

# **CITY OF ALBUQUERQUE**

## **Five-Year Forecast Fiscal Year 2025-2029**

**January 2025**



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## **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

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The Five-Year Forecast estimates future revenues and expenditures for the General Fund and those funds subsidized by the General Fund for the current fiscal year 2025 (FY/25) through FY/29. 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 revenue information contained in this forecast is based on the data available through December 2024. 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/26 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 2024 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, comprised of experts within and outside government, reviewed the forecasts and revenue projections prepared by the City Economist.

The current five-year outlook for revenue growth largely reflects less concern for a severe economic downturn; however, a return to more historical growth rates represents quite a contrast with recent years that included historical federal assistance and impressive post-pandemic recovery growth. Additionally, the phase-out of food and medical hold harmless payments

decreases to 35% in FY/25 and drops to 28% in FY/26, resulting in an estimated \$47.3 million in lost revenue for FY/26 compared with no phase out. Additionally, this forecast projects a modest continuation of City- and region-wide construction projects that have boosted construction employment and GRT in recent years, with the expectation that inflation will play a smaller roll in revenue gains going forward. Finally, the assumptions in this forecast do not include estimated impacts of the incoming presidential administration as that information was not yet available. However, January 2025 data will be available prior to the development of the City Administration's proposed budget and will be considered at that time.

The GRT revenues for FY/24 were \$2.1 million, or 0.4%, below the amount estimated in the approved FY/25 budget process (estimate). Total General Fund revenue for FY/24 was 0.8%, or \$6.5 million, over the FY/24 original budget. It is estimated that \$4.1 million of this is one-time revenue, most of which is due to the phase-out of food and medical hold harmless payments that began in FY/16.

GRT growth for FY/25 has had a promising start, with cumulative growth as of October at around 4.5% over the same period last year. This is above the estimated 2.1% growth expectation for the FY/25 budget based on the State-shared increment. While August revenue grew by 7.8%, that month's distribution included a \$1.3 million lump sum food hold harmless distribution due to an amended tax return. While July and September revenues hovered around 2%, the October distribution rebounded to a robust 6.5%.

For FY/26, total GRT growth is expected to slow to 2.2%, reflecting a slower economy characterized by a pullback in both consumer spending and business investment, including declines in retail and other sectors of employment.

For FY/25, base GRT growth as measured by the State share 1.225% is expected to

## EXECUTIVE SUMMARY

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grow 3.6%. In the remainder of the forecast, growth slows to more historical levels at 2.2% for FY/26, 1.9% in FY/27, and averaging 0.9% by FY/28 and FY/29. This reflects a slowing economy, softened labor market and moderating consumer spending and business investment.

GRT receipts, which comprised 70.8% of all General Fund revenues in FY/24, continued to be less volatile in the year as the post-pandemic economic recovery and severe inflation winds down and major tax changes at the State level, such as cannabis sales and taxes on internet sales, are incorporated into expectations.

This also includes the reduction in the distribution for food and medical hold harmless payments resulting from a 15-year phase-out that began in FY/16. 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.

However, there are other expected impacts that affect growth in GRT. This includes Tax Increment Development Districts (TIDDs), such as the expansion of Winrock and Mesa Del Sol (MDS), which had experienced delays and setbacks in FY/20 and FY/21 due in part to COVID-19. However, renewed development in the Winrock and Mesa Del Sol (MDS) TIDDs boosted these transfers significantly in FY/24, largely due to the expansion of Netflix in the MDS TIDD. Construction is expected to moderate somewhat in FY/25 and into the outyears of the forecast; however, estimates will be revised as new information on development is available.

Along with the impact of TIDDs there are the impacts of the Local Economic Development Act (LEDA). These are estimated at \$200 thousand per year during the forecast, beginning in FY/25.

In FY/24, building permits were 3.3%, or about \$296 thousand below the estimate. This was 8.1% below FY/23. For FY/25, the

revenue estimate is \$10.3 million, 17.1%, or \$2 million below the budget, due in part to FY/24 actuals. Additionally, due to the delayed implementation of department IT software, only about half of the expected revenue impacts from increased fees, or about \$1.25 million, will be realized in FY/25. Revenue increases for other permits approved in the FY/25 budget were later disapproved by City Council in the enabling ordinance resulting in a decrease of \$1.5 million in FY/25 and \$2.9 million in FY/26.

For FY/26, the projection for all building permits is 12.1% over FY/25, in part due to expected construction activity but also to the impact of a full year of proposed fee increases, such as for plumbing/mechanical, electrical and re-roofing.

FY/24 property tax revenues were 4.3%, or about \$5.8 million, over the approved budget and 5.8% over FY/23, with current revenues growing 6% and delinquent revenues declining about 1.4%. For FY/25, property tax revenues are projected to grow 4%, which is consistent with billable records at the County as of this date. The growth rate for FY/26 is expected to cool somewhat and is projected at 3%.

Recurring FY/24 franchise tax revenues were \$1.4 million, or 4.2% below the estimate, largely due to the gas and electric franchises. While rate increases for the gas, electric and water franchises are expected to impact the forecast in various years, due to potentially volatile energy prices and conservation efforts, the forecast assumes modest overall growth of 2.1%, 3.1% and 4.4% for FY/25, FY/26 and FY/27, respectively.

For FY/24, service charges were \$260 thousand, or about 0.9% over the estimate and 1% over FY/23. For FY/25, charges for service expectations are essentially held flat with FY/24 due to expected moderation in consumer and business spending. Growth is held close to the expected population growth rate for FY/26 and the outyears of the forecast as consumer demand continues to show caution.

## EXECUTIVE SUMMARY

Miscellaneous revenues in FY/24 were \$6.3 million, or 96.9% above the estimate. The majority of the additional revenue was the result of two accounting adjustments that took place at the end of the year. Both of these revenues are expected to be non-recurring. Consequently, revenues for FY/25 are decreased by 43.6%. FY/26 and outyear revenues are conservatively projected at less than .05%.

Finally, strong equity markets and larger fund balances allowed for \$3.8 million in interest on investments for the General Fund. For FY/24, earnings were \$807 thousand, or 27% over the estimate. Currently, FY/25 is estimated at 48.4% below the FY/24 actual. Year-to-date revenues are currently well below the same period in FY/24. For FY/26 and beyond, growth is estimated at the growth rate of two-year treasuries.

### Fiscal Year 2025 Budget Outlook

The Approved General Fund budget for FY/25 is \$851.2 million, reflecting a total increase of \$24.5 million, or 2.9%, over the original FY/24 budget, not including reserves. Appropriation increases include \$11.4 million for citywide wage increases, which are subject to negotiations for union positions; \$6.5 million for the additional FY/24 1.5% COLA; and \$2.4 million for Planning Department enhancement efforts, Community Safety support for 24/7 operations, Civilian Police Oversight Agency support for DOJ-CASA compliance efforts, and Council operational enhancements. Other significant cost drivers are the 0.5% retirement contribution increase at a cost of \$2.2 million and health care costs which rose by 3.5% for medical at a cost of \$1.9 million.

The amount of non-recurring appropriations at \$32.4 million is lower as compared to the \$49.9 million in the original approved FY/24 budget. This decrease reflects the reduction of \$17.5 million in non-recurring funding to support various one-time initiatives that was used in FY/24 throughout department budgets.

Non-recurring appropriation highlights include: \$1.2 million for Gateway West; \$8 million for affordable housing vouchers; \$1.6 million for risk recovery; \$1.9 million for Arts and Culture sponsored events; \$1 million for LEDA projects; \$2.6 million for Health, Housing and Homelessness sponsored events; \$123 thousand for Youth and Family Services sponsored events; and \$1.3 million to continue the Job Training program.

The FY/25 approved budget continues Albuquerque Community Safety's (ACS) vital service of responding to calls for service 24/7 and performing outreach for inebriation, homelessness, addiction, and other issues that do not require police or EMT response. ACS is funded at \$17.9 million and supports 126 full-time positions.

The Department of Family and Community Services separated into two departments in FY/25. The Departments of Health, Housing and Homelessness, and Youth and Family Services now serve the community with refined missions.

For FY/25, the Transit General Fund subsidy is \$30.1 million. Transit's inclusive subsidy is now recurring as the City's zero fare program is permanent.

### Fiscal Year 2026 Budget Outlook

The forecast for FY/26 includes anticipated expenses using the best available information. The net effect is a forecasted budget of \$897.8 million. This would be an increase of \$46.6 million, or 5.5%, over the original FY/25 original budget. The FY/26 increase is primarily due to negotiated and forecasted wage increases, capital projects coming-on-line, and anticipated medical, dental, and vision increases.

Five-Year Forecast for FY/26 includes an estimated \$4.8 million for the operation of capital projects coming-on-line; \$4.6 million for an increase in medical benefits; \$14.6 million for various union negotiated and forecasted wage increases; \$31 million subsidy to support Transit Department

## EXECUTIVE SUMMARY

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operations, and \$3.2 million for risk recovery allocations.

Historically, the majority of non-recurring resources come from unspent appropriations from prior years. As budgets contract, those resources become less common, putting a constraint on the allocation for non-recurring uses. The FY/26 forecast includes \$28.3 million in non-recurring expenses, while only \$4.4 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 decrease in the cost of risk allocated to the departments is reflected in this forecast. Workers' compensation and tort increased by \$698 thousand for FY/26 as compared to FY/25. The Risk Recovery transfer is funded at \$3.2 million in the General Fund for FY/26.

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/26. 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.

### Fiscal Years 2026 – 2029 Budget Outlook

Most of the underlying assumptions in FY/26 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 6.7% for health care costs through FY/29. 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 requirement to submit a structurally balanced annual budget. That said, the baseline forecast for FY/26 reflects an overall fund balance of negative \$49.5 million, which transitions to an unmet compounded need of \$474.9 million in FY/29.

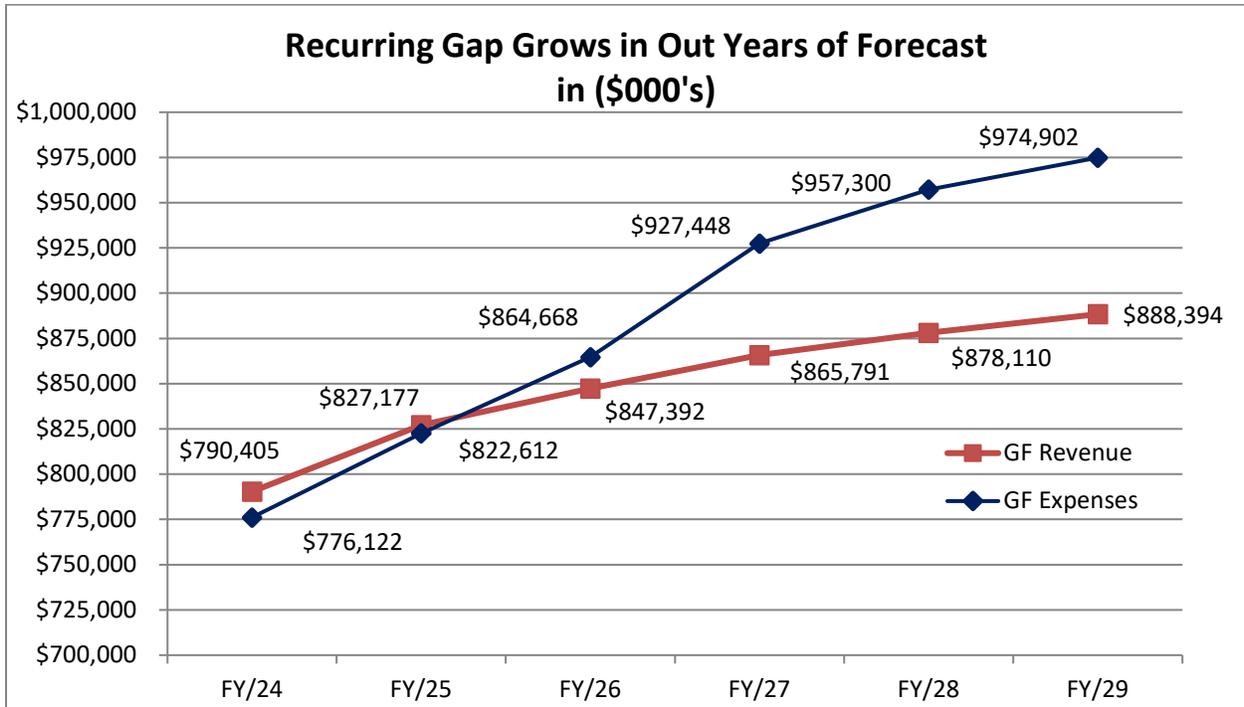
Table B on the following page shows the entire General Fund Baseline summary.

