,307	6,216,307
Loma Linda Community Center Expansion	07/2020	-	39,225	78,450	78,450	78,450
McKinley Community Center	03/2021	-	-	11,500	23,000	23,000
Pat Hurley Community Center	11/17/2017	-	153,807	153,807	153,807	153,807
Sing Arrow Community Center	07/2020	-	194,673	194,673	194,673	194,673
Snow Park Community Center	03/2021	-	-	11,500	23,000	23,000
West Gate Community Center	07/2020	-	374,395	374,395	374,395	374,395
Total Department of Family and Community Services		***$0***	***$7,143,214***	***$7,205,438***	***$7,228,438***	***$7,228,438***
Fire						
Volcano Vista Station 23 Engine- (1 Captain, 2 Suppression Lt, 4 Suppression Driver, 8 Firefighter positions) Recurring	July 2023	-	-	1,492,455	1,537,229	1,537,229
Operating cost for Engine 23		-	-	32,782	33,765	33,765
Volcano Vista St. 23 Rescue- (4 Paramedic Lt, 4 Paramedic Driver positions) Recurring	July 2023	-	-	903,963	931,082	931,082
Operating cost for Rescue 23		-	-	32,782	33,765	33,765
Total Fire Department		***$0***	***$0***	***$2,461,982***	***$2,535,841***	***$2,535,841***
DMD/Roadways/ Traffic Engineering Division						
Albuquerque Traffic Management System/Intelligent Traffic Systems		-	480,000	520,000	540,000	540,000
Facilities Coming-On-Line		-	470,000	490,000	500,000	500,000
Increase in electricity costs due to additional equipment and rate increases of 2%		-	250,000	250,000	250,000	255,000
Intersection Signalization		-	260,000	310,000	340,000	370,000
New drainage systems		160,000	475,000	550,000	575,000	575,000
New Expanded Roadways		-	1,300,000	1,600,000	1,600,000	1,600,000
New Street lighting staff, equipment and materials		-	360,000	380,000	400,000	420,000
Repairs and Maintenance (Facilities)		-	85,000	95,000	105,000	115,000
RTMC Incident Management		798,109	166,000	166,000	166,000	166,000
Street Light maintenance & marking/signage		-	1,200,000	1,200,000	1,200,000	1,200,000
Transit Security		375,739	-	-	-	-
Total Department of Municipal Development		***$1,333,848***	***$5,046,000***	***$5,561,000***	***$5,676,000***	***$5,741,000***
Parks & Recreation						
Aquatics		-	150,000	150,000	150,000	150,000
Balloon Fiesta Park Improvements						200,000

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category / ***Department/Division***	**Opening Date**	**FY 21 Budget**	**FY 22**	**FY 23**	**FY 24**	**FY 25**
		-	200,000	200,000	200,000	
New Park Development & Land Acquisition		-	250,000	250,000	250,000	250,000
New Trail Development		-	40,000	40,000	40,000	40,000
Open Space associated with trails and Land Acquisition		-	80,000	80,000	80,000	80,000
Total Parks & Recreation Department		***$0***	***$720,000***	***$720,000***	***$720,000***	***$720,000***
Senior Affairs						
Adult Day Care Facility		20,099	21,000	21,000	21,000	21,000
North Domingo Baca Phase III (Gym)		-	239,838	239,838	239,838	239,838
North West Multigenerational Center		-	-	763,406	1,526,812	1,526,812
Palo Duro Fitness Addition		18,036	124,088	124,088	124,088	124,088
Total Department of Senior Affairs		***$38,135***	***$384,926***	***$1,148,332***	***$1,911,738***	***$1,911,738***
Technology and Innovation						
APPLICATIONS						
Clerkbase annual maintenance		3,200	7,000	7,000	7,000	7,000
I-payment		10,000	10,000	10,000	10,000	10,000
Shi - Phire license fee/support and maintenance		58,000	58,000	58,000	58,000	58,000
Leidos Iquoram Mayors Office software support		-	17,000	17,000	17,000	17,000
E-proval		-	42,000	42,000	42,000	42,000
Malware Endpoint protection		-	9,903	9,903	9,903	9,903
Lights out detection system - RFB currently out		-	148,000	148,000	148,000	148,000
ERP						
Mythics - Peoplesoft License expansion		97,000	15,630	97,000	15,630	15,630
INFRASTRUCTURE						
Ardham veritas backup expansion		-	-	11,000	11,000	11,000
BlueInk		25,000	25,000	25,000	25,000	25,000
Cisco UCS		-	20,000	50,000	50,000	50,000
Cognos		30,000	-	-	-	-
Consiliant Technologies -Netbackup support & maintenance		-	58,000	58,000	58,000	58,000
HPE Nimble Storage		-	15,000	20,000	20,000	20,000
Mitsubishi UPS batteries		-	-	-	25,000	-
Vmware		10,000	10,000	10,000	10,000	10,000
Total Department of Technology and Innovation		***$233,200***	***$435,533***	***$562,903***	***$506,533***	***$481,533***

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	Opening Date	FY 21 Budget	FY 22	FY 23	FY 24	FY 25
Total General Fund Departments CIP Coming-On-Line		**$1,605,183**	**$16,093,800**	**$20,281,645**	**$21,458,405**	**$21,898,405**
Transit						
Annual ART Operations	11/30/19	-	4,798,441	5,038,363	5,290,281	5,554,795
CMAQ Operating Grants to Pay		-	(2,112,785)	(2,112,785)	-	-
Daytona CNG Station - Monthly Maintenance - Begin January 2021		87,946	130,000	130,000	130,000	-
Total Transit Department Subsidy		***$87,946***	***$2,815,656***	***$3,055,578***	***$5,420,281***	***$5,554,795***
Total GF Subsidized CIP Coming-On-Line		**$87,946**	**$2,815,656**	**$3,055,578**	**$5,420,281**	**$5,554,795**
Total CIP Coming-On-Line		**$1,693,129**	**$18,909,456**	**$23,337,223**	**$26,878,686**	**$27,453,200**

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 October 2020 forecasts from the UNM Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). IHS prepares an optimistic and a pessimistic scenario which form the basis for the City 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 50%.

The sections presented below provide revenue and expenditure estimates in separate sections for 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 scenarios 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
(in $000's)

	FY/22	FY/23	FY/24	FY/25
Baseline	8,242	(89,311)	(184,933)	(279,060)
Optimistic	56,049	(31,103)	(118,030)	(205,965)
Pessimistic	(20,630)	(150,457)	(266,168)	(371,899)

The following sections provide fund balance tables and revenue and expense summaries for the alternative scenarios.

The final section contains a summary of IHS assumptions, detail on employment and other variables used in the forecast, and a table comparing growth rates by scenario for various economic variables.

IHS assigns the optimistic scenario a 20% probability of occurring. This scenario assumes vaccines for COVID-19 are ready for widespread use in early spring of 2021. It also assumes that guidelines for social distancing and masks are more widely observed so that daily new cases, hospitalizations and deaths reverse course and begin to decline quickly, allowing relaxation of containment measures and a quicker rise in consumer confidence and economic activity.

In the optimistic scenario, Albuquerque employment is actually slightly lower in FY/21 and FY/22 before rebounding stronger in FY/23 and FY/24 than the baseline scenario. Total employment in the optimistic scenario increases by about 298 more jobs by FY/25. Construction employment growth is above the baseline, with 492 more jobs by FY/25. Residential housing permits increase slightly by 169 units from FY/21 to FY/25. The unemployment rate stays slightly lower in the optimistic scenario. The moderately improved economic indicators in this scenario result is modestly improved expected GRT growth; however, throughout the pandemic, economic forecasts have predicted less variance between the optimistic and baseline scenarios than in the past. In FY/25, GRT is $6.4 million above the baseline and total revenues are nearly $12 million above the baseline. In addition to changes in GRT, there are increases in other taxes, building permits and charges for services.