## EXECUTIVE SUMMARY

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

(\$000's)	AUDITED	REVISED	FORECASTS			
	ACTUAL FY/24	BUDGET FY/25	FY/26	FY/27	FY/28	FY/29
<b>RESOURCES:</b>						
Recurring Revenue	790,405	827,177	847,392	865,791	878,110	888,394
% Change Recurring Revenue		4.7%	2.4%	2.2%	1.4%	1.2%
Total Non-recurring	<u>4,112</u>	<u>4,207</u>	<u>4,362</u>	<u>4,506</u>	<u>4,680</u>	<u>4,866</u>
<b>TOTAL REVENUES</b>	<b>794,517</b>	<b>831,384</b>	<b>851,754</b>	<b>870,297</b>	<b>882,791</b>	<b>893,260</b>
% Change Total Revenue		4.6%	2.5%	2.2%	1.4%	1.2%
BEGINNING FUND BALANCE	<u>167,514</u>	<u>95,777</u>	<u>71,952</u>	<u>25,908</u>	<u>(96,569)</u>	<u>(237,686)</u>
<b>TOTAL RESOURCES</b>	<b><u>962,030</u></b>	<b><u>927,161</u></b>	<b><u>923,706</u></b>	<b><u>896,204</u></b>	<b><u>786,221</u></b>	<b><u>655,574</u></b>
<b>EXPENDITURES/APPROPRIATIONS:</b>						
Recurring Expenditures/Appropriations	776,122	822,612	869,457	964,433	995,567	1,014,666
% Change Recurring Appropriation		6.0%	5.7%	10.9%	3.2%	1.9%
Non-recurring Exp/App: One-time Items	<u>90,131</u>	<u>32,597</u>	<u>28,341</u>	<u>28,341</u>	<u>28,341</u>	<u>28,341</u>
<b>TOTAL EXPEND/APPROP</b>	<b><u>866,253</u></b>	<b><u>855,209</u></b>	<b><u>897,798</u></b>	<b><u>992,774</u></b>	<b><u>1,023,908</u></b>	<b><u>1,043,007</u></b>
UNADJUSTED FUND BALANCE	<u>95,777</u>	<u>71,952</u>	<u>25,908</u>	<u>(96,569)</u>	<u>(237,686)</u>	<u>(387,433)</u>
<b>ADJUSTMENTS:</b>						
Encumbrances	(5,149)	0	0	0	0	0
Council Appropriation	0	(300)	0	0	0	0
Unrealized (Gain)/Loss on Investments	(456)	(456)	(456)	(456)	(456)	(456)
Other Accounting Adjustments	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>
<b>TOTAL ADJUSTMENTS</b>	<b><u>(5,722)</u></b>	<b><u>(872)</u></b>	<b><u>(572)</u></b>	<b><u>(572)</u></b>	<b><u>(572)</u></b>	<b><u>(572)</u></b>
<b>ADJUSTED FUND BALANCE</b>	<b><u>90,056</u></b>	<b><u>71,080</u></b>	<b><u>25,336</u></b>	<b><u>(97,141)</u></b>	<b><u>(238,258)</u></b>	<b><u>(388,005)</u></b>
<b>RESERVES:</b>						
1/12th Operating Reserve	68,888	70,933	74,816	82,731	85,326	86,917
Additional 1% for Tiered COLA [E,I,U]	0	1,550	0	0	0	0
Wage Adjust Less Than \$15/hr	100	0	0	0	0	0
NU Classified Wage Adj. per C&C	<u>0</u>	<u>215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL RESERVES</b>	<b>68,988</b>	<b>72,698</b>	<b>74,816</b>	<b>82,731</b>	<b>85,326</b>	<b>86,917</b>
<b>AVAILABLE FUND BALANCE</b>	<b><u>21,068</u></b>	<b><u>(1,618)</u></b>	<b><u>(49,480)</u></b>	<b><u>(179,872)</u></b>	<b><u>(323,584)</u></b>	<b><u>(474,922)</u></b>
1/12th Operating Reserve	72,188	71,267	74,816	82,731	85,326	86,917
Recurring Surplus/(Deficit)	14,283	4,565	(22,065)	(98,642)	(117,457)	(126,271)

EXECUTIVE SUMMARY



The above graph illustrates the underlying trend in recurring revenues to recurring expenses from FY/24 through FY/29. 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/26. The recurring deficit, excluding CIP coming-on-line, in FY/29 is \$86.5 million with recurring expenses at \$974.9 million and recurring revenue at \$888.4 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 address the variance between revenue and expenses and manage within available resources.

## **ECONOMIC OUTLOOK**



## NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK

The national economy influences the Albuquerque and New Mexico economy in a variety of ways. Interest rates affect purchasing and construction; federal government spending affects the local economy through spending and employment at 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 2024 and reflects the best available data to assess the post COVID-19 recovery environment. The data uses October 2024 quarterly 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>.

### Baseline Scenario

In the baseline forecast, assigned a probability of 55%, IHS Global Insight (IHS) projects annual Real GDP growth to decrease from 3.1% in FY/24 to 2.4% growth in FY/25 to 1.9% FY/26. Growth is expected to continue modestly at an average 1.7% through the end of the forecast. However, the IHS October forecast pre-dates, and therefore does not include, potential impacts of the incoming federal administration. This would be difficult anyway, given the uncertainty of potential policies intended to increase economic growth that could further stoke inflation.

The national unemployment rate in this scenario is projected to increase from 3.8% in FY/24 to 4.2% in FY/25. For FY/26, the rate increases further to 4.4%.

The rate averages 4.5% throughout the remainder of the forecast.

Inflation (CPI-U) is projected to decrease from 3.3% in FY/24 to 2.1% in FY/25. However, in FY/26 and FY/27, the rate is projected to trend upward again, to 2.7%. Inflation then averages much closer to the federal government's target rate at 2.2% for the remainder of the forecast.

Wage growth is projected to decrease from 4.3% in FY/24 to 3.7% in FY/25, to 3.5% in FY/26. Wage growth averages 3.5% for the remainder of the forecast.

Average oil price (West Texas Intermediate) peaked at about \$87.8 per barrel in FY/22, dropping to just under \$80 in FY/24. For FY/25, the price is projected to decline more dramatically, to \$70.4, then nearly flat growth at \$71.8 in FY/26. The price averages about \$79 for the remainder of the forecast.

Despite the avoidance, so far, of a recession as the economy cools, risks and uncertainties remain. International conflicts and slowdowns in major economies around the world still pose considerable uncertainties and risks.

Neither the October nor November IHS forecasts include consideration of the U.S. incoming presidential administration's policy proposals. If proposed tariffs are implemented, IHS notes future forecasts will likely show more inflation, higher interest rates, and weaker GDP growth in the near term than what is shown in the current available forecasts.

Year-to-date GRT revenues through October 2024 are tracking slightly higher than expectations, thanks in part to a \$1.3 million lump sum hold harmless distribution received earlier in the year, and also due to 6.5% growth for the month of October 2024. Cumulative growth for the year is 4.5%, or one percentage point above the forecasted

growth for FY/25. Detailed revenue projections can be found in the Revenue Outlook section of the Five-Year Forecast.

Pessimistic Scenario

The pessimistic scenario is assigned a probability of 25%. In this scenario, both consumer spending and GDP growth are slower than in the baseline.

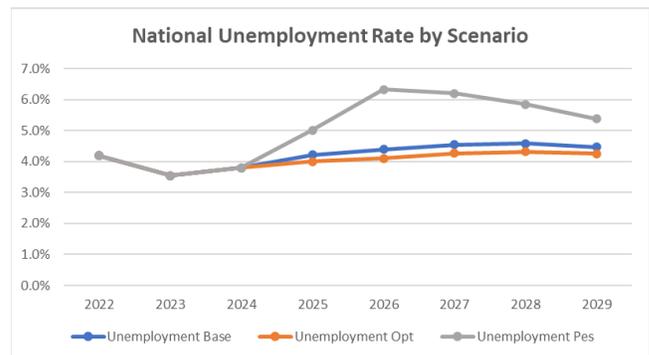
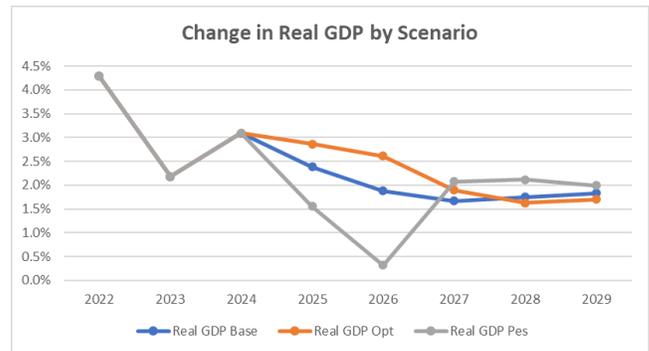
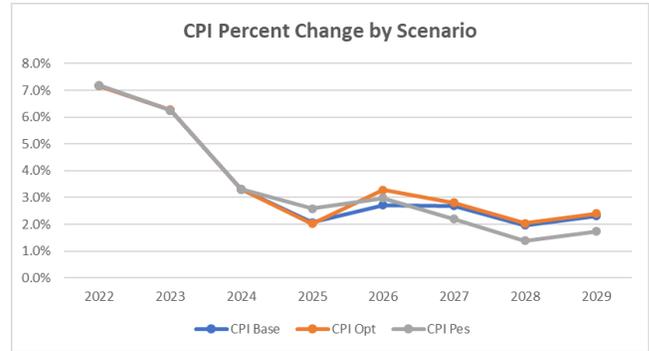
In this scenario, conflicts in the Middle East and Ukraine worsen, causing energy prices to climb well above the baseline. Capital markets struggle, leading to declining equity values and tighter lending conditions which hampers credit availability for consumers and businesses. The price of oil is expected to rise from \$80 per barrel in FY/24 to around \$89 from FY/25 through FY/27.

The unemployment rate spikes to 5% in FY/25 and just over 6% in FY/26 and FY/27.

Optimistic Scenario

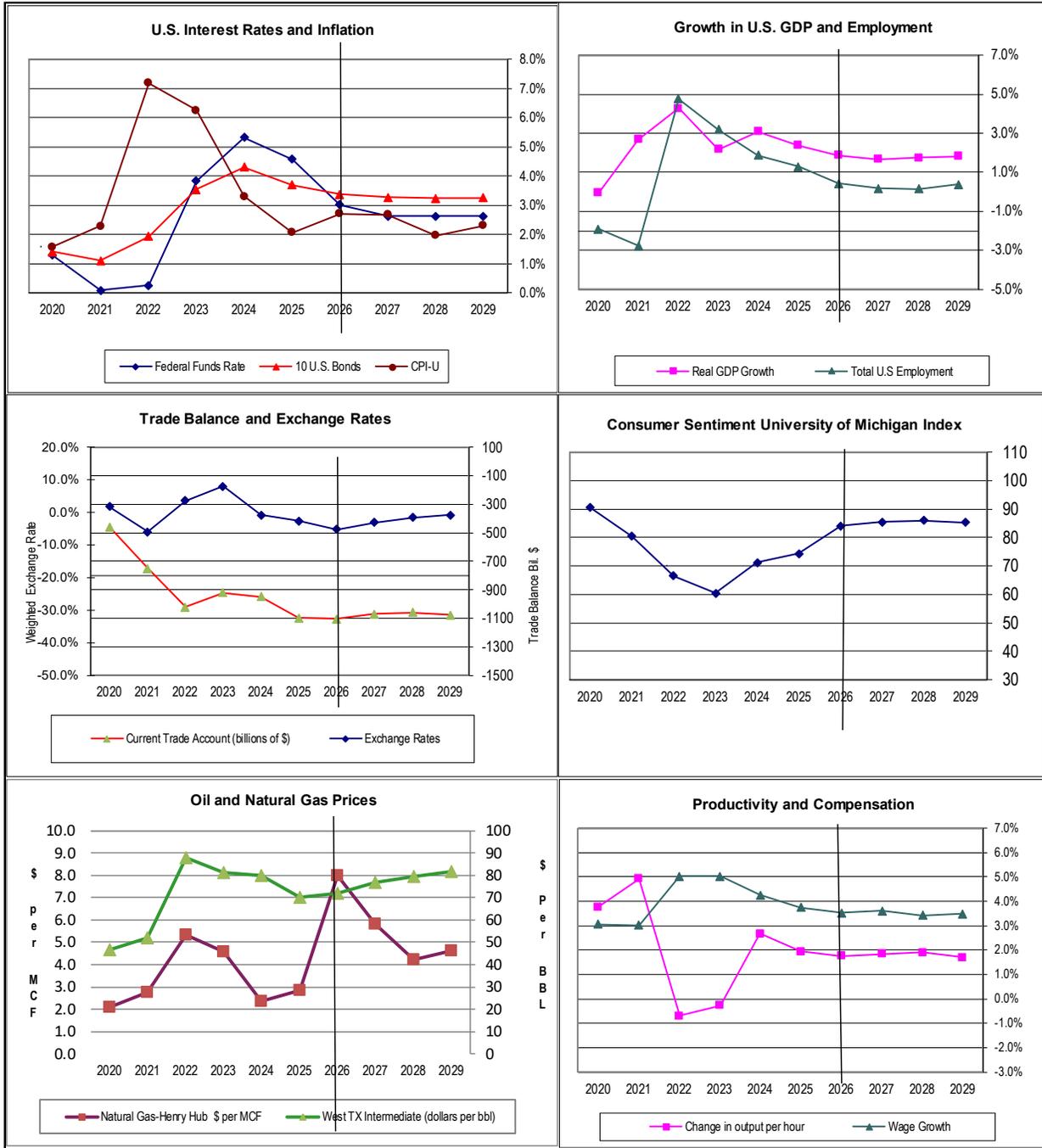
The optimistic scenario is assigned a probability of 20%. In this scenario, fighting in the Russia-Ukraine conflict and in the Middle East subsides and equity markets perform better than in the baseline. This provides for robust credit availability and increased consumer spending, with lower energy prices, increased productivity and corporate profitability.