Note: Even in the optimistic scenario, growth in revenue does not equal growth in expenditures and available fund balance is negative in the last three years of the forecast. The available fund balance in this scenario is $56.1 million in FY/22 and compounds to a negative $205.9 million in FY/25.

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

OPTIMISTIC SCENARIO INFLATION FACTORS

GLOBAL INSIGHT OPTIMISTIC SCENARIO	2021	2022	2023	2024	2025
All Items	1.7%	2.7%	2.5%	2.1%	2.2%
Employment Cost Index-Wages & Salary	2.2%	3.0%	3.7%	3.3%	3.2%
Medical Care	0.1%	3.2%	3.4%	3.0%	3.1%
Core CPI	0.8%	0.3%	0.7%	0.3%	0.3%
New Cars	2.3%	3.5%	0.3%	-1.0%	-1.3%
Trasportation	-0.8%	4.3%	3.4%	2.5%	2.3%
Natural Gas	15.3%	4.2%	-3.0%	2.2%	4.4%
Gasoline & Oil	-10.2%	12.6%	7.0%	0.1%	2.1%
Electricity Chained Price Index	1.6%	2.3%	1.7%	2.0%	2.1%
Govt Consumption Noncompensation	1.6%	2.6%	2.9%	2.8%	2.8%
Tires/Tubes/Accessories/Parts	1.3%	1.4%	-0.1%	1.0%	1.0%

General Fund Revenues

(In Thousands of Dollars)

	Unaudited	Budget	Five Year Forecast					Growth				
	FY/20	FY/21	FY/21	FY/22	FY/23	FY/24	FY/25	FY/21	FY/22	FY/23	FY/24	FY/25
Gross Receipts	413,490	387,226	403,388	423,809	443,052	459,229	470,433	-2.4%	5.1%	4.5%	3.7%	2.4%
Taxes	117,852	122,981	126,609	129,869	133,038	137,119	140,713	7.4%	2.6%	2.4%	3.1%	2.6%
Shared	5,010	5,247	5,050	5,091	5,126	5,147	5,167	0.8%	0.8%	0.7%	0.4%	0.4%
Permits	13,866	12,680	13,948	20,509	21,466	16,718	17,032	0.6%	47.0%	4.7%	-22.1%	1.9%
Charges for Services	20,030	21,191	17,627	21,716	22,802	23,030	23,260	-12.0%	23.2%	5.0%	1.0%	1.0%
Intra City	18,879	21,498	21,498	22,071	22,195	22,723	22,827	13.9%	2.7%	0.6%	2.4%	0.5%
Misc	4,529	4,405	3,659	3,236	3,252	3,271	3,293	-19.2%	-11.6%	0.5%	0.6%	0.7%
Enterprise-Golf		3,741	3,741	3,760	3,771	3,779	3,786	N/A	0.5%	0.3%	0.2%	0.2%
CIP Funded	10,084	10,983	10,983	11,313	11,384	11,687	11,747	8.9%	3.0%	0.6%	2.7%	0.5%
Total Revenue	**603,739**	**589,952**	**606,503**	**641,372**	**666,086**	**682,702**	**698,259**	0.5%	5.7%	3.9%	2.5%	2.3%

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

	UNAUDITED	REVISED	FORECASTS			
	ACTUAL	BUDGET				
($000's)	FY/20	FY/21	FY/22	FY/23	FY/24	FY/25
RESOURCES:						
Recurring Revenue	594,323	604,839	639,068	663,653	680,140	695,733
% Change Recurring Revenue		1.8%	5.7%	3.8%	2.5%	2.3%
Total Non-recurring	9,416	1,664	2,304	2,433	2,562	2,526
TOTAL REVENUES	603,739	606,503	641,372	666,086	682,702	698,259
% Change Total Revenue		0.5%	5.7%	3.9%	2.5%	2.3%
BEGINNING FUND BALANCE	92,057	173,447	172,442	115,390	32,454	(52,887)
TOTAL RESOURCES	695,796	779,950	813,814	781,476	715,157	645,372
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	538,058	578,438	690,230	740,828	759,850	776,604
% Change Recurring Appropriation		7.5%	19.3%	7.3%	2.6%	2.2%
Non-recurring Exp/App:						
One-time Items	20,212	29,070	8,194	8,194	8,194	8,194
TOTAL EXPEND/APPROP	558,270	607,508	698,424	749,022	768,043	784,797
UNADJUSTED FUND BALANCE	137,526	172,442	115,390	32,454	(52,887)	(139,426)
ADJUSTMENTS:						
Encumbrances	(11,185)	0	0	0	0	0
Unrealized Gains on Investments	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)
Other Accounting Adjustments	(53)	(53)	(53)	(53)	(53)	(53)
TOTAL ADJUSTMENTS	(12,324)	(1,139)	(1,139)	(1,139)	(1,139)	(1,139)
ADJUSTED FUND BALANCE	125,202	171,303	114,251	31,315	(54,026)	(140,565)
RESERVES:						
1/12th Operating Reserve	53,463	48,595	58,202	62,418	64,004	65,400
Reserve for the Cost of Labor	17	0	0	0	0	0
Increase to Reserve	258	0	0	0	0	0
Misc	92	0	0	0	0	0
TOTAL RESERVES	53,830	48,595	58,202	62,418	64,004	65,400
AVAILABLE FUND BALANCE	71,372	122,708	56,049	(31,103)	(118,030)	(205,965)
1/12th Operating Reserve	46,523	50,626	58,202	62,418	64,004	65,400
Recurring Surplus/(Deficit)	55,483	26,401	(51,162)	(77,175)	(79,709)	(80,870)

PESSIMISTIC SCENARIO

This scenario is based on the IHS pessimistic alternative and is assigned a probability of 30%. As a result of an upturn in COVID-19 cases, hospitalizations and deaths increase, resulting in increased containment measures. Secondly, rising cases and renewed containment measures result in slower consumer confidence and spending which negatively impact the economy. In Albuquerque, the unemployment rate increases to 9.5% in FY/21, and 7.0% in FY/22, rising more than 1.2% above the baseline of 5.8% for FY/22. Employment growth drops to -3.1% in FY/21 and only recovers 0.8% in FY/22. Total City employment is nearly 805 jobs below the baseline in FY/25, with construction employment 938 jobs below the baseline. Residential housing falters and is loses a total of 600 units below the baseline by FY/25.

The slowdown in employment and construction have a substantial impact on GRT and other revenues. Revenue growth slows, with GRT reaching nearly $24.9 million below the baseline in FY/22, recovering somewhat in FY/25 to $19.2 million below the baseline. Base GRT revenue growth is 5.4% below the baseline in FY/21 and 0.7% below the baseline in FY/22. Total revenue is $26.9 million below the baseline in FY/21 and nearly $34 million below the baseline in FY/22. In addition to declines in GRT there are substantial impacts on other taxes, building permits, and charges for services.

Note: Revenues grow slower than expenses and available fund balance is negative $20.6 million in FY/22. Assuming the initial deficit is not addressed, the recurring deficit compounds to a negative $371.9 million by FY/25.

Pessimistic Scenario Inflation Factors

GLOBAL INSIGHT PESSIMISTIC SCENARIO					
	2021	**2022**	**2023**	**2024**	**2025**
All Items	1.4%	1.4%	1.3%	1.2%	1.4%
Wages & Salary	2.0%	2.2%	2.3%	1.8%	1.6%
Medical Care	-0.1%	1.7%	1.9%	1.6%	2.1%
Core CPI	0.4%	-1.2%	-0.5%	-0.8%	-0.6%
New Cars	1.7%	1.6%	-0.9%	-2.2%	-2.5%
Trasportation	-1.0%	2.9%	1.9%	1.2%	1.3%
Natural Gas	15.2%	3.5%	-3.7%	1.9%	3.8%
Gasoline & Oil	-13.4%	9.7%	7.7%	3.8%	1.3%
Electricity	1.4%	1.1%	0.4%	0.8%	1.2%
Govt Consumption	1.5%	1.9%	2.1%	2.2%	2.3%
Auto Parts and Acessories	0.6%	-0.3%	-1.3%	0.0%	0.1%

General Fund Revenues

(In Thousands of Dollars)

	Unaudited	Budget	Five Year Forecast					Growth				
	FY/20	FY/21	FY/21	FY/22	FY/23	FY/24	FY/25	FY/21	FY/22	FY/23	FY/24	FY/25
Gross Receipts	413,490	387,226	380,930	397,025	412,135	430,514	444,810	-7.9%	4.2%	3.8%	4.5%	3.3%
Taxes	117,852	122,981	123,054	126,061	128,915	132,697	136,031	4.4%	2.4%	2.3%	2.9%	2.5%
Shared	5,010	5,247	5,025	5,040	5,050	5,061	5,071	0.3%	0.3%	0.2%	0.2%	0.2%
Permits	13,866	12,680	12,479	12,637	13,100	13,603	13,941	-10.0%	1.3%	3.7%	3.8%	2.5%
Charges for Services	20,030	21,191	14,422	16,758	17,596	17,772	17,950	-28.0%	16.2%	5.0%	1.0%	1.0%
Intra City	18,879	21,498	21,498	21,914	21,942	22,271	22,257	13.9%	1.9%	0.1%	1.5%	-0.1%
Misc	4,529	4,405	3,217	2,791	2,802	2,814	2,826	-29.0%	-13.3%	0.4%	0.4%	0.4%
Enterprise-Golf		3,741	3,741	3,737	3,734	3,730	3,726	N/A	-0.1%	-0.1%	-0.1%	-0.1%
CIP Funded	10,084	10,983	10,983	11,222	11,238	11,428	11,420	8.9%	2.2%	0.1%	1.7%	-0.1%
Total Revenue	**603,739**	**589,952**	**575,349**	**597,185**	**616,511**	**639,890**	**658,032**	-4.7%	3.8%	3.2%	3.8%	2.8%

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

($000's)	UNAUDITED ACTUAL FY/20	REVISED BUDGET FY/21	FORECASTS FY/22	FORECASTS FY/23	FORECASTS FY/24	FORECASTS FY/25
RESOURCES:						
Recurring Revenue	594,323	574,234	594,495	613,750	637,101	655,443
% Change Recurring Revenue		-3.4%	3.5%	3.2%	3.8%	2.9%
Total Non-recurring	9,416	1,115	2,689	2,761	2,789	2,589
TOTAL REVENUES	603,739	575,349	597,185	616,511	639,890	658,032
% Change Total Revenue		-4.7%	3.8%	3.2%	3.8%	2.8%
BEGINNING FUND BALANCE	92,057	173,447	141,288	38,814	(87,422)	(202,145)
TOTAL RESOURCES	695,796	748,796	738,472	655,325	552,468	455,887
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	538,058	578,438	691,464	734,553	746,419	754,865
% Change Recurring Appropriation		7.5%	19.5%	6.2%	1.6%	1.1%
Non-recurring Exp/App:						
One-time Items	20,212	29,070	8,194	8,194	8,194	8,194
TOTAL EXPEND/APPROP	558,270	607,508	699,658	742,747	754,613	763,058
UNADJUSTED FUND BALANCE	137,526	141,288	38,814	(87,422)	(202,145)	(307,172)
ADJUSTMENTS:						
Encumbrances	(11,185)	0	0	0	0	0
Unrealized Gains on Investments	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)
Other Accounting Adjustments	(53)	(53)	(53)	(53)	(53)	(53)
TOTAL ADJUSTMENTS	(12,324)	(1,139)	(1,139)	(1,139)	(1,139)	(1,139)
ADJUSTED FUND BALANCE	125,202	140,149	37,675	(88,561)	(203,284)	(308,311)
RESERVES:						
1/12th Operating Reserve	53,463	48,595	58,305	61,896	62,884	63,588
Reserve for the Cost of Labor	17	0	0	0	0	0
Increase to Reserve	258	0	0	0	0	0
Misc	92	0	0	0	0	0
TOTAL RESERVES	53,830	48,595	58,305	61,896	62,884	63,588
AVAILABLE FUND BALANCE	71,372	91,554	(20,630)	(150,457)	(266,168)	(371,899)
1/12th Operating Reserve	46,523	50,626	58,305	61,896	62,884	63,588
Recurring Surplus/(Deficit)	56,240	(4,204)	(96,969)	(120,803)	(109,318)	(99,422)