The unemployment rate in the optimistic scenario tracks very closely to the baseline, rising slowly through FY/27 before leveling off at about 4.3% for the remainder of the forecast.



# U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)

## December 2024 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 Global Insights and local metrics to develop forecasts for the state and local economy. The UNM BBER forecasting model for October 2024 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 27,000 jobs from FY/08 to FY/12, a 7% loss of total employment.

After 10 years of gains, employment in the Albuquerque Metropolitan Statistical Area (MSA) registered 380,079 jobs in FY/19, still shy of the 382,270 pre-recession peak reached in FY/08.

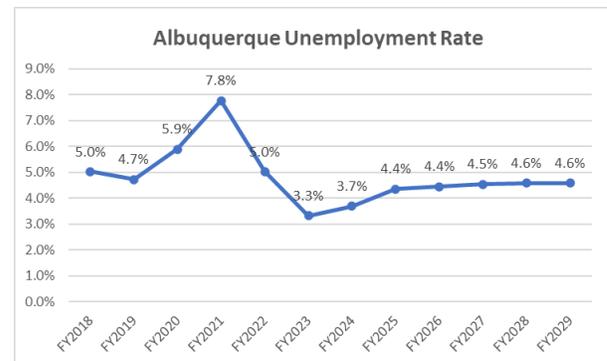
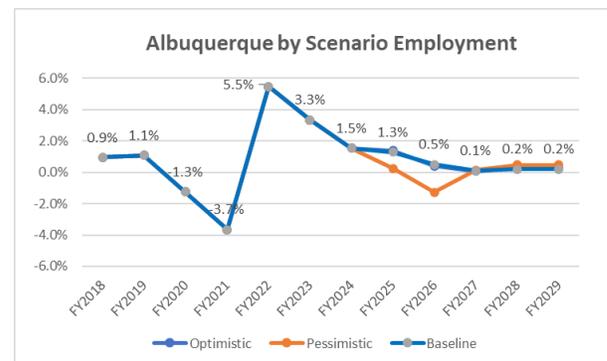
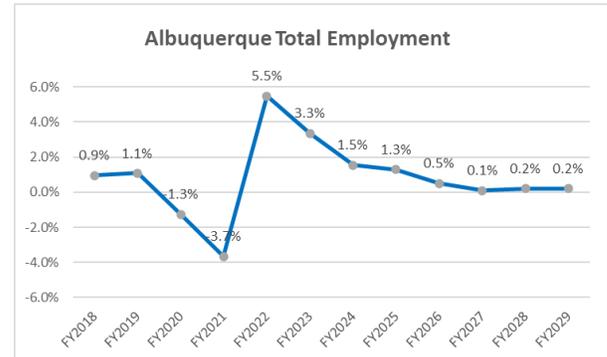
Overall, BBER estimates that the MSA lost about 18,492 jobs from FY/19 to FY/21 as a result of the COVID-19 pandemic. In April 2020, during the most severe portion of the economic shut-down to curb the spread of COVID-19, the Albuquerque MSA unemployment rate spiked to 12.8%. By the second half of FY/23 the City had exceeded the pre-pandemic high, rising to about 394,000 jobs.

As of October 2024, BBER estimated employment in the City reached about 400,252 jobs in FY/24, or about 1.5% growth over FY/23. Growth is expected to continue, but slowing to 1.3% and 0.5% in FY/25 and FY/26, respectively.

The Albuquerque MSA unemployment rate decreased to a low of about 3.3% in FY/23; however, as the economy continues to slow, the rate is expected to gradually increase to 4.4% in FY/24 and FY/25, and then average 4.6% for the remainder of the forecast period.

Economic alternatives will be discussed in more detail elsewhere in this document. However, in the pessimistic scenario, employment growth slows to 0.2% in FY/25,

and -1.3% in FY/26. It then averages 0.4% for the remainder of the forecast.



What follows is a series of charts and tables providing comparisons of Albuquerque to the U.S. economy in addition to Albuquerque MSA employment numbers from FY/18 to FY/29 by major business sectors as categorized by the North American Industrial Classification System (NAICS) categories.

### Retail and Wholesale Trade

This sector accounts for about 13.5% of employment in the MSA and is particularly important in terms of the Gross Receipts Tax (GRT), historically comprising about 25% of

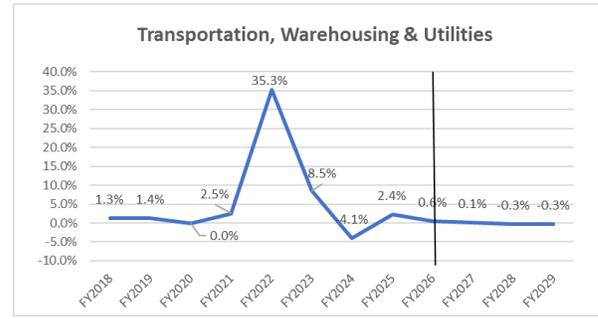
GRT. However, due to shifts in employment and business sectors following COVID-19 in FY/21, and tax changes in FY/22 which allowed for local tax increments on internet sales, this sector's share of GRT rose to about 31% in the past few years.



After the sharp -3.5% employment decline in FY/20 at the height of the pandemic, retail and wholesale trade rebounded an estimated 0.2% and 3.1% in FY/21 and FY/22, respectively. For FY/23, growth slowed less than expected to about 2.2%, but then was nearly flat in FY/24. Growth is nearly flat in FY/25 and then experiences a slight contraction for the remainder of the forecast. The expectation of slow to negative growth reflects continued inflationary pressures and tighter consumer spending due to reduced savings rates and ongoing caution about the state of the economy.

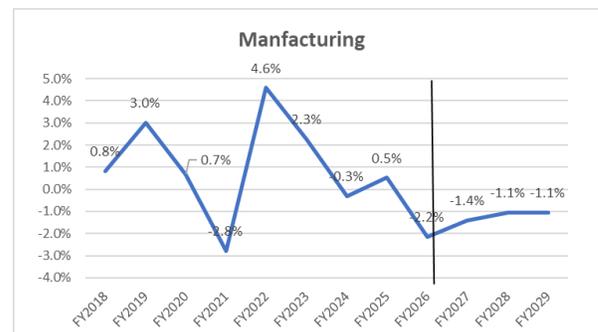
### Transportation, Warehousing and Utilities

Transportation and warehousing, while important, accounts for just 3.2% of employment and 0.7% of GRT. In retrospect, the sector was impacted by COVID-19 later than other sectors. As the recovery took hold and supply chain issues occurred, this sector saw a significant increase in FY/22 with growth at an estimated 35%. In FY/23, supply chain issues resolved and the economy cooled somewhat, yet growth still continued at 8.5%. In FY/24 growth actually declined by about 4.1%. For FY/25, this sector rebounds by 2.4% and then cools for the remainder of the forecast.



### Manufacturing

This sector accounts for about 4.2% of employment and 2.4% of GRT 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 experienced significant post-COVID-19 recovery growth at 4.6%. However, with the exception of modest growth in FY/25, this sector is expected to shrink, slightly through the remainder of the forecast reflecting ongoing efforts to slow inflation and the economy.

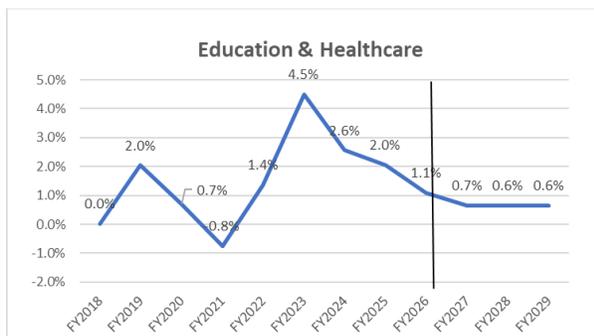
### Educational and Health Services

This section represents two sectors, in line with the summary of jobs generally shown in the NAICS sectors. The majority of jobs are in health services and account for 15% of total employment. Albuquerque has 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.

While this was the only sector that increased through the 2008 recession, it did experience

an initial decline during the most recent pandemic-caused recession of about 0.5% in FY/21 as elective procedures and routine medical care were put on hold to ensure capacity to treat COVID-19 cases. However, growth continued in FY/22 and nearly 4% in FY/23. In this forecast, growth slows, but remains positive in FY/24 and for the remainder of the forecast.

Educational services was also impacted by the pandemic as schools struggled with decisions about remote learning and lost revenues. However, in FY/22 and FY/23, the sector rebounded by nearly 15% and 11%, respectively, as students returned to campus in larger numbers. Additionally, in early calendar year 2022, lawmakers expanded the 2-year-old Opportunity Scholarship, which was intended to cover all tuition and fees for some students. However, growth slowed dramatically in FY/24, at 1% and is expected to decline slightly in FY/25 and FY/26.

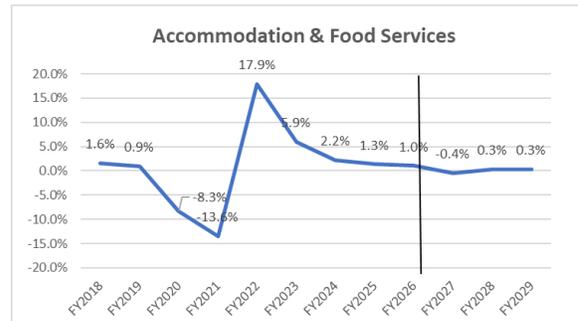


### Accommodation and Food Services

This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounted for 9.9% of employment in the MSA in FY/24, which represents the first time this sector exceeded the pre-pandemic high, by about 480 jobs, and two years sooner than early projections. The sector is a major contributor to both GRT, at 10%, and Lodgers' Tax, and was a major contributor to employment growth since the 2008 recession.

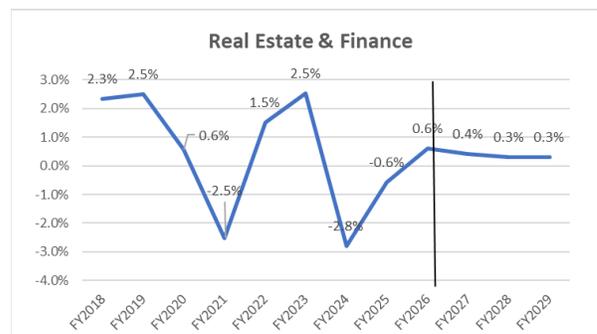
This sector was one of the most severely impacted by COVID-19, dropping from steady pre-pandemic growth to a 13.6% decline in FY/21, representing a loss of more

than 8,000 jobs. However, in FY/22 the sector rebounded even more than projected at nearly 18%. Yet despite the post-pandemic progress, in FY/24 growth slowed to 2.2%, and is expected to slow further, to 1.3%, in FY/25. Growth remains flat to slightly negative for the remainder of the forecast.



### Real Estate and Financial Activities

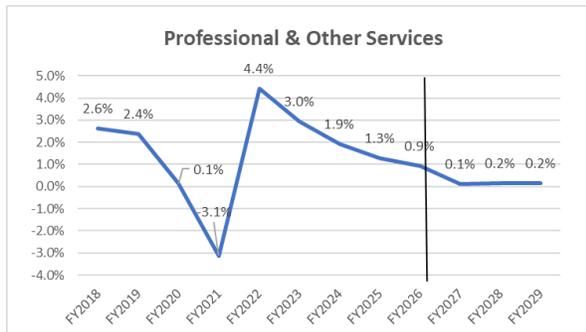
This section includes two sectors, finance and insurance and real estate, including credit intermediation. It accounts for about 4.5% of employment in the MSA. The 2008 financial crisis, consolidation of banking, and the collapse of real estate negatively impacted this sector; however, FY/14 to FY/19 growth was strong at above 2% each year. However, following the impact from COVID-19, the growth declined 2.5% in FY/21, with modest recovery of 1.5% and 2.5% in FY/22 and FY/23, respectively. As projected, this sector shrunk in FY/24 and is expected to decline again slightly in FY/25. However, by FY/26, growth returns, but at an anemic pace for the remainder of the forecast.



### 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 18.8% of employment in the MSA and about 23% of GRT. 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).

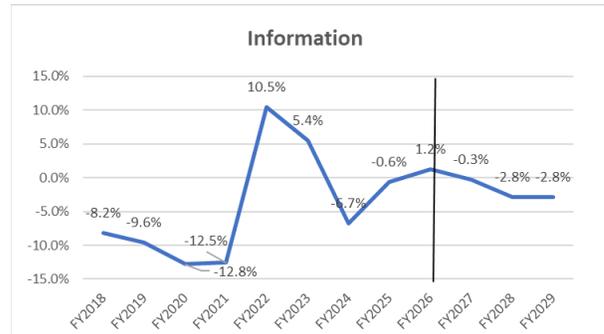


The sector as a whole remained weak until FY/16 when construction services (engineering and architecture) began adding jobs. The sector showed growth in FY/16 of less than 1%, growing to over 2% from FY/17 to FY/19. With many of these jobs allowing for work from home, the professional technical portion of this sector was not impacted as much by the COVID-19 pandemic; however, it did decline more than first expected, at -3.1% in FY/21, which is in stark contrast with the previous three years’ 2.5% average growth. While the sector rebounded in FY/22 with 4.4% growth and has exceeded the pre-pandemic high, it is expected to gradually slow through FY/27 before leveling out for the remainder of the forecast.