Comparison of Scenarios—National and Local Variables

Indicator/FY	SCENARIO Optimistic	SCENARIO Baseline	SCENARIO Pessimistic	Difference Optimistic	Difference Pessimistic	
GRT- (State Shared 1.225%)						
2021	-3.3%	-3.4%	-8.8%	0.1%	-5.4%	
2022	3.3%	3.0%	2.3%	0.3%	-0.7%	
2023	4.5%	3.6%	3.7%	0.9%	0.1%	
2024	3.7%	3.2%	4.5%	0.5%	1.3%	
2025	3.2%	2.9%	4.2%	0.3%	1.3%	
Employment -Albuquerque MSA						
2021	-1.7%	-1.6%	-3.1%	0.0%	-1.5%	L
2022	0.9%	1.3%	0.8%	-0.3%	-0.5%	O
2023	2.1%	1.5%	1.9%	0.6%	0.4%	C
2024	1.8%	1.5%	2.4%	0.3%	1.0%	A
2025	1.1%	1.5%	2.0%	-0.4%	0.5%	L
Unmployment Rate -Albuquerque MSA						
2021	9.1%	9.1%	9.5%	-0.1%	0.4%	
2022	5.4%	5.8%	7.0%	-0.3%	1.2%	
2023	4.8%	5.0%	6.3%	-0.2%	1.3%	
2024	4.7%	4.9%	5.8%	-0.2%	0.9%	
2025	4.5%	4.6%	5.2%	-0.1%	0.6%	
GRT Construction						
2021	3.6%	2.7%	1.7%	1.0%	-1.0%	
2022	6.4%	5.2%	1.8%	1.2%	-3.4%	
2023	4.0%	2.8%	1.7%	1.2%	-1.1%	
2024	5.8%	5.1%	4.2%	0.8%	-0.8%	
2025	4.9%	4.3%	3.9%	0.6%	-0.4%	
MSA Construction Employment						I
2021	0.0%	-0.4%	-1.0%	0.4%	-0.6%	D
2022	3.3%	2.6%	0.7%	0.6%	-1.9%	I
2023	0.6%	0.2%	-0.6%	0.3%	-0.8%	C
2024	2.5%	2.2%	2.0%	0.3%	-0.2%	A
2025	2.4%	2.2%	2.0%	0.2%	-0.2%	T
Residential Housing Permits-Inside City						O
2021	1,197	1,173	1,093	24	(80)	R
2022	1,199	1,164	1,044	35	(120)	S
2023	1,293	1,256	1,136	37	(120)	
2024	1,417	1,380	1,220	36	(160)	
2025	1,415	1,378	1,258	37	(120)	
Real GDP						
2021	1.6%	1.0%	0.4%	0.5%	-0.6%	
2022	4.9%	3.8%	3.0%	1.1%	-0.8%	
2023	2.9%	3.0%	3.2%	0.0%	0.2%	
2024	2.6%	2.6%	2.8%	0.0%	0.2%	
2025	2.4%	2.6%	3.0%	-0.2%	0.4%	
Unemployment Rate						
2021	6.7%	7.0%	7.3%	-0.3%	0.2%	
2022	4.6%	5.1%	5.8%	-0.5%	0.8%	N
2023	4.1%	4.5%	5.3%	-0.3%	0.8%	A
2024	3.9%	4.2%	4.7%	-0.3%	0.5%	T
2025	3.7%	4.0%	4.3%	-0.2%	0.3%	I
CPI-Urban Consumers						O
2021	1.7%	1.5%	1.4%	0.1%	-0.2%	N
2022	2.7%	2.4%	1.4%	0.4%	-0.9%	A
2023	2.5%	2.3%	1.3%	0.2%	-1.0%	L
2024	2.1%	2.0%	1.2%	0.1%	-0.7%	
2025	2.2%	2.8%	1.4%	-0.6%	-1.4%	
Interest Rates-Federal Funds Rate						
2021	0.1%	0.1%	0.1%	0.0%	0.0%	I
2022	0.1%	0.1%	0.1%	0.0%	0.0%	N
2023	0.1%	0.1%	0.1%	0.0%	0.0%	D
2024	0.2%	0.1%	0.1%	0.1%	0.0%	I
2025	0.6%	0.1%	0.1%	0.5%	0.0%	C
Interest Rates-Ten Year Treasury Bonds						A
2021	0.9%	0.8%	0.8%	0.0%	-0.1%	T
2022	1.2%	1.2%	0.9%	0.1%	-0.2%	O
2023	1.6%	1.4%	1.0%	0.2%	-0.4%	R
2024	1.8%	1.5%	1.0%	0.3%	-0.5%	S
2025	2.0%	1.7%	1.2%	0.3%	-0.5%	
West Texas Intermediate $/Barrel						
2021	42.5	40.9	41.1	1.6	0.2	
2022	52.1	48.9	44.5	3.1	(4.4)	
2023	57.0	54.2	49.9	2.8	(4.3)	
2024	56.6	55.0	52.5	1.6	(2.5)	
2025	58.8	57.4	54.2	1.3	(3.3)	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic - Baseline					Optimistic - Baseline				
	FY/21	FY/22	FY/23	FY/24	FY/25	FY/21	FY/22	FY/23	FY/24	FY/25
Total Gross Receipts	(21,835)	(24,874)	(25,054)	(20,782)	(19,209)	623	1,910	5,863	7,933	6,414
Taxes	(2,172)	(2,335)	(2,577)	(2,811)	(3,001)	1,383	1,472	1,547	1,611	1,682
Shared	(10)	(20)	(30)	(35)	(35)	15	30	46	51	61
Permits	(705)	(2,994)	(3,151)	(1,494)	(1,406)	765	4,879	5,215	1,620	1,684
Charges for Services	(2,003)	(3,379)	(3,548)	(3,583)	(3,619)	1,202	1,579	1,658	1,675	1,691
Intra City	-	(131)	(238)	(391)	(517)	-	26	16	61	52
Misc	(143)	(144)	(145)	(147)	(148)	298	301	304	310	319
Enterprise-Golf	-	(4)	(7)	(11)	(15)	-	19	30	38	45
CIP Funded	-	(75)	(137)	(225)	(298)	-	15	9	35	30
Total Revenue	**(26,868)**	**(33,957)**	**(34,887)**	**(29,479)**	**(28,248)**	**4,286**	**10,231**	**14,688**	**13,333**	**11,978**
Recurring Growth	**-4.4%**	**-5.4%**	**-5.4%**	**-4.4%**	**-4.1%**	**0.7%**	**1.6%**	**2.3%**	**2.0%**	**1.8%**