### Information

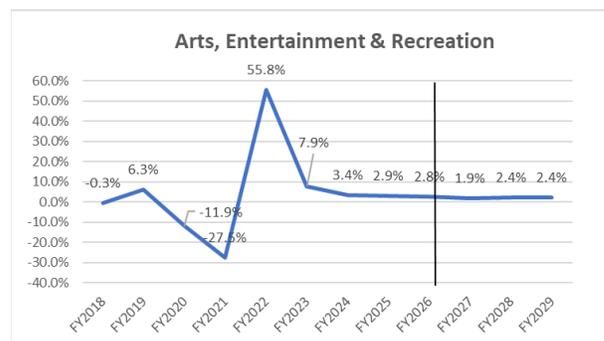
This sector includes businesses in telecom, broadcasting, publishing, internet service establishments, and film studios. It accounts for about 1.3% of employment in the MSA. This sector declined steadily since FY/16, with a pronounced decline of 12.8% and 12.5% in FY/20 and FY/21 with the onset of COVID-19 and the devastating impact it had on the burgeoning film industry. While the sector grew an estimated 10.5% in FY/22 and 5.4% in FY/23, the sector declined again

in FY/24 by 6.7%. In FY/25, the projection is for continued, but less pronounced contraction by about 0.6%, before a slight bump of 1.2% in FY/26. Unfortunately, this sector is expected to continue to struggle for the remainder of the forecast.



### Arts, Entertainment and Recreation

This is a relatively small sector with 1.4% of MSA employment, a slight increase from the pre-pandemic level of 1.2%. It includes artists, entertainers, spectator sports, and recreation facilities such as bowling alleys and fitness centers, most of which were significantly impacted by the pandemic. In FY/19, this sector showed strong growth of 6.3% but this was cut short during the pandemic, with declines of 11.9% and 27.5% in FY/20 and FY/21, respectively. Interestingly, unlike most other sectors, this sector is expected to continue growing, at an average of 2.5%, through the end of the forecast.



### 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 6.8%.

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. The sector began to level off in FY/19, prior to the onset of the pandemic. However, this sector began FY/20 with 2.9% growth and stayed positive despite the health crisis as this sector was deemed essential during the peaks of the crisis. In the post-pandemic years, this sector did best in FY/23 when it hit 5% growth; however, growth has since declined and is expected to slip to 2.1% in FY/25, and then dip below 2% for the remainder of the forecast.

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 for inflation. Construction is categorized as new construction or additions, alterations, and repairs.

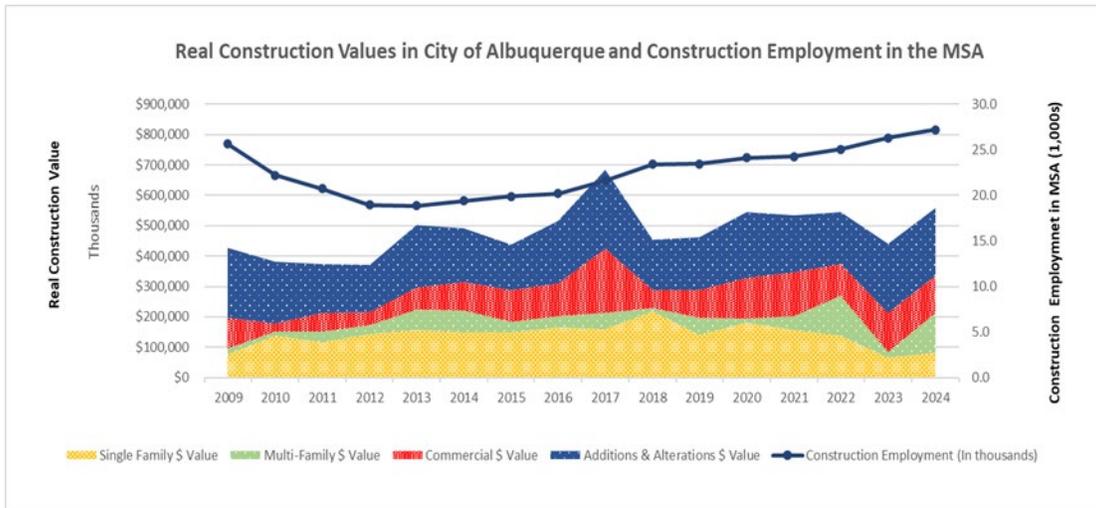


Accounting for inflation, real construction growth peaked in FY/17 but slowed in FY/18 and FY/19. Then despite the impacts of the pandemic, including significant issues around supply chains and rising costs of materials, construction permits increased again in FY/20 and stayed steady until falling again briefly in FY/23. UNM BBER projections for total housing permits in FY/25

increase by 25.3%, or to about 1,182 units, with about 60% of those as single-family housing units. The projection declines to 18% in FY/25, with growth roughly cut in half each subsequent year through the end of the forecast. This forecast is conservative and does not include construction employment or revenue that could result if the Maxeon or other significant projects come to fruition; however, recently updated information on Maxeon shows that if it does go forward it will likely be on a more modest scale than early projections.

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 FY/17 coincides with a large increase in building permits. In FY/18, 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 FY/17, and as of FY/18, 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 19.4% 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 3.7% of Albuquerque MSA employment but only about 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.

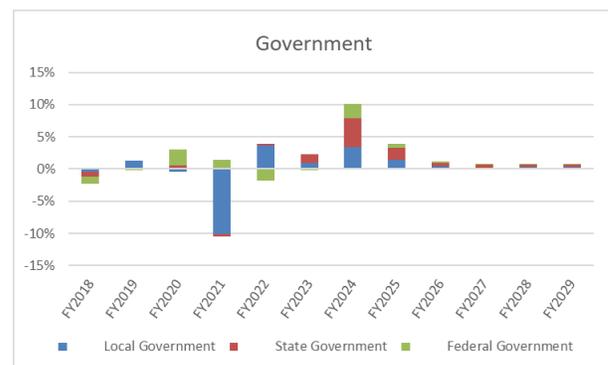
Active military is around 5,800 or about 1.4% of the total non-agricultural employment. Nationally, military is 1% of total non-agricultural employment.

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. It recovered slightly in FY/19, only to be impacted again with a decline of 10.1% due to the pandemic, largely due to jobs associated with native businesses, such as casinos. Local government lost an estimated 4,272 jobs in FY/21 and isn't expected to

recover all of those jobs until beyond the current forecast period.

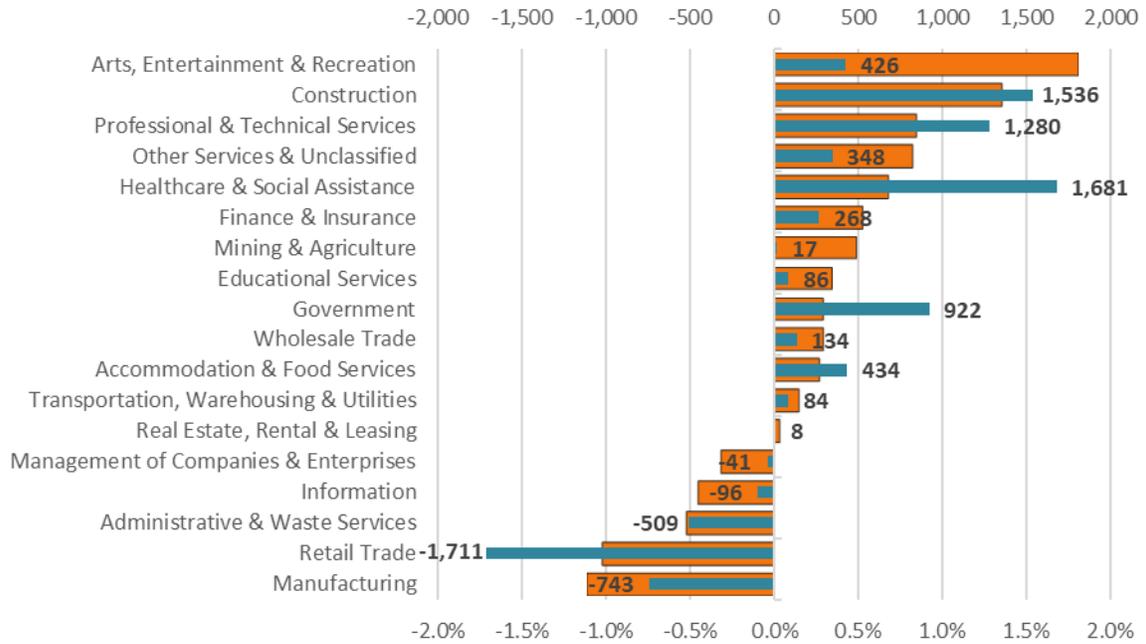
Federal government increased in FY/20 and FY/21 despite the pandemic due to the U.S. Census. Consequently, in FY/22 there was a slight compensating decrease. Most growth was in the local sector for FY/22, while State growth provided most of the growth in FY/23.

In FY/24, all government grew at a modest rate; however, for FY/25, this drops dramatically, with virtually flat growth through the remainder of the forecast.



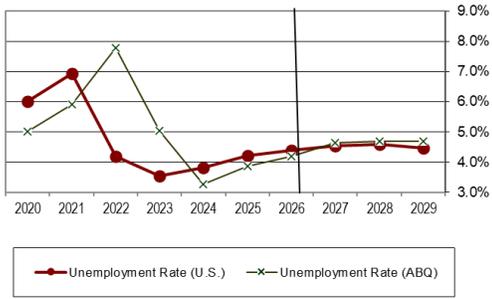
The following charts and tables present more information on the Albuquerque economy and its comparison to the U.S.

### Change in the Number Employed FY/25 to FY/29 with Percent Average Annual Growth

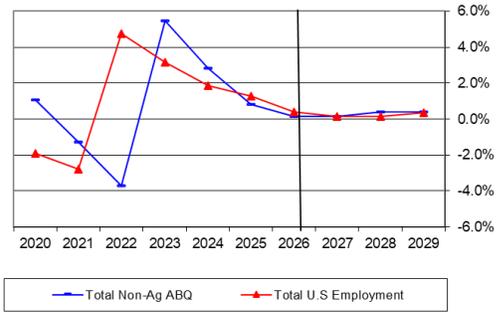


# Albuquerque MSA and Comparisons to the U.S -- Fiscal Year December 2024

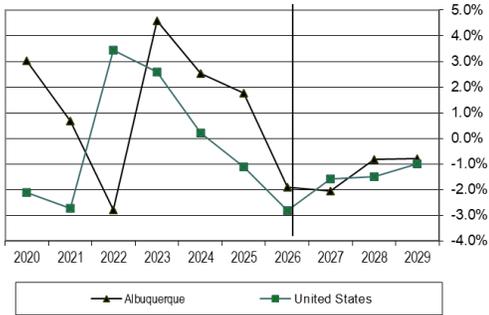
Albuquerque MSA vs. U.S. Unemployment Rates



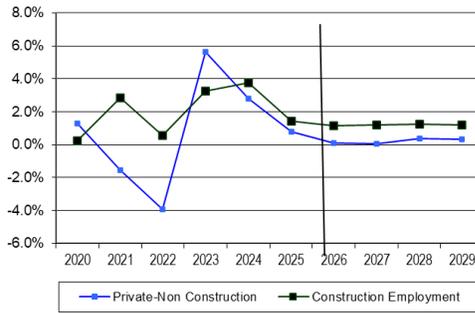
Albuquerque MSA vs. U.S. Employment Growth



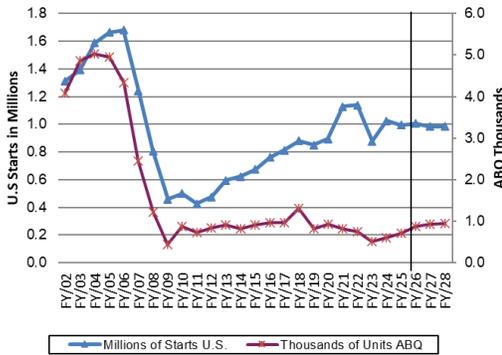
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



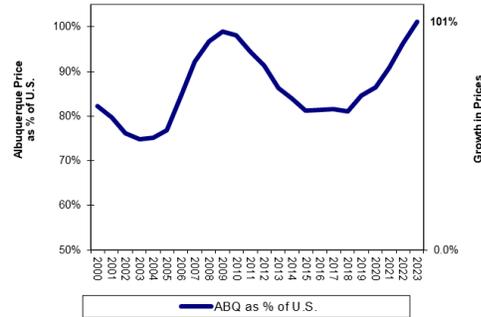
Albuquerque MSA Construction and Private Non-Construction Employment Growth



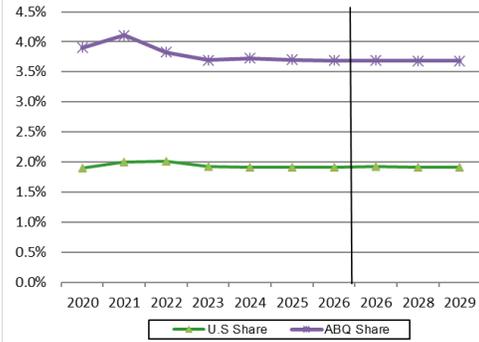
Single Family Construction



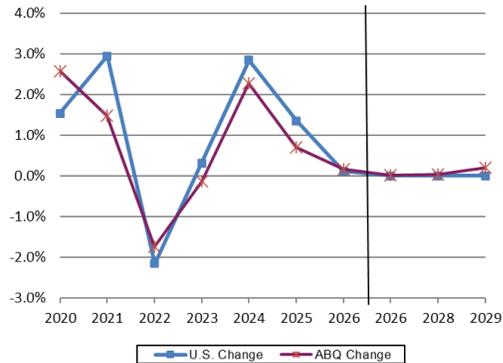
Comparison of Growth in Existing Home Sales Price by Calendar Year (history only)



Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



Fiscal Year	Historical					Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	<b>National Variables</b>									
Real GDP Growth	0.0%	2.7%	4.3%	2.2%	3.1%	2.4%	1.9%	1.7%	1.7%	1.8%
Federal Funds Rate	1.3%	0.1%	0.3%	3.8%	5.3%	4.6%	3.0%	2.6%	2.6%	2.6%
10 U.S. Bonds	1.4%	1.1%	1.9%	3.5%	4.3%	3.7%	3.4%	3.3%	3.2%	3.3%
CPI-U	1.6%	2.3%	7.2%	6.3%	3.3%	2.1%	2.7%	2.7%	2.0%	2.3%
Unemployment Rate (U.S.)	6.0%	6.9%	4.2%	3.5%	3.8%	4.2%	4.4%	4.5%	4.6%	4.5%
Total U.S Employment	-1.9%	-2.8%	4.8%	3.2%	1.9%	1.3%	0.4%	0.2%	0.1%	0.4%
Manufacturing Employment	-2.1%	-2.7%	3.5%	2.6%	0.2%	-1.1%	-2.8%	-1.6%	-1.5%	-1.0%
Consumer sentiment index--University of Michigan	90.4	80.3	66.4	60.5	71.1	74.4	84.1	85.5	86.0	85.3
Exchange Rates	1.7%	-5.9%	3.6%	8.1%	-0.9%	-2.6%	-5.3%	-3.0%	-1.6%	-0.8%
Current Trade Account (billions of \$)	(461)	(751)	(1,022)	(920)	(950)	(1,097)	(1,106)	(1,070)	(1,061)	(1,076)
Change in output per hour	3.8%	4.9%	-0.7%	-0.3%	2.7%	1.9%	1.8%	1.8%	1.9%	1.7%
West TX Intermediate (dollars per bbl)	46.7	51.8	87.8	81.5	79.9	70.4	71.8	76.7	79.3	81.9
Wage Growth	3.0%	3.0%	5.0%	5.0%	4.3%	3.7%	3.5%	3.6%	3.4%	3.5%
Natural Gas-Henry Hub \$ per MCF	2.1	2.76	5.32	4.59	2.35	2.87	7.99	5.81	4.23	4.64
	<b>Albuquerque Variables</b>									
Employment Growth and Unemployment in Albuquerque MSA										
Total Non-Ag ABQ	1.1%	-1.3%	-3.7%	5.5%	2.8%	0.8%	0.2%	0.1%	0.4%	0.4%
Private-Non Construction	1.3%	-1.5%	-3.9%	5.6%	2.8%	0.8%	0.1%	0.1%	0.4%	0.3%
Construction Employment	0.2%	2.9%	0.6%	3.2%	3.7%	1.4%	1.2%	1.2%	1.2%	1.2%
Manufacturing	3.0%	0.7%	-2.8%	4.6%	2.5%	1.8%	-1.9%	-2.1%	-0.8%	-0.8%
Government	0.6%	0.4%	-5.0%	1.5%	0.6%	1.4%	0.3%	0.3%	0.5%	0.5%
Unemployment Rate (ABQ)	5.0%	5.9%	7.8%	5.0%	3.3%	3.9%	4.2%	4.6%	4.7%	4.7%
Growth in Personal Income	3.9%	8.5%	6.0%	7.2%	4.1%	4.1%	4.9%	4.3%	4.4%	4.4%
Construction Units Permitted in City of Albuquerque										
Single-Family Permits	1,666	935	816	741	547	974	861	906	949	993
Multi-Family Permits	827	126	791	1,570	220	479	512	521	534	548
Total Residential Permits	839	1,061	1,607	2,311	767	1,453	1,372	1,427	1,483	1,541

Sources: IHS Global Insight Oct 2024 and FOR-UNM Oct 2024 Baseline Forecasts

**Albuquerque MSA Employment in Thousands**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Employment	375.3	361.6	381.4	394.2	400.3	405.4	407.4	407.9	408.7	409.5
Private Employment	298.2	288.4	307.1	319.2	322.6	326.7	328.4	328.6	329.2	329.9
Mining & Agriculture	0.7	0.8	1.0	0.9	0.8	0.8	0.9	0.9	0.9	0.9
Construction	24.1	24.3	25.0	26.3	27.2	27.8	28.3	28.7	29.3	29.3
Manufacturing	16.3	15.9	16.6	17.0	16.9	17.0	16.7	16.4	16.2	16.3
Wholesale Trade	11.3	10.7	11.0	11.5	11.5	11.5	11.5	11.5	11.6	11.6
Retail Trade	39.7	40.4	41.7	42.4	42.4	42.6	41.9	41.3	40.8	40.9
Transportation, Warehousing & Utilities	9.5	9.8	13.2	14.3	13.8	14.1	14.2	14.2	14.1	14.2
Information	5.6	4.9	5.4	5.7	5.4	5.3	5.4	5.4	5.2	5.2
Finance & Insurance	12.8	12.7	12.7	13.0	12.6	12.7	12.8	12.8	12.9	12.9
Real Estate, Rental & Leasing	5.5	5.1	5.3	5.6	5.4	5.3	5.3	5.3	5.3	5.3
Professional & Technical Services	32.9	32.9	33.7	35.3	36.9	37.6	38.1	38.4	38.8	38.8
Management of Companies & Enterprises	3.8	3.6	3.7	3.5	3.3	3.3	3.3	3.2	3.2	3.2
Administrative & Waste Services	24.7	23.2	24.8	25.0	24.7	24.8	24.9	24.6	24.2	24.3
Educational Services	5.0	4.8	5.6	6.2	6.2	6.2	6.2	6.2	6.3	6.3
Healthcare & Social Assistance	56.3	56.1	56.2	58.3	59.9	61.3	62.0	62.4	62.8	63.0
Arts, Entertainment & Recreation	4.4	3.2	5.0	5.4	5.6	5.8	5.9	6.0	6.2	6.2
Accommodation & Food Services	36.0	31.1	36.7	38.9	39.8	40.3	40.7	40.5	40.6	40.7
Other Services & Unclassified	9.4	8.8	9.3	9.9	10.2	10.5	10.6	10.7	10.8	10.8
Government	77.1	73.2	74.3	75.0	77.6	78.7	79.0	79.2	79.5	79.6
Local Government	39.7	35.7	37.0	37.3	38.6	39.2	39.3	39.4	39.5	39.6
State Government	22.8	22.7	22.7	23.1	24.1	24.5	24.7	24.8	24.9	24.9
Federal Government	14.6	14.9	14.6	14.6	14.9	15.0	15.0	15.0	15.0	15.1
Military Employment	5.8	5.8	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7
private non-construction	274.1	264.1	282.0	292.9	295.4	298.9	300.1	299.9	300.0	300.6
Other Indicators										
Personal Income, \$Billions	43.0	46.0	49.4	51.0	53.3	56.1	58.8	61.6	64.4	64.5
Labor Force, NSA, Thousands	433.1	433.2	441.3	446.6	452.7	457.3	459.1	461.2	462.8	463.8
Total Housing Units Authorized, Thousands (City of Albuquerque)	1.1	1.6	2.3	0.7	0.9	1.2	1.4	1.5	1.6	1.6
Single-Family Housing Units, Thousands	0.9	0.8	0.7	0.5	0.6	0.7	0.9	0.9	1.0	1.0
Multi-Family Housing Units, Thousands	0.1	0.8	1.6	0.2	0.3	0.5	0.5	0.6	0.6	0.6
Unemployment Rate, NSA	5.9	7.8	5.0	3.3	3.7	4.4	4.4	4.5	4.6	4.6
<b>Growth Rates</b>										
Total Employment	-1.3%	-3.7%	5.5%	3.3%	1.5%	1.3%	0.5%	0.1%	0.2%	0.2%
Private Employment	-1.7%	-3.3%	6.5%	4.0%	1.1%	1.3%	0.5%	0.1%	0.2%	0.2%
Mining & Agriculture	-3.6%	15.0%	14.2%	-1.4%	-11.3%	1.7%	0.7%	0.3%	0.7%	0.2%
Construction	2.9%	0.6%	3.2%	5.0%	3.5%	2.1%	1.8%	1.6%	1.8%	0.2%
Manufacturing	0.7%	-2.8%	4.6%	2.3%	-0.3%	0.5%	-2.2%	-1.4%	-1.1%	0.2%
Wholesale Trade	-1.6%	-5.8%	2.8%	4.5%	0.2%	-0.1%	0.0%	0.5%	0.5%	0.2%
Retail Trade	-4.0%	1.9%	3.2%	1.6%	0.1%	0.5%	-1.7%	-1.4%	-1.2%	0.2%
Transportation, Warehousing & Utilities	0.0%	2.5%	35.3%	8.5%	-4.1%	2.4%	0.6%	0.1%	-0.3%	0.2%
Information	-12.8%	-12.5%	10.5%	5.4%	-6.7%	-0.6%	1.2%	-0.3%	-2.8%	0.2%
Finance & Insurance	1.1%	-0.7%	0.4%	1.6%	-2.3%	0.0%	0.9%	0.5%	0.5%	0.2%
Real Estate, Rental & Leasing	-0.7%	-6.7%	4.2%	4.7%	-3.9%	-1.9%	0.0%	0.1%	-0.2%	0.2%
Professional & Technical Services	3.9%	-0.1%	2.6%	4.8%	4.6%	1.7%	1.4%	0.9%	0.9%	0.2%
Management of Companies & Enterprises	1.3%	-4.2%	2.5%	-5.2%	-6.6%	-1.3%	-0.4%	-0.5%	-0.6%	0.2%
Administrative & Waste Services	-2.5%	-5.8%	6.8%	0.6%	-1.1%	0.4%	0.4%	-1.3%	-1.4%	0.2%
Educational Services	-3.1%	-3.6%	15.0%	10.6%	1.0%	-0.2%	-0.1%	0.6%	0.6%	0.2%
Healthcare & Social Assistance	1.1%	-0.5%	0.2%	3.9%	2.7%	2.3%	1.2%	0.7%	0.6%	0.2%
Arts, Entertainment & Recreation	-11.9%	-27.5%	55.8%	7.9%	3.4%	2.9%	2.8%	1.9%	2.4%	0.2%
Accommodation & Food Services	-8.3%	-13.6%	17.9%	5.9%	2.2%	1.3%	1.0%	-0.4%	0.3%	0.2%
Other Services & Unclassified	-5.5%	-6.2%	5.8%	5.9%	3.2%	2.5%	1.1%	0.9%	1.1%	0.2%
Government	0.4%	-5.0%	1.5%	0.9%	3.5%	1.4%	0.4%	0.3%	0.3%	0.2%
Local Government	-0.4%	-10.1%	3.6%	0.9%	3.4%	1.4%	0.5%	0.2%	0.3%	0.2%
State Government	0.5%	-0.5%	0.3%	1.4%	4.5%	1.8%	0.5%	0.5%	0.5%	0.2%
Federal Government	2.6%	1.5%	-1.7%	-0.1%	2.3%	0.7%	0.2%	0.0%	0.0%	0.2%
Military Employment	0.8%	-0.3%	-2.9%	0.2%	1.9%	-0.1%	-0.1%	-0.1%	0.0%	0.2%
Personal Income, \$Billions	9.0%	7.1%	7.2%	3.3%	4.6%	5.2%	4.8%	4.8%	4.5%	0.2%
Labor Force, NSA, Thousands	-0.4%	0.0%	1.9%	1.2%	1.4%	1.0%	0.4%	0.4%	0.4%	0.2%
Total Housing Units Authorized, Thousands (City of Albuquerque)	-36.3%	51.5%	43.8%	-68.5%	29.7%	25.3%	18.1%	8.0%	3.2%	0.2%
Single-Family Housing Units, Thousands	13.1%	-12.7%	-9.2%	-31.6%	19.7%	15.7%	25.4%	5.7%	2.6%	0.2%
Multi-Family Housing Units, Thousands	-85.0%	527.8%	98.5%	-86.0%	52.7%	42.7%	7.5%	12.0%	4.1%	0.2%



## **REVENUE OUTLOOK**



**Overview**

The following forecast of revenues is presented in tables following this section. They rely on the October 2024 IHS Global Insights (IHS) and October 2024 University of New Mexico Bureau of Business and Economic Research (BBER) baseline forecasts. The presentation provides audited FY/24 receipts, the FY/25 budget and revised estimates for FY/25, and the baseline forecast receipts for FY/26 through FY/29. In all cases, the figures reflect the accrual of 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/25 is expected to increase by 3.2%, or about \$18 million, from FY/24 actual revenue. This is \$7.3 million, or 1.3% above the FY/25 approved budget. The upward adjustment reflects continued stability in the economy and evidence that inflation appears to be largely under control, seemingly avoiding negative economic consequences of efforts to slow the economy. Total revenue growth is projected to be 4.6%, with modest increases in GRT and franchises buoyed by expected increases in indirect overhead (IDOH) and Transfers for CIP-funded positions.