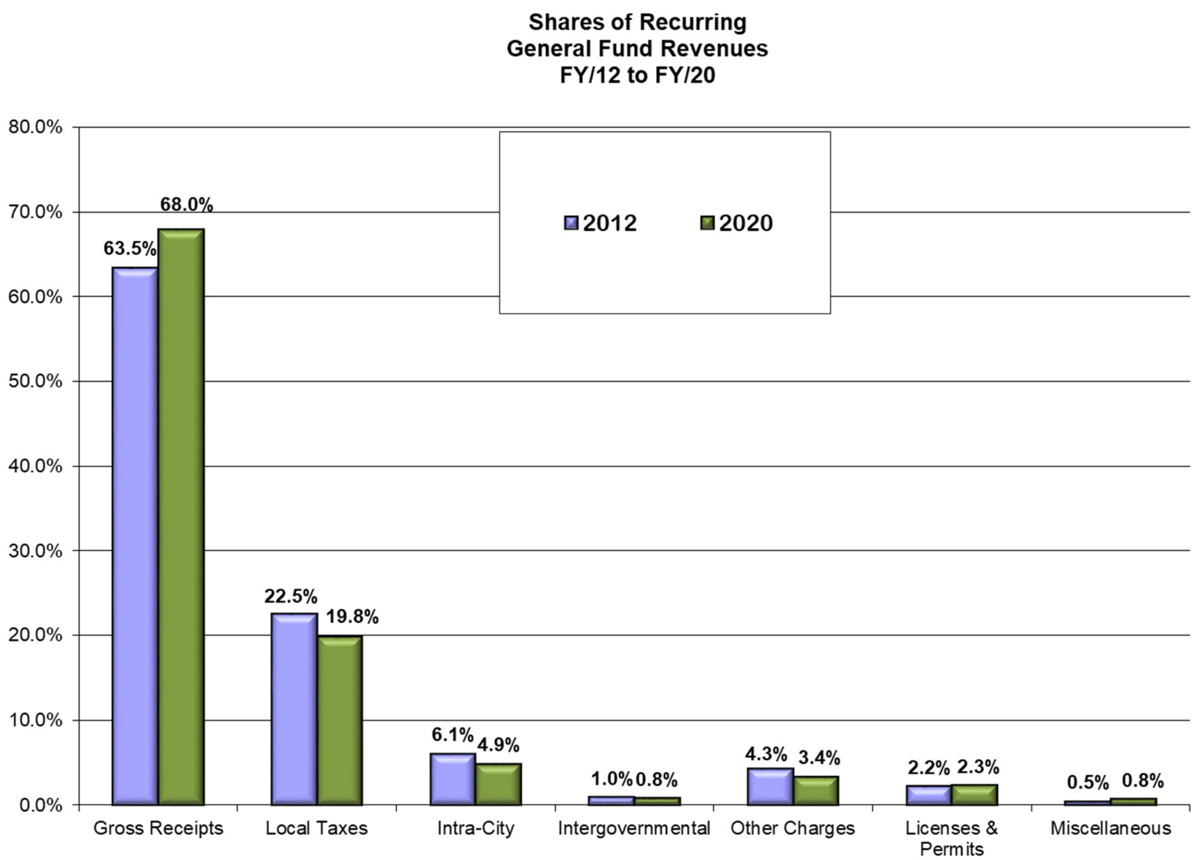
COMPARISON OF SCENARIOS

	Baseline (50%)	Pessimistic (30%)	Optimistic (20%)
GDP growth	Real GDP contracts 3.4% in 2020 as growth in the fourth quarter slows to a 5.6% annual rate. Growth rebounds 4.3% in 2021 and 3.6% in 2022. GDP crosses previous peak level in the third quarter of 2021	Real GDP falls 3.5% in 2020. Growth marks 3.0% in 2021 and 3.6% in 2022. GDP crosses previous peak level in first quarter of 2022	Real GDP contracts 3.4% in 2020 as fourth-quarter GDP growth scores a 5.9% rate. Growth rebounds 5.6% in 2021 and 3.9% in 2022. GDP crosses previous peak level in second quarter of 2021
Consumer spending	Spending falls 3.7% in 2020 before bouncing back 5.2% in 2021, powered by vaccines in the second half, and growing 3.8% in 2022	Spending plunges 3.8% in 2020 before bouncing back 3.9% in 2021 and 3.3% in 2022	Falls 3.7% in 2020 and rises 6.2% in 2021 and 4.0% in 2022
Business fixed investment	Falls 4.6% in 2020. Recovers 4.1% in 2021 and grows 5.3% in 2022	Plummets 4.6% in 2020, then rises 4.0% in 2021 and 5.2% in 2022	Drops 4.5% in 2020, then surges 6.7% in 2021 and 6.0% in 2022
Housing	Housing starts grow to 1.37 million in 2020 and rise further to 1.39 million in 2021 before slipping to 1.31 million in 2022	Housing starts fall from 1.37 million in 2020 to 1.34 million in 2021 and 1.24 million in 2022	Housing starts grow from 1.37 million in 2020 to 1.45 million in 2020 before settling back to 1.37 million in 2022
Exports	Fall 13.1% in 2020 before rebounding 9.4% in 2021 and 9.3% in 2022	Fall 13.2% in 2020 before rebounding 6.5% in 2021 and 10.6% in 2022	Fall 13.1% in 2020 before rebounding 10.9% in 2021 and 9.3% in 2022
Fiscal policy	New stimulus assumed in first half of 2021 including 4-mo. extension of PUA and PEUC programs and five months of $300/week expanded UI benefits	Same assumptions as in baseline	Same assumptions as in baseline
Monetary policy	Fed keeps the federal funds rate at the zero bound through late 2026; aggressive "quantitative easing" and liquidity enhancement measures	Fed keeps the federal funds rate at the zero bound through 2029; aggressive "quantitative easing" and liquidity enhancement measures	Fed keeps the federal funds rate at the zero bound until early 2024; aggressive "quantitative easing" and liquidity enhancement measures
Credit conditions	Tighten slightly in Q1 2021, then gradually ease	Remain slightly tighter than in baseline	Similar to baseline
Productivity growth	Rises to 2.9% in 2020 before falling to 0.3% in 2021 and recovering to 0.6% in 2022	Rises to 2.8% in 2020 before falling to 0.3% in 2021 and recovering to 0.5% in 2022	Rises to 2.8% in 2020 but falls to 0.7% in 2021 before recovering to 1.3% in 2022
Consumer confidence	Stagnates through first quarter of 2021 before rising strongly starting in the second half and topping out in 2023 beneath prior peak	Remains below the baseline over the entire forecast interval	Outperforms baseline over the entire forecast interval
Oil prices (Dollars/ barrel)	Brent crude oil averages $41 in 2020, $47 in 2021, and $56 in 2022	Brent crude oil averages $41 in 2020, $46 in 2021, and $50 in 2022	Brent crude oil averages $42 in 2020, $49 in 2021, and $59 in 2022
Stock markets	The S&P 500 (end-of-period) rises 6.2% in 2020, 18.6% in 2021, and 2.9% in 2022	The S&P 500 rises 5.8% in 2020, 13.4% in 2021, and 1.7% in 2022	The S&P 500 rises 6.6% in 2020 and accelerates to 20.9% growth in 2021 before slowing to 3.4% in 2022
Inflation (PCE)	Core personal consumption (PCE) price inflation is 1.4% in 2020, 1.7% in 2021, and 1.9% in 2022	Core personal consumption (PCE) price inflation is 1.4% in 2020 and 1.2% in 2021; slows to 0.7% in 2022	Core personal consumption (PCE) price inflation is 1.4% in 2020 and accelerates to 1.9% in 2021 and 2.2% in 2022
Foreign growth	Eurozone GDP rises 3.7% in 2021 after a 7.4% drop in 2020, while China's growth rises to 7.4% in 2021 after 2020 growth of 2.0%	Global economy suffers a more severe recession	Global economy experiences a recession that is less severe than in the baseline
US dollar	The real dollar depreciates from Q3 2020 through 2023 Q1 and gradually rises thereafter	Depreciates from Q3 2020 through late 2022 and thereafter appreciates through the end of forecast	Depreciates from Q3 2020 through late 2022 and thereafter appreciates through the end of forecast

REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/12 to FY/20 is presented below. These numbers reflect a two-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. The FY/20 amounts represent unaudited numbers and may change. Total receipts from FY/12 to FY/20 increased 24.6% or a compound annual rate of 3.3%. Recurring revenues for the same period showed annual growth of 3.2%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/12 and FY/20. The City's General Fund has become more reliant on Gross Receipts Taxes and less on local taxes (franchises and property tax). Licenses and permits remained at 2.3%. Charges for services became somewhat lower and miscellaneous revenues became a fraction higher.



The following sections present changes that occurred from FY/12 to FY/20, as well as detailed historical perspective, by category.

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

REVENUE SOURCE	FY/12	FY/13	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20	GROWTH FY/12 TO 20	COMPOUND ANNUAL RATE
GROSS RECEIPTS TAX	256,661	259,787	265,745	276,573	280,550	284,466	296,408	348,621	363,444	35.8%	4.4%
GRT PUBLIC SAFETY	34,981	35,436	36,239	37,606	38,236	38,720	40,283	40,500	42,268	15.8%	2.4%
INTERNET SALES									6,012		
LOCAL COMPENSATING TAX	1,690	1,485	1,570	2,361	1,325	1,269	1,557	1,542	1,766	-9%	0.6%
TOTAL GRT	293,331	296,708	303,554	316,540	320,111	324,456	338,248	390,663	413,490	33.2%	4.4%
OTHER LOCAL TAXES	104,779	104,957	105,273	107,542	108,010	111,203	111,584	114,743	117,852	9.5%	1.5%
LICENSES AND PERMITS	10,370	11,343	11,705	11,307	11,899	13,049	11,545	13,634	13,866	31.5%	3.7%
INTER-GOVERNMENTAL AID	4,837	4,750	4,808	4,327	4,739	4,887	4,753	5,219	5,010	7.9%	0.4%
INTRA-CITY CHARGES (1)	29,941	26,897	28,054	27,630	29,577	30,734	30,426	29,524	28,963	-1.4%	-0.4%
OTHER SERVICE CHARGES	19,758	20,599	22,301	20,841	21,537	22,924	24,161	22,669	20,030	14.7%	0.2%
MISCELLANEOUS	2,783	2,998	2,235	1,568	4,002	3,925	3,437	4,004	4,529	43.9%	6.3%
TOTAL REVENUES	465,799	468,252	477,930	489,756	499,875	511,179	524,154	580,457	603,739	24.6%	3.3%
LESS NON-RECURRING	3,724	2,330	3,199	4,836	4,210	4,915	8,768	2,965	9,416	-20%	12.3%
RECURRING REVENUES	462,075	465,922	474,731	484,920	495,665	506,264	515,386	577,492	594,323	25.0%	3.2%

NOTES:

(1) Includes CIP funded positions and inter-fund transfers

Other Local Taxes

This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category slightly reduced its share of total recurring revenues from 22.5% in FY/12 to 19.8% in FY/20. Overall, property tax revenues increased at an annual compound rate of 1.9%. There were no shifts in the tax that affected growth in this period. Residential growth continued to compensate for sluggish growth for non-residential.