In FY/22, changes at the State level allowed existing local government tax increments to be applied to internet sales for the first time. These changes resulted in dramatic changes to local government tax bases, largely for the good, but with some unintended consequences. Tax filers are still learning and adjusting to the changes and amended returns continue to shift revenues in unforeseen ways.

In FY/26, total revenue is expected to increase 2.5%, or \$20.4 million, over FY/25 estimated revenue in the baseline scenario. Due to a slowed but resilient economy, 2.2%, or about \$12.8 million of the increase,

is attributed to GRT. The next largest contributors are property taxes, franchises, building and other permits, and internal payments and transfers, which are driven by employment costs and increases in rates for indirect costs.

State food and medical hold harmless distributions, implemented to support local governments after the repeal of taxes on certain food and medical goods, are phased-out to 35% and 28% in FY/25 and FY/26, respectively. The payments continue to be volatile and somewhat difficult to project. For FY/26 alone, the total estimated revenue loss for Albuquerque is \$42 million as the State continues the 15-year phase-out that began in FY/16.

Employment has recovered from the impact of the pandemic, exceeding the pre-pandemic high in the second half of FY/23. The Albuquerque unemployment rate dropped to 2.9% in March 2024; however, it has edged up slightly to 4.2% as of October 2024. New Mexico and U.S. rates were 4.3% and 4.1% in October 2024, respectively.

Total employment for FY/25 is expected to increase 1.3%, once final data is available, with additional, although modest, increases of 0.5% for FY/26 and 0.1%, in FY/27.

For FY/24, new commercial permit values declined by 2.6% from FY/23, while new residential values for single and multi-family projects increased 28.6% and 666%, respectively. Total permit values, including additions and alterations, increased 30.9% over the previous year. GRT revenue for construction stayed relatively strong through the pandemic, with FY/21 ending 2.5% over FY/20, which itself was a strong year. GRT construction grew an additional 17.1% and 22.3% in FY/22 and FY/23, respectively. While these growth rates reflect the many large construction projects around the City such as Netflix and the Albuquerque Sunport, the persistent high cost of construction was also a factor. UNM BBER

## PROJECTED REVENUES FOR FISCAL YEARS 2025 TO 2029

projects FY/25 will be another strong year for construction, with a 25.3% projected increase in total housing units expected. Construction employment is a major driver of economic growth for the City; impacts to City GRT from a slowing economy could be mitigated if construction projects continue at the projected pace in FY/25. Unfortunately, as of October 2024 year-to-date City building permit revenues are 41% below the same period last fiscal year. Cumulative growth in construction GRT for the past five months is showing a moderate 3% growth over the same period last year.

Property tax revenue in FY/23 grew 4.8% due to market fluctuations and property transfers. The Bernalillo County Assessor reported an even larger increase in values for the following tax year, partially due to a mandated review of the non-residential properties. Consequently, property tax revenue grew 5.8% in FY/24. Growth is projected at 4% and 3% in FY/25 and FY/26, respectively.

The long-term baseline forecast anticipates General Fund recurring revenue growth at 3.2%, 2.2%, 1.9%, 1.1%, and 0.7%, in FY/25, FY/26, FY/27, FY/28, and FY/29, 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/24 were \$2.1 million, or 0.4%, below the amount estimated in the approved FY/25 budget process (estimate). Total revenue for FY/24 was 0.8%, or \$6.5 million, over the FY/24 original budget. It is estimated that \$4.1 million of this is one-time revenue, most of which is due to the phase-out of food and medical harmless payments that began in FY/16. The phase-out decreases to 35% in FY/25 and drops to 28% in FY/26.

In FY/22, the City began receiving State-shared excise tax revenue for recreational

cannabis sales which officially began in April 2022. However, only about half of this revenue was distributed to the General Fund in FY/24 due to a City ordinance enacted in November 2023 that created a permanent Marijuana Equity And Community Reinvestment Fund for the benefit of those who have been negatively impacted by the criminalization of marijuana. Beginning in FY/25, all of the cannabis excise revenue is diverted to this new fund.

The City also receives GRT on the total cannabis sales gross receipts, but the State does not provide data for GRT on cannabis sales directly.

In addition to historical local increments and State-shared GRT, the City also receives compensating tax (CMP), which helps protect New Mexico businesses from unfair competition from out-of-state businesses, and interstate telecommunications tax (ITG), which applies to businesses providing interstate telecommunications services (other than mobile telecom services) in New Mexico. Combined, these revenues are estimated at about \$9 million for the City annually, with the vast majority being CMP.

GRT growth for FY/25 has had a promising start, with cumulative growth as of October at around 4.5% over the same period last year. This is above the estimated 2.1% growth expectation for the FY/25 budget based on the State-shared increment. While August revenue grew by 7.8%, that month's distribution included a \$1.3 million lump sum food hold harmless distribution due to an amended tax return. While July and September revenues hovered around 2%, the October distribution rebounded to a robust 6.5%.

For FY/26, GRT growth is expected to slow to 2.2%, reflecting a slower economy characterized by a pullback in both consumer spending and business investment, including declines in retail and other sectors of employment.

## PROJECTED REVENUES FOR FISCAL YEARS 2025 TO 2029

Deductions for the Tax Increment Development Districts (TIDDs) largely stalled in FY/20 and FY/21 due to delayed construction amid business uncertainties due to COVID-19. However, renewed development in the Winrock and Mesa Del Sol (MDS) TIDDs boosted these transfers significantly in FY/24, largely due to the expansion of Netflix in the MDS TIDD. Construction is expected to moderate somewhat in FY/25 and into the out-years of the forecast; however, estimates will be revised as new information on development is available.

### **Adjustments to GRT Growth**

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/24 actual property tax revenues were 4.3%, or about \$5.8 million, over the approved budget and 5.8% over FY/23, with current revenues growing 6% and delinquent revenues declining about 1.4%.

The Bernalillo County Assessor reported the total net taxable property values for Bernalillo County in tax year 2024 experienced an increase of 5.6% (based on valuations due on January 1, 2024). The Bernalillo County Assessor set a goal to complete canvassing all 287,315 property parcels within a four-year period.

For FY/25, property tax revenues are projected to grow 4%, which is consistent with billable records at the County as of this date. The growth rate for FY/26 is expected to cool somewhat and is projected at 3%; however, this may be adjusted when the FY/26 budget is built based on tax year

2025 data when it becomes available. For FY/27, and perhaps sooner, there will likely be some impact to property tax revenue to the City in response to two constitutional amendments passed by voters in the November 2024 general election to expand property tax exemptions for veteran homeowners. However, prior to implementation, the State Legislature will have to pass amendments to existing exemption legislation in the 2025 legislative session which begins January 21, 2025. Regardless, due to some challenging data issues, the exact impact will be difficult to precisely quantify.

### Franchise Taxes

Recurring FY/24 franchise tax revenues were \$1.4 million, or 4.2% below the estimate, largely due to the gas and electric franchises. The gas franchise was \$1.5 million, or about 25.4% below the estimate for FY/24. In FY/24, natural gas prices declined considerably and the U.S. experienced higher than average temperatures through the winter. In its 2023 rate case, the company cited a \$49 million revenue deficiency among its rationale for seeking higher rates. Consequently, effective October 1, 2024 the average monthly residential bill is expected to increase about 7.1%, depending on price fluctuations. For FY/25 and FY/26, the revenue growth for the gas franchise is set at 3% and 3.5%, respectively.

For FY/24, electric franchise revenues were 4.8%, or about \$712 thousand below the estimate. According to its 2023 earnings report, PNM earnings decreased in 2023 primarily due to \$242 million in regulatory disallowances and restructuring costs. This was despite hotter summer temperatures that tend to drive consumer demand up. For FY/25 and FY/26, the electric franchise is projected to grow 1.5% and 6%, respectively. The proposed rate increase of 23% is expected to impact FY/26; however, the projection is deliberately conservative despite rate increases due to the unpredictability of these revenues due to

## PROJECTED REVENUES FOR FISCAL YEARS 2025 TO 2029

weather impacts, energy prices and population growth, for example.

The water franchise was \$968 thousand or about 13% above the estimate. In June of 2024, the Water Authority's governing board approved a budget that included a 12% hike in water and sewer rates for FY/25, noting the costs of providing water and sewer service have risen significantly. This is expected to increase the average residential bill about \$6 per month. For FY/25, the growth rate is estimated at 4%. Due to ongoing conservation efforts and other variables, it is difficult to accurately estimate these revenues. For FY/26, growth is assumed to be flat, and then rising modestly in FY/27 at 2%.

Telephone, cable, and telecom all finished fairly close to expectations in FY/24 and are set for moderate to slightly negative growth for FY/25 and forward.

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

PILOT revenues were \$66 thousand, or 2.7% over the estimate for FY/24. FY/25 and FY/26 are forecasted in line with population growth and employment cost increases, or 0.2%.

### Building Permits

In FY/24, building permits were 3.3%, or about \$296 thousand below the estimate. This was 8.1% below FY/23. For FY/25, the revenue is estimated at \$10.3 million. This is, 17.2% over FY/24 actuals, but about \$2 million below the budget, largely due to the delayed implementation of department IT software. The City will now only about half of the expected revenue impacts from increased fees, or about \$1.25 million, will be realized in FY/25. While BBER projects FY/25 housing permits to increase 25% over the previous year, year-to-date building permit revenues for the City are 41% below FY/24 as of October 2024. The Five-Year Forecast does not contain an estimate for revenues generated by the Maxeon project which appears to be moving forward, albeit at a scaled-back level.

For FY/26, BBER projects further growth of housing permits of about 18%. The projection for all building permits is 12.1% over FY/25, in part due to expected construction activity but also due to the impact of a full year of proposed fee increases, such as for plumbing/mechanical, electrical and re-roofing.

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. FY/24 finished \$49 thousand, or about 1% over the estimate. For FY/25 and FY/26, growth is estimated at 2% and 3.9%, respectively. The FY/25 and FY/26 amounts are reduced \$1.5 million and \$2.9 million, respectively, because fee increases passed in the FY/25 budget were subsequently disapproved by Council in the enabling ordinance O-24-60. Remaining modest growth reflects modest population and business demand.

### 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/24 was \$14 thousand, or 0.3%, below the estimate, with decreases in State shared motor vehicle licenses and gas tax revenue. With virtually flat population growth, relatively stable gas prices and increased numbers of fuel-efficient cars,

## PROJECTED REVENUES FOR FISCAL YEARS 2025 TO 2029

State-shared gas tax revenue has been stubbornly slow growing.

For FY/25, the forecast is for continued moderate declines of about 5.2%, which picks up slightly in FY/26 and FY/27, by 1.4% and 1.3%, respectively, assuming that revenues will resume historical growth averages consistent with population growth and moderated gas prices.

### Charges for Services

For FY/24, service charges were \$260 thousand, or about 0.9% over the estimate and 1% over FY/23. Revenues in this category typically increase with population and business growth, unless major changes are taking place, such as changes to fee structures or new or upgraded City venues.

For FY/25, charges for service expectations are essentially held flat with FY/24 due to expected moderation in consumer and business spending. Growth is held close to the expected population growth rate for FY/26 and the out-years of the forecast as consumer demand continues to show caution. These revenues will be revisited during in-depth discussions with City departments as the FY/26 budget is built.

### Internal Service

FY/24 revenues finished \$17.4 thousand, or about 10.8%, below the estimate. FY/25 revenues are kept at the budgeted level, or slightly above FY/24 actuals. Modest increases averaging 3.5% are expected for the remainder of the forecast. Typically, these revenues increase with the rate of wage and salary compensation as forecasted by IHS, unless adjusted during the FY/26 budget process.

### Indirect Overhead

Indirect overhead in FY/24 finished \$5.8 million, or 24%, below the estimate. Currently, FY/25 IDOH rates are projected to increase 64.3% over FY/24. The large increase is partly due to increases in a number of rates for administrative indirect

overhead that were implemented in FY/25. However, FY/24 revenues were also well below budget, making the comparison between the years starker. For FY/26 and out-years, growth is more moderate at an average of 3.5%. Absent other factors, growth is typically consistent with the rate of wage and salary compensation forecasted by IHS. This revenue will be reconsidered as the FY/26 budget is built.

### CIP-Funded Positions

FY/24 transfers for CIP-funded positions were \$1.1 million, or 11.8% below the estimate. Similar to IDOH rates, rates for CIP-funded positions were increased beginning in FY/25, contributing the 68.4% expected increase for the year. Through the remainder of the forecast this revenue is projected to increase at the rate of wage and salary compensation forecasted by IHS, an average of 3.5%, unless adjusted during the FY/26 budget process.

### Miscellaneous

This category includes fines, rental of City property and other miscellaneous revenues. Revenues in FY/24 were \$6.3 million, or 96.9% above the estimate. The majority of the additional revenue was the result of two accounting adjustments that took place at the end of the year. The first was a \$2.3 million U.S. federal grant that was required to be recognized in the General Fund for FY/24. The second was for \$1.7 million in bond and lease proceeds required to be recognized. Both of these revenues are expected to be non-recurring. Consequently, revenues for FY/25 are decreased by 43.6%. FY/26 and out-year revenues are conservatively projected at .03%. These revenues will be revisited during in-depth discussions with City departments as the FY/26 budget is built. Consistent with the category name, this revenue source is often unpredictable.

## PROJECTED REVENUES FOR FISCAL YEARS 2025 TO 2029

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### Interest Earnings

For FY/24, earnings were \$807 thousand, or 27% over the estimate. This category has experienced some extreme fluctuations over the past few years due to changing fund balances, market volatility and wide-ranging interest rates. Revenues have historically been forecasted at roughly the interest on two-year treasuries as estimated by IHS. Currently, FY/25 is estimated at 48.4% below the FY/24 actual due to potentially declining fund balances and interest rates. Additionally, year-to-date revenues, while subject to wide variations, are currently well below the same period in FY/24. For FY/26 and beyond, growth is estimated at the growth rate of two-year treasuries.

### Interfund Transfers

Interfund transfers for FY/24 were flat with the estimate. For FY/25, these transfers are expected to increase about \$2.5 million over the previous year, mostly due to a transfer from Aviation for City services provided such as Fire, Police, and ambulance. FY/26 through the remainder of the forecast is expected to increase at the rate of wage and salary compensation forecasted by IHS; however, revenues will be re-evaluated as the FY/26 budget is developed.

PROJECTED REVENUES FOR FISCAL YEARS 2025 TO 2029

Revenue Category	Unaudited	Budget	Five year					Growth				
	FY/24	FY/25	FY/25	FY/26	FY/27	FY/28	FY/29	FY/25	FY/26	FY/27	FY/28	FY/29
<b>GRT</b>												
State Shared 1.225%	279,539	285,445	289,731	296,141	301,731	304,931	309,754	3.6%	2.2%	1.9%	1.1%	1.6%
Local GRT (w/o public safety)	130,086	131,395	134,055	136,291	138,117	138,833	140,245	3.1%	1.7%	1.3%	0.5%	1.0%
GRT 1/4 Public Safety	57,873	58,967	59,919	61,185	62,279	62,878	63,808	3.5%	2.1%	1.8%	1.0%	1.5%
Local distribution compensating tax	-	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Penalty and Interest	4,079	3,086	3,845	3,960	4,040	4,120	4,244	-5.7%	3.0%	2.0%	2.0%	3.0%
3/8th Hold Harmless	80,988	84,829	84,758	87,403	89,842	91,584	93,861	4.7%	3.1%	2.8%	1.9%	2.5%
CMP	8,340	9,484	8,506	8,681	8,859	9,009	9,194	2.0%	2.1%	2.1%	1.7%	2.1%
ITG	64	76	65	66	68	69	70	2.0%	2.1%	2.1%	1.7%	2.1%
Cannabis Excise	1,917	-	-	-	-	-	-	-100.0%	N/A	N/A	N/A	N/A
Total GRT	562,886	573,282	580,879	593,727	604,934	611,424	621,175	3.2%	2.2%	1.9%	1.1%	1.6%
TIDDs & Incentives	(5,728)	(5,606)	(4,637)	(5,615)	(7,756)	(8,886)	(10,014)	-19.0%	21.1%	38.1%	14.6%	12.7%
<b>Total GRT</b>	<b>562,886</b>	<b>573,282</b>	<b>580,879</b>	<b>593,727</b>	<b>604,934</b>	<b>611,424</b>	<b>621,175</b>	<b>3.2%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>1.1%</b>	<b>1.6%</b>
Property Taxes	104,259	109,100	108,429	111,682	114,830	118,669	122,310	4.0%	3.0%	2.8%	3.3%	3.1%
Telephone	771	751	767	763	763	763	763	-0.5%	-0.5%	0.0%	0.0%	0.0%
Electric	14,043	15,638	14,253	15,108	16,380	16,176	16,652	1.5%	6.0%	8.4%	-1.2%	2.9%
Gas	4,536	6,383	4,672	4,836	4,850	4,865	4,879	3.0%	3.5%	0.3%	0.3%	0.3%
Cable TV	3,567	3,678	3,567	3,574	3,581	3,588	3,596	0.0%	0.2%	0.2%	0.2%	0.2%
Water Authority Franchise	8,498	7,756	8,838	8,838	9,015	9,105	9,105	4.0%	0.0%	2.0%	1.0%	0.0%
Telecommunications	455	471	454	453	452	451	450	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
<b>Franchise (subtotal)</b>	<b>31,870</b>	<b>34,677</b>	<b>32,551</b>	<b>33,572</b>	<b>35,042</b>	<b>34,949</b>	<b>35,445</b>	<b>2.1%</b>	<b>3.1%</b>	<b>4.4%</b>	<b>-0.3%</b>	<b>1.4%</b>
Other Intergovl	4,316	4,826	4,090	4,147,000	4,199	4,195	4,217	-5.2%	1.4%	1.3%	-0.1%	0.5%
Building Permits	8,777	12,415	10,290	11,539,943	12,297	12,763	13,196	17.2%	12.1%	6.6%	3.8%	3.4%
Other Licenses/Fees	5,028	9,175	5,129	5,326,315	5,337	5,348	5,358	2.0%	3.9%	0.2%	0.2%	0.2%
Charges for Services	28,548	28,597	28,597	28,683,270	28,827	28,884	28,942	0.2%	0.3%	0.5%	0.2%	0.2%
Fines and Penalties	99	95	99	99,000	99	99	99	-0.1%	0.0%	0.0%	0.0%	0.0%
Interest on Invest	3,807	1,964	1,964	2,023,438	2,084	2,147	2,211	-48.4%	3.0%	3.0%	3.0%	3.0%
Other Miscellaneous	12,756	6,405	7,200	7,221,600	7,243	7,265	7,287	-43.6%	0.3%	0.3%	0.3%	0.3%
Interfund Transfers	2,854	5,348	5,348	5,358,696	5,369	5,380	5,391	87.4%	0.2%	0.2%	0.2%	0.2%
PILOT	2,507	2,510	2,510	2,515,428	2,520	2,525	2,531	0.2%	0.2%	0.2%	0.2%	0.2%
Indirect Overhead	18,455	30,313	30,313	31,381,034	32,515	33,629	34,802	64.3%	3.5%	3.6%	3.4%	3.5%
Internal Service	144	155	155	160,459	166	172	178	7.9%	3.5%	3.6%	3.4%	3.5%
Transfers for CIP-Funded Positions	8,213	13,829	13,829	14,316,579	14,834	15,342	15,877	68.4%	3.5%	3.6%	3.4%	3.5%
<b>Total Revenue</b>	<b>794,517</b>	<b>832,693</b>	<b>831,384</b>	<b>851,754</b>	<b>870,297</b>	<b>882,791</b>	<b>899,020</b>	<b>4.6%</b>	<b>2.5%</b>	<b>2.2%</b>	<b>1.4%</b>	<b>1.8%</b>
<b>Non-Recurring Revenue</b>	<b>4,112</b>	<b>4,205</b>	<b>4,207</b>	<b>4,362</b>	<b>4,506</b>	<b>4,680</b>	<b>4,866</b>	<b>2.3%</b>	<b>3.7%</b>	<b>3.3%</b>	<b>3.9%</b>	<b>4.0%</b>
<b>Recurring Revenue</b>	<b>790,405</b>	<b>828,488</b>	<b>827,177</b>	<b>847,392</b>	<b>865,791</b>	<b>878,110</b>	<b>894,154</b>	<b>4.7%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>1.4%</b>	<b>1.8%</b>
Top Golf	(200)	(250)	(200)	(200)	(200)	(200)	(200)					
Winrock	(1,777)	(1,847)	(1,804)	(1,831)	(1,890)	(1,945)	(1,999)					
Mesa Del Sol (MDS)	(3,604)	(2,126)	(2,400)	(2,500)	(2,581)	(2,655)	(2,729)					
UNM South Campus	(64)	(1,300)	(150)	(1,000)	(3,000)	(4,000)	(5,000)					
Lower Petroglyphs	(82)	(83)	(83)	(84)	(85)	(86)	(87)					
<b>Total TIDDs &amp; Incentives</b>	<b>(5,728)</b>	<b>(5,606)</b>	<b>(4,637)</b>	<b>(5,615)</b>	<b>(7,756)</b>	<b>(8,886)</b>	<b>(10,014)</b>					

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 January and February (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. 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 largely track with 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 reconstruction, 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 and Intel 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 2% in FY/25 due to the steep drop from 42% share in FY/24 to 35% in FY/25.

### **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 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 was scaled back due to the impact of the pandemic, new construction has finally taken place in earnest. For FY/24, the amount diverted to the TIDD was about \$1.8

## ESTIMATING GROSS RECEIPTS TAXES

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million. For FY/25 and the remainder of the forecast, modest growth is expected.

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. For FY/24, diversions totaled about \$5.7 million, the most of which, \$3.6 million, was the result of Netflix expansion within the TIDD. For FY/25 and the remainder of the forecast, some decline in GRT is expected with some uncertainty around whether Netflix will pursue another major expansion in the near future.

Other TIDDs such as UNM South Campus and Lower Petroglyphs have yet to provide updated expectations for significant new growth.

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 \$200 thousand per year for FY/25 to FY/29 based on FY/24 actuals. The positive impact on revenue and the cost in incentives for other LEDA projects are not explicitly included in this report.



## **EXPENDITURE OUTLOOK**



## EXPENDITURE ESTIMATING METHODOLOGY

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/25 through FY/29. For the current fiscal year ending June 30, 2025, expenses are projected using the original appropriation as a base. The base is then adjusted to account for subsequent appropriations by the City Council. It is assumed that departments will spend their full appropriations by the end of FY/25.

FY/26 estimated costs are, for the most part, derived independently of FY/25 estimates. The FY/26 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 City's interim salary structure 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/25 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/26 is largely driven by inflationary factors applied to the FY/26 through FY/29 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.

TABLE A BASELINE SCENARIO FACTORS	SHORT NAME	FACTORS			
		FY/26	FY/27	FY/28	FY/29
CPI - All Urban Consumers, All Items	CPI-U	2.7%	2.7%	2.0%	2.3%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	3.5%	3.6%	3.4%	3.5%
Price Index Consumer Exp Medical Care	MEDICAL	2.7%	2.8%	2.8%	2.9%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	-2.6%	-2.3%	-2.3%	-2.5%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	2.5%	2.0%	1.9%	1.8%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	41.8%	14.7%	-8.4%	6.9%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	2.9%	4.5%	2.3%	3.0%
PPI - Fuels & Related Products, Electric Power	ELECT	3.0%	8.2%	-1.4%	2.7%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	3.1%	3.0%	2.9%	2.9%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.9%	1.1%	1.0%	1.0%
Growth of Gross Receipts Tax Revenue	GRT	2.2%	1.9%	1.1%	0.6%

**EXPENDITURE ESTIMATING METHODOLOGY**

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

(\$000's)	AUDITED ACTUAL FY/24	REVISED BUDGET FY/25	FORECASTS			
			FY/26	FY/27	FY/28	FY/29
<b>RESOURCES:</b>						
Recurring Revenue	790,405	827,177	847,392	865,791	878,110	888,394
% Change Recurring Revenue		4.7%	2.4%	2.2%	1.4%	1.2%
Total Non-recurring	4,112	4,207	4,362	4,506	4,680	4,866
<b>TOTAL REVENUES</b>	<b>794,517</b>	<b>831,384</b>	<b>851,754</b>	<b>870,297</b>	<b>882,791</b>	<b>893,260</b>
% Change Total Revenue		4.6%	2.5%	2.2%	1.4%	1.2%
<b>BEGINNING FUND BALANCE</b>	<b>167,514</b>	<b>95,777</b>	<b>71,952</b>	<b>25,908</b>	<b>(96,569)</b>	<b>(237,686)</b>
<b>TOTAL RESOURCES</b>	<b>962,030</b>	<b>927,161</b>	<b>923,706</b>	<b>896,204</b>	<b>786,221</b>	<b>655,574</b>
<b>EXPENDITURES/APPROPRIATIONS:</b>						
Recurring Expenditures/Appropriations	776,122	822,612	869,457	964,433	995,567	1,014,666
% Change Recurring Appropriation		6.0%	5.7%	10.9%	3.2%	1.9%
Non-recurring Exp/App: One-time Items	90,131	32,597	28,341	28,341	28,341	28,341
<b>TOTAL EXPEND/APPROP</b>	<b>866,253</b>	<b>855,209</b>	<b>897,798</b>	<b>992,774</b>	<b>1,023,908</b>	<b>1,043,007</b>
<b>UNADJUSTED FUND BALANCE</b>	<b>95,777</b>	<b>71,952</b>	<b>25,908</b>	<b>(96,569)</b>	<b>(237,686)</b>	<b>(387,433)</b>
<b>ADJUSTMENTS:</b>						
Encumbrances	(5,149)	0	0	0	0	0
Council Appropriation	0	(300)	0	0	0	0
Unrealized (Gain)/Loss on Investments	(456)	(456)	(456)	(456)	(456)	(456)
Other Accounting Adjustments	(116)	(116)	(116)	(116)	(116)	(116)
<b>TOTAL ADJUSTMENTS</b>	<b>(5,722)</b>	<b>(872)</b>	<b>(572)</b>	<b>(572)</b>	<b>(572)</b>	<b>(572)</b>
<b>ADJUSTED FUND BALANCE</b>	<b>90,056</b>	<b>71,080</b>	<b>25,336</b>	<b>(97,141)</b>	<b>(238,258)</b>	<b>(388,005)</b>
<b>RESERVES:</b>						
1/12th Operating Reserve	68,888	70,933	74,816	82,731	85,326	86,917
Additional 1% for Tiered COLA [E,I,U]	0	1,550	0	0	0	0
Wage Adjust Less Than \$15/hr	100	0	0	0	0	0
NU Classified Wage Adj. per C&C	0	215	0	0	0	0
<b>TOTAL RESERVES</b>	<b>68,988</b>	<b>72,698</b>	<b>74,816</b>	<b>82,731</b>	<b>85,326</b>	<b>86,917</b>
<b>AVAILABLE FUND BALANCE</b>	<b>21,068</b>	<b>(1,618)</b>	<b>(49,480)</b>	<b>(179,872)</b>	<b>(323,584)</b>	<b>(474,922)</b>
1/12th Operating Reserve	72,188	71,267	74,816	82,731	85,326	86,917
Recurring Surplus/(Deficit)	14,283	4,565	(22,065)	(98,642)	(117,457)	(126,271)