Commercial property had shown slight new growth following the decline in existing values that persisted during the 2008 recession. Since commercial property values can be based on the income the property can earn, a struggling economy can be a drag on earning capabilities. New non-residential property tax values increased at an average annual rate of 1% from FY/12 to FY/20, and at $3.3 billion, remain below the 2010 high of $3.7 billion. However, residential property valuations grew at a 3.4% compound annual growth, surpassing the 2010 high of $8.6 billion at nearly $11.2 billion.

Historical slumps were due to several factors. Residential property values declined with the 2008 recession; new residential construction had been slow; and the Bernalillo County Assessor adjusted property values downward to avoid “tax lightning.” Tax lightning occurred when county assessors reassessed homes to the “current and correct value” in the year after they were sold, often spiking a new homeowner’s tax bill. Following a court case in 2009, the County Assessor limited assessments on these re-sold homes to a 3% annual increase, substantially reducing the residential tax base. This case was successfully appealed in 2012 and property values can now increase with their sale. However, declines in home values that followed the 2008 recession continued to limit the increases. In FY/12, residential rates were at a maximum and the yield control mechanisms would no longer increase rates. With low rates of inflation, yield control reduced rates from 6.544 mills in FY/12 to 6.241 in FY/18, a reduction of 5% in the rates. Notably, the current economic crises spurred by the Covid-19 pandemic has not negatively impacted home prices; rather, record low mortgage rates has fueled demand and exceeding low inventory has increased home prices dramatically. The 12-month average median sales price for a single-family detached home increased 10.7% in calendar year 2020. For FY/20, residential home values increased 3.3%. In the future, should property values increase greater than the rate of inflation, they will be limited by yield control.

The compound annual rate for total franchise revenues was flat from FY/12 to FY/20, with positive growth for the water utility only. For FY/20, growth was again mostly negative with the exceptions for electricity and water. The water authority has a stated policy to increase rates by 4% every other year; although, this does not always occur. The electricity franchise saw growth in revenues for FY/20 by 3.6%, possibly resulting from more people working from home during the health crisis. PILOT had annual compound growth of 3%. Historically, slow population growth and household formation contributes to sluggish growth in the franchises, as well as mild winters and modest rate increases.

Licensing and Permits

The share for this category remained at 2.3% for FY/20. The limited share was due in part to the fall in building permit and licensing revenue that occurred in FY/07 through FY/09. From FY/12, building permits have increased at an average compound annual rate of 5.6%, but as of FY/20, and despite strong building permit growth, even though the early months of the pandemic, revenues are only 67.2% of the FY/06 high. Other licenses and permits increased an average of 1%. This reflects a decline from previous years when there was increased use of barricading permits on roads and charging the Albuquerque Bernalillo County Water Utility Authority for the permits. Further, other permit revenues declined 10% in FY/20 exacerbated by the impacts of business declines resulting from the pandemic.

Intergovernmental Aid

Revenues from other governments not including GRT shared distributions accounted for 1.0% of General Fund recurring receipts in FY/12 and 0.8% in FY/20. Revenues increased 1.7% during this period due to losses of several shared revenue sources in the past. The only recurring revenues are the municipal gasoline tax, state shared vehicle taxes and county shared revenues, all of which declined somewhat in FY/20. The State stopped the cigarette tax revenues distribution in FY/11, an annual 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; however, these are now captured in charges for services. In FY/14, $108 thousand of revenue received from Bernalillo 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/12 these accounted for 6.1% of recurring revenues and 4.9% in FY/20.

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. In FY/17 the BioPark, due to the capital GRT tax for BioPark projects, added a position for managing the project. CIP-funded positions increased 5.5% in FY/20 following an influx of expected capital expenditures during the year.

Interfund transfers in total can vary substantially due to one-time transfers from other funds. In FY/10, FY/11, FY/13, and FY/16 the closing of projects in special assessment districts yielded transfers to the General Fund of $7.3 million, $2.3 million, $659 thousand and $1.3 million, respectively. In FY/08 large transfers were mainly due to transfers from the newly created Photo-Enforcement Fund. Transfers from the Photo-Enforcement Fund were used to pay for the cost of operating the program, largely the cost of the Administrative Hearing Office. The program was discontinued in December 2011, and in November 2019, the City Council approved a resolution to remove $21.3 million in uncollectable revenue. In FY/14 there was a one-time transfer of $2.3 million from the Operating Grants Fund. FY/19 included a one-time transfer from the Lodgers' Tax Fund of $622 thousand and the Hospitality Tax Fund of $60 for the National Senior Games. Also in FY/19 there was a reduction of $362 thousand in transfers from the Law Enforcement Protection fund to account for changes in forfeiture laws. The FY/19 transfers were reversed for FY/20.

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 began to decline in FY/14 with the start of the phase-out of the Sunport contract. In FY/19 revenues dipped temporarily to $77 thousand due to a decline in engineering inspections but returned to recent year levels in FY/20.

Indirect overhead (IDOH) revenues in FY/12 were $13.5 million, increasing to approximately $16.4 million in FY/20. 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 since the entity is independent and no longer accounted for as a component unit of the City.

Other Charges (Charges for Services)

Revenues from other charges accounted for 4.3% of General Fund recurring revenues in FY/12 and dipped from 3.9% in FY/19 to 3.4% in FY/20. 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 prior to the 2008 recession and then fell as construction faltered. Revenues from charges for legal services, primarily from the Risk Management Fund, increased due to a rate increase in FY/10, in large part. 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 Metropolitan Court 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. The BioPark was one of the few City venues to increase attendance during the 2008 recession. In September of FY/13, admission fees to the park were increased and revenues increased to $4 million for the year. The BioPark saw declines in revenue for FY/17, likely due to construction and delays associated with new exhibits for penguins and otters. While revenues missed expectations for FY19 due to in part to construction and delayed exhibit openings, revenues for the BioPark exceeded $4 million.

For FY/20, the unusual nature of the economic crisis induced by the pandemic resulted in significant impacts to the revenues in this category beginning in April 2020 when the crisis began to impact City entertainment venues, public events and demand for City services due to reduced business and entertainment activity. For FY/20, revenues declined 11.6% from FY/19 and are likely to decline as much again for FY/21.

Miscellaneous

This category has only a small share of recurring revenue and increased slightly from 0.5% in FY/12 to 0.8% in FY/20. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings had fallen dramatically, from $3.3 million in FY/08 to $213 thousand in FY/14. In FY/16, interest earnings increased to $1.1 million, but over half of this is due to the inclusion of unrealized gains. Due to an adjustment to capture unrealized losses, the General Fund posted negative interest earnings in FY/17 and FY/18. In FY/19, the General Fund posted a positive interest earnings of $871 thousand. For FY/20, unrealized gains for interest earnings increased significantly, from about $200 thousand to $2.2 million resulting from low interest rates and strong equity markets during the year.

Other sources 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 close to $200 thousand in recent years. In FY/14, there was one-time revenue of $381 thousand associated with the photo-enforcement program; this was 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. For FY/20 these revenues were also impacted by the pandemic, with miscellaneous revenues such as those from senior affairs activities library services impacted.

Gross Receipts Tax

GRT remains the major contributor to the General Fund, making up 68% of recurring revenues in FY/20. Non-recurring GRT revenue was about $9.4 million in FY/20 due to $6.8 million in lump sum hold harmless revenue resulting from amended tax returns from several years of improper filings from a food retailer, about $1.5 million of which will be ongoing assuming continued compliance from the retailer. The remaining non-recurring revenues is due to the phase out of the hold harmless distributions. 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 in 2019 and was reinstated by voters on November 11, 2019, without a sunset.

The following table provides a summary of the GRT from FY/12 to FY/20 by revenue source. The locally imposed GRT consists of the municipal imposed ½ cent (two quarters), public safety ¼ cent, infrastructure 1/16 cent, the transportation infrastructure ¼ cent, and the BioPark projects 1/8 cent tax which is reserved for capital projects at the BioPark. The transportation infrastructure tax and the BioPark projects tax are not included in the General Fund.

In the spring of 2018 City Council voted for a 3/8ths “hold harmless” tax increase, a tax increment made available to municipalities to following the phase out hold harmless distributions to municipalities which were originally provided to help cover the loss of revenues when certain food and medical goods were exempted from gross receipts taxes. The tax generated about $50 million for 11 months received in FY/19 and $51.7 million in FY/20. 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 was non-recurring. The base of the compensating tax includes revenues from oil producing activity and is at a substantially lower level in FY/18 and FY/19. The compensating tax revenue will cease in FY/22 when local increments are applied to internet sales.

Total Gross Receipts Tax revenues, including shared compensating tax, in the General Fund increased by 4.4% from FY/12 to FY/20. The increased growth is partly due to 3/8ths hold harmless tax increment that went into effect July 1, 2018. However, to more clearly determine 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 2.3% in this period. In FY/12, growth was limited in part due to the imposition of an administrative fee of 3.25% on tax revenue distributions; however, beginning in FY/20 the fee was reduced to 3% and removed altogether for food and medical hold harmless distributions. In FY/11 positive growth of 2.9% was achieved and the distribution increased in every year FY/12 to FY/19. Since the 2008 recession in real terms, only FY/14, FY/15, FY/16, FY/18, FY/19 and even FY/20 had growth that exceeded the rate of inflation. FY/20 began with significant growth through the beginning of the year, lessening the impact of the virus on revenues.

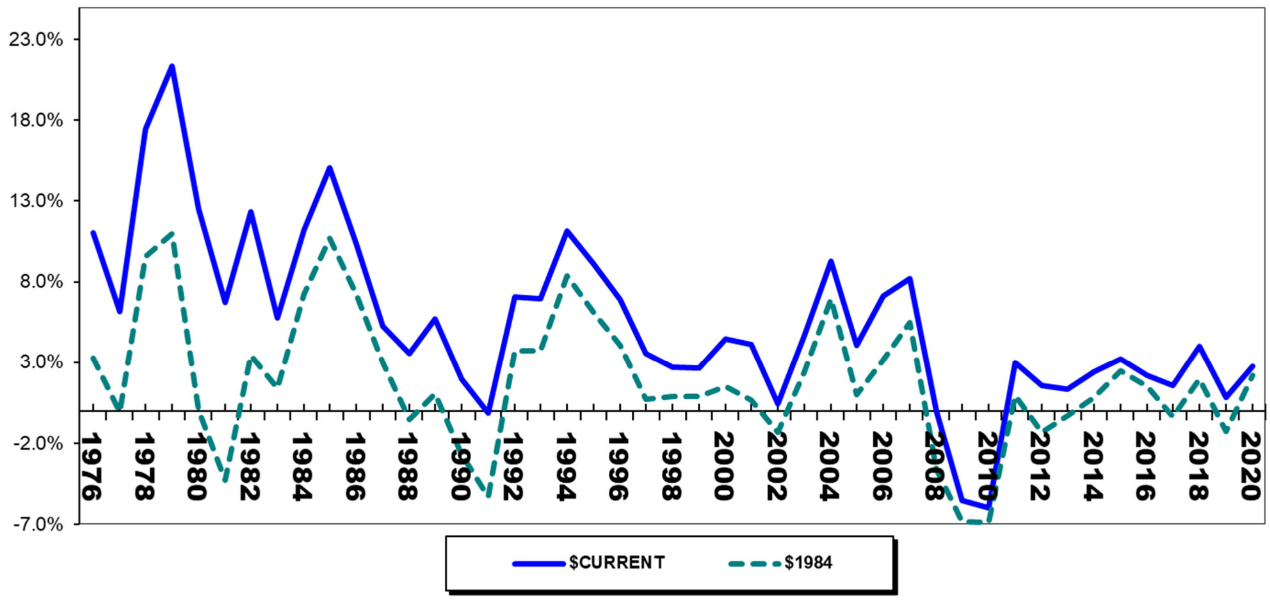
Unfortunately, with the impacts of the current downturn due to COVID-19, the projection for FY/21 is a decline of 3.4% for base growth as measured by the state-shared 1.225% increment.

GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2012 - 2020
($000's)

DETAIL ON GROSS RECEIPTS:	FY/12[5]	FY/13	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20[5]	FY'S 12-20 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:											
MUNICIPAL IMPOSED 1/2 CENT	72,081	73,006	74,661	77,481	78,796	79,817	83,052	83,534	86,203	19.6%	2.3%
PUBLIC SAFETY 1/4 CENT(3)	34,981	35,436	36,239	37,606	38,236	38,720	40,283	40,500	42,268	20.8%	2.4%
INFRASTRUCTURE 1/16 CENT (2)	8,576	8,685	8,895	9,237	9,387	9,523	9,913	9,986	10,305	20.2%	2.3%
HOLD HARMLESS 3/8 CENT								49,992	51,675		
	115,637	117,127	119,795	124,324	126,419	128,061	133,248	184,011	190,451	64.7%	6.4%
STATE SHARED RECEIPTS:											
1% DISTRIBUTION	141,780	143,688	147,162	152,725	155,223	157,529	163,962	165,276	173,305	22.2%	2.5%
.225% DISTRIBUTION	31,906	32,336	33,117	34,366	34,931	35,450	36,898	37,194	39,001	22.2%	2.5%
MUNICIPAL SHARE INTERNET SALES TAX									6,012		
MUNICIPAL SHARE COMPENSATING TAX	1,690	1,485	1,570	2,361	1,326	1,381	1,557	1,542	1,766	4.5%	0.6%
	175,375	177,509	181,849	189,452	191,480	194,361	202,417	204,012	220,084	25.5%	2.9%
TOTAL TAX RECEIPTS	291,013	294,636	301,644	313,776	317,899	322,422	335,665	388,023	410,535	41.1%	4.4%
PENALTY & INTEREST	2,318	2,072	1,910	2,765	2,212	2,078	2,583	2,640	2,955	27.5%	3.1%
TOTAL GENERAL FUND DISTRIBUTION(6)	293,331	296,708	303,554	316,540	320,111	324,500	338,248	390,663	413,490	41.0%	4.4%
MUNICIPAL IMPOSED 1/4 CENT											
TRANSPORTATION2000 (4)											
TRANSPORTATION2010 (4)	34,349	34,815	35,585	36,777	37,616	38,154	39,720	40,011	41,603	21.1%	2.4%
	34,349	34,815	35,585	36,777	37,616	38,154	39,720	40,011	41,603	21.1%	2.4%
CAPITAL PURPOSES IMPOSED 1/8 CENT											
BIO PARK PROJECTS TAX(7)						15,579	17,773	19,970	18,683		
TOTAL GROSS RECEIPTS TAX REVENUES(1)	327,680	331,524	339,138	353,318	357,728	378,233	395,741	450,644	473,775	44.6%	4.7%

(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) 1/4 Cent Transportation Infrastructure Tax was renewed by voters on November 5, 2019 and will not sunset
(5) An administrative fee of 3.25% was added to the food and medical hold harmless portion of all the GRT distributions in FY/12 and removed in FY/20.
(6) Reductions in the food and medical hold harmles distributions are counted as one-time revenue.
(7) The tax is to be used only for BioPark capital projects. It sunsets on June 30, 2031.
(8) Went into effect July 1, 2018.

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2020



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, a newly imposed administrative fee on food and medical distributions made 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 FY/91, with a minimal decline of 0.2%. Since the recession only FY/11, FY/14 through FY/16, FY/18 and FY/19 have posted real growth in GRT. FY/17 shows a decline in real terms, in part, due to the phase out of the hold harmless distributions.

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/16 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,
- 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,
- Deductions for inputs consumed in the manufacturing process, and
- Deductions for Space Based efforts at the Airforce Research Labs.

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%; however, this distribution is being phased out over 15 years beginning in FY/16. The deduction for manufacturing inputs was phased over five years beginning with a half year in FY/13.

ACCURACY OF THE REVENUE ESTIMATES

A summary of information regarding the accuracy of General Fund revenue estimates over the past 10 years is presented in this section.

General Fund revenue estimates are officially updated three times over the course of a budget cycle. When the annual budget is prepared each spring, the original estimate of revenue is made for the following fiscal year ending June 30th, looking 16 months out. In the fall/winter, the current-year revenue estimate is revised as part of the Five-Year Forecast, looking 6-months out for the year ending June 30th. The revenue is revised again a second and final time as the subsequent year's budget is developed, again looking forward to the fiscal year ending June 30th, which is 4-months out.

The first set of columns report the accuracy of the 4-month revised estimates. The second set of columns report the error of the 6-month revised estimates prepared as part of the Five-Year Forecast, finalized in December. The final set of columns report the differences between the actual results and the original budget estimates prepared in February and March of the prior year. In each case, the figures are presented for the GRT, total recurring receipts, and non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are 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/20.

For FY/20, the 6-month estimate at the Five-Year Forecast was prior to the onset of the COVID-19 health crisis. Due to strong early growth for the year, revenue had been revised up from the approved FY/20 budget. The June forecast at the 4-month period was just after the first economic impacts of the crisis and reflect the City's first attempt at estimating what the full impacts of the virus.

ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)

(in $000s)

	MARCH REVISION 4 MONTH ESTIMATE		FIVE YEAR FORECAST 6 MONTH ESTIMATE		APPROVED BUDGET 16 MONTH ESTIMATE	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
FISCAL YEAR 2020 (Unaudited Results)						
Gross Receipts Tax	6,697	1.6%	(13,191)	-3.2%	(281)	-0.1%
Recurring Revenues Less CIP	5,161	0.9%	(21,967)	-3.8%	(16,797)	-2.9%
Non-Recurring	227	2.4%	227	2.4%	8,084	85.9%
FISCAL YEAR 2019						
Gross Receipts Tax	105	0.0%	1,014	0.3%	3,871	1.0%
Recurring Revenues Less CIP	(3,678)	-0.6%	(1,896)	-0.3%	1,492	0.3%
Non-Recurring	-	0.0%	0	0.0%	(1,370)	-46.2%
FISCAL YEAR 2018						
Gross Receipts Tax	8,207	2.4%	8,207	2.4%	46	0.0%
Recurring Revenues Less CIP	(15)	0.0%	(1,770)	-0.4%	(12,299)	-2.5%
Non-Recurring	6,148	62.4%	6,679	67.8%	7,054	71.6%
FISCAL YEAR 2017						
Gross Receipts Tax	(3,147)	-1.0%	(3,147)	-1.0%	(7,555)	-2.3%
Recurring Revenues Less CIP	(2,830)	-0.6%	(1,671)	-0.3%	(4,756)	-1.0%
Non-Recurring	-	0.0%	2,556	55.8%	2,146	46.9%
FISCAL YEAR 2016						
Gross Receipts Tax	(2,443)	-0.8%	(3,643)	-1.1%	118	0.0%
Recurring Revenues Less CIP	(1,758)	-0.4%	(1,640)	-0.3%	141	0.0%
Non-Recurring	572	12.0%	777	16.2%	777	16.2%
FISCAL YEAR 2015						
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%

ACTUAL AND ESTIMATED REVENUE IN FY/20

All figures in $1,000's

	UNAUDITED ACTUAL	ESTIMATES								
		2nd Revision (March 2020)			1st Revision (Dec. 2019)			Approved Budget (May 2019)		
REVENUE SOURCES:	FY/20	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	413,490	406,793	6,697	2%	426,681	(13,191)	-3.2%	413,771	(281)	-0.1%
Property Tax	89,547	89,121	426	0%	89,121	426	0.5%	87,895	1,652	1.8%
Franchise Tax-Telephone	1,238	1,296	(58)	-5%	1,234	4	0.3%	1,425	(187)	-15.1%
Franchise Tax-Electric	9,367	8,773	594	6%	9,059	308	3.3%	9,376	(9)	-0.1%
Franchise Tax-Gas	3,392	3,397	(5)	0%	3,795	(403)	-11.9%	3,524	(132)	-3.9%
Franchise Tax-Cable TV ABQ	3,933	3,904	29	1%	3,984	(51)	-1.3%	4,282	(349)	-8.9%
Franchise Tax - Water Auth	7,917	7,844	73	1%	8,077	(160)	-2.0%	8,303	(386)	-4.9%
Franchise Tax-Telecom	274	225	49	18%	259	15	5.6%	269	5	2.0%
Other Intergovernmental Assistance	5,010	5,221	(211)	-4%	5,480	(470)	-9.4%	4,886	124	2.5%
Building Permit Revenue	8,248	7,682	567	7%	7,853	395	4.8%	7,853	395	4.8%
Permit Revenue	5,617	5,344	273	5%	5,740	(123)	-2.2%	5,740	(123)	-2.2%
Service Charges	20,030	19,825	205	1%	24,943	(4,913)	-24.5%	26,025	(5,995)	-29.9%
Fines & Penalties	139	141	(2)	-1%	205	(66)	-47.5%	205	(66)	-47.5%
Earnings on Investments	2,183	871	1,312	60%	1,236	947	43.4%	1,236	947	43.4%
Miscellaneous	2,207	3,539	(1,333)	-60%	3,437	(1,230)	-55.8%	3,287	(1,080)	-49.0%
Transfers From Other Funds	2,283	2,349	(66)	-3%	2,349	(66)	-2.9%	2,349	(66)	-2.9%
Payments In Lieu of Taxes	2,184	2,212	(28)	-1%	2,212	(28)	-1.3%	2,212	(28)	-1.3%
IDOH	16,369	19,521	(3,152)	-19%	19,521	(3,152)	-19.3%	19,521	(3,152)	-19.3%
Services Charges-Internal	227	209	18	8%	209	18	7.9%	209	18	7.9%
Transfers For CIP Positions	10,084	11,673	(1,589)	-16%	11,673	(1,589)	-15.8%	11,673	(1,589)	-15.8%
									0	
TOTAL REVENUE	603,739	599,940	3,799	1%	627,069	(23,330)	-3.9%	614,041	(10,302)	-1.7%
			-			-			-	
LESS: NON-RECUR	9,416	9,189	227	2%	9,189	227	2.4%	1,332	8,084	85.9%
			-			-			-	
RECURRING REVENUE	594,323	590,751	3,572	1%	617,879	(23,556)	-4.0%	612,709	(18,386)	-3.1%