## EXPENDITURE ESTIMATING METHODOLOGY

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

	ACTUAL	REVISED								
	FY/24	BUDGET FY/25	FY/26	% chg	FY/27	% chg	FY/28	% chg	FY/29	% chg
PERSONNEL	507,226	568,269	597,182	5.1%	623,080	4.3%	642,630	3.1%	663,221	3.2%
OPERATING	207,434	171,266	168,959	-1.3%	172,250	1.9%	173,525	0.7%	175,918	1.4%
CAPITAL	12,954	836	336	-59.8%	336	-0.1%	335	-0.1%	335	-0.1%
TRANSFERS	138,639	110,821	115,940	4.6%	126,412	9.0%	131,668	4.2%	133,997	1.8%
ADDITIONAL ITEMS FACTORED	0	4,017	15,380	282.9%	70,697	359.7%	75,750	7.1%	69,535	-8.2%
<b>GRAND TOTAL</b>	<b>866,253</b>	<b>855,209</b>	<b>897,798</b>	<b>5.0%</b>	<b>992,774</b>	<b>10.6%</b>	<b>1,023,908</b>	<b>3.1%</b>	<b>1,043,007</b>	<b>1.9%</b>

This forecast includes adjustments in recurring expenses for FY/26 to provide greater accuracy for the upcoming fiscal year. However, the forecast does not assume recurring expense adjustment from FY/27 forward, which drives the recurring gap between revenues and expenses. As shown in Table B, the total increase in expenses peaks in FY/29, mostly due to wages and benefits, assumed cost increases for medical, Transit Department subsidy, public safety needs, pension obligations, and estimated operational costs to support the completion of capital projects.

Labor costs make up the majority of overall costs to bring new or expanded facilities on-line. That said, various union negotiated and forecasted

wage adjustments are included in the personnel section in Table C for FY/26. 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/26.

Non-Recurring Items for FY/26 (\$000's)		
Department	Purpose	Amount
<b>Animal Welfare</b>	Food	250
	Preventative Clinic Lease Agreement	100
	Street Cat Hub	500
<b>Arts &amp; Culture</b>	Explora	250
	Food/Medicine contracts	250
	Library IT	200
	Promotions, Outreach, Communications	60
	Special Events	200
	Sponsored Initiatives/Events	1,873
<b>City Clerk</b>	Temp Staff - IPRA	200
<b>City Support</b>	LEDA Transfer to F305	1,000
<b>Civilian Police Oversight Agency</b>	Branding Material for CPC	10
	Contractual Mediation Services	25

## EXPENDITURE ESTIMATING METHODOLOGY

Non-Recurring Items for FY/26 (\$000's)		
Department	Purpose	Amount
	Translation Services (Written, Interview, Brochures)	10
<b>Community Safety</b>	Mayor's Taskforce on Dom. Violence Housing Vchr	100
	NM Center of Black Excellence	15
	School based VIP Case Management	80
	Vizionz-Sankofa	15
<b>Council Services</b>	Community Bike Program	6
	DA Domestic Violence Intervention Team	250
	District 6 Farmer's Market (Food Insecurity)	15
	El Prado, DBA Fraction Farms	25
	Low Rider Day	10
	Peace and Justice Center	10
	Public Grantor Program	150
	Touch a Truck Public Safety Awareness	10
<b>Economic Development</b>	3 Sisters Kitchen	20
	ABQID	75
	Marketing, Retention, and Expansion for Economic Development	203
	African American Chamber of Commerce	40
	Asian Business Collaborative	30
	Barelas Mainstreet	80
	Downtown Mainstreet	80
	ED promo, digital marketing and related contracts	80
	Job Training Albuquerque	1,250
	Native American Film Makers	10
	Nob Hill Mainstreet	60
	Revitalize San Pedro-Mainstreet	50
	Southwest Women's Collaborative	50
	Top Golf	100
	West Central Community Development Group	30
	West Fest	50
<b>Environmental Health</b>	Cleanup for Feces	200
<b>Finance and Administrative Services</b>	MRA: Legal Services	75
<b>Fire</b>	Equipment EMS / Fleet Operations - Supplies	10
	Fleet Operations - Utilities	50
	Behavioral Health program	50
<b>General Services</b>	Sustainability Contractual Services	50
	Prosperity Works	40
<b>Health, Housing &amp; Homelessness</b>	Affordable Housing Vouchers	8,000
	Deferred Maintenance at Gateway Center	1,000
	Behavioral Health Software	100
	Grief Center	20
	Family Promise	100

**EXPENDITURE ESTIMATING METHODOLOGY**

<b>Non-Recurring Items for FY/26 (\$000's)</b>		
<b>Department</b>	<b>Purpose</b>	<b>Amount</b>
	Job Connection Program	300
	Peaceful Habitation	50
	Saranam	20
	Pilot program for wrap-around services	400
	Shelter Operations	1,200
	Sponsored Initiatives/Events	2,583
<b>Human Resources</b>	Bilingual Testing	10
	Labor Negotiations	50
	Promote Employment Opportunities with City	20
<b>Legal</b>	Citizenship Program	25
<b>Municipal Development</b>	ARID LID	80
	Fund 282 Subsidy	1,000
<b>Office of Inspector General</b>	Contract Investigation Services	25
	OIG Peer Review	5
	Operating budget increase	10
	Supplies/Operating Costs	20
	Voyager software renewal	50
<b>Office of Internal Audit</b>	OIA Peer Review	7
	Tech Review and Outside Legal Services	10
	Technical Review and Licensing	6
<b>Parks &amp; Recreation</b>	4H Park	50
	Aquatics- Los Altos HVAC system	50
	Bee Sponsorship	50
	Cycling USAC Masters Championship	350
	Dakota Tree Project	50
	Encampment Crews	15
	Freedom 4th	55
	Hawks	30
	Indoor Track (ACC Rental Fees + Accelerated Disassembly)	320
	New Mexico Games	15
	Park Ranger PSA	7
	Umpire, Site Supervisor & Other Sport Referees Pay Increase	159
	Urban Forestry	350
	Veteran's Support Services	20
	Youth Connect Summer Recreation Programs	140
<b>Planning</b>	Boardups (ADAPT)	300
<b>Police</b>	APD Drag Racing Tactical Plans	50
	Criminal Justice Coordinating Council	20
	Electronic Control Weapon Lease	986
	Independent Monitor DOJ Contract	250
	Risk Youth Programs and Outreach	25
	Student Loan Forgiveness Program	50

## EXPENDITURE ESTIMATING METHODOLOGY

Non-Recurring Items for FY/26 (\$000's)		
Department	Purpose	Amount
<b>Senior Affairs</b>	Food Costs Increase	500
	Manana de Oro	15
	Security	100
	Tarde de Oro	15
<b>Technology and Innovation</b>	Call Center Script for 311	10
	Cisco UCS	50
	DocuSign Subscription	25
	ESRI in Support of APD	90
	Finesse Licenses	3
	Mythics PAAS Credits	50
	PeopleSoft Licensing	45
	TrendMicro additional function	60
<b>Youth &amp; Family Services</b>	After school program for youth	255
	Westgate Bike Shop Operating	250
	Sponsored Initiatives/Events	143
<b>TOTAL</b>		<b>28,341</b>

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 adjusted in FY/26 to provide an accurate estimation for the upcoming budget year. The General Fund estimates for FY/27 through FY/29 are \$36.9 million, \$38.3 million, and \$39.8 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 25 Budget	FY 26	FY 27	FY 28	FY 29
<b><u>Animal Welfare</u></b>						
Kennel D Project Phase II remodel Bldg operation costs: utilities & supplies (1872sf)		-	-	17,000	17,000	17,000
Mobile Clinic -Supplies		-	-	5,000	5,000	5,000
Mobile Clinic -Supplies Operating (Microchips)		-	-	40,000	40,000	40,000
Mobile Clinic- Vehicle Fuel		-	-	10,000	10,000	10,000
Mobile Clinic- Vehicle Maintenance		-	-	12,500	12,500	12,500
Mobile Clinic -Veterinarian Drugs & Medicine (DHLP,FVRCP,Rabies)		-	-	8,000	8,000	8,000
Mobile Clinic-Veterinary Supplies		-	-	4,000	4,000	4,000
Two (2) Veterinary Clinic Assistants (cleaning)		-	-	127,722	131,553	135,500
<b>Total Animal Welfare Department</b>		<b>\$0</b>	<b>\$0</b>	<b>\$224,222</b>	<b>\$228,053</b>	<b>\$232,000</b>
<b><u>Arts &amp; Culture</u></b>						
<b>Bio Park Exhibits</b>						
Asia	Oct 2023	-	300,000	500,000	500,000	500,000
Mediterranean Garden Addition	May 2025	-	-	50,000	50,000	50,000
Australia Phase 1	July 2024	-	-	495,000	495,000	495,000

## EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 25 Budget	FY 26	FY 27	FY 28	FY 29
Australia Phase 2	Apr 2026	-	-	500,000	500,000	500,000
Heritage Farm	Feb 2025	-	200,000	400,000	400,000	400,000
SHARK Aquatic Quarantine	Mar 2026	-	-	500,000	500,000	500,000
Children's Fantasy Garden	Mar 2027	-	-	75,000	150,000	150,000
Africa Exhibit Improvements	July 2027	-	-	750,000	750,000	750,000
Mexican Wolves Refuge	May 2025	-	-	100,000	100,000	100,000
Animal Ambassador Complex	July 2029	-	-	-	200,000	500,000
Botanic Garden / Aquarium Entry	July 2027	-	-	100,000	50,000	50,000
Tingley Beach Improvements	July 2027	-	-	15,000	25,000	25,000
<b>Museums</b>						
Albuquerque Museum Education Center	July 2026	-	-	680,000	680,000	680,000
<b>Total Arts &amp; Culture Department</b>		<b>\$0</b>	<b>\$500,000</b>	<b>\$4,165,000</b>	<b>\$4,400,000</b>	<b>\$4,700,000</b>
<b>Community Safety</b>						
<b>Community Safety Building-San Mateo/Kathryn</b>						
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		478,066	100,000	100,000	100,000	100,000
2 BHR1 (\$175,406.72), 2 BHR2 (\$204,633.32), 1 BHR Sup (\$112,079.35), 2 Sr. Office Asst. (\$143,342.86), ),recurring		-	300,000	636,557	636,557	636,557
Fiscal Officer-Grant Accountant		-	-	121,573	121,573	121,573
<b>Northside Location</b>						
New building/renovated building and furniture; maintain		-	-	500,000	-	-
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		-	-	100,000	100,000	100,000
2 BHR1 (\$175,406.72), 2 BHR2 (\$204,633.32), 1 BHR Sup (\$112,079.35), 2 Sr. Office Asst. (\$143,342.86), ),recurring		-	-	636,557	636,557	636,557
<b>Eastside Location</b>						
New building/renovated building and furniture; maintain		-	-	-	500,000	-
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		-	-	-	100,000	100,000
2 BHR1 (\$175,406.72), 2 BHR2 (\$204,633.32), 1 BHR Sup (\$112,079.35), 2 Sr. Office Asst. (\$143,342.86), ),recurring		-	-	-	636,557	636,557
<b>Southside Location</b>						
New building/renovated building and furniture; maintain		-	-	-	-	500,000
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		-	-	-	-	100,000
2 BHR1 (\$175,406.72), 2 BHR2 (\$204,633.32), 1 BHR Sup (\$112,079.35), 2 Sr. Office Asst. (\$143,342.86), ),recurring		-	-	-	-	636,557
<b>Trauma Recovery Center- VIP</b>						
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		-	45,000	45,000	45,000	45,000
VIP Personnel 1 Program Manager, recurring		-	-	139,050	139,050	139,050
<b>New Westside Public Safety Building</b>						
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		-	-	30,000	30,000	30,000
2 BHR1 (\$175,406.72), 2 BHR2 (\$204,633.32), 1 BHR Sup (\$112,079.35), 1 Sr. Office Asst. (\$72,218.60),recurring		-	-	564,338	564,338	564,338
<b>Total Community Safety Department</b>		<b>\$478,066</b>	<b>\$445,000</b>	<b>\$2,873,074</b>	<b>\$3,609,631</b>	<b>\$4,346,187</b>
<b>Fire</b>						
Old FS 9- Relocation of HEART Division						
Operating cost for Building - utilities and data		-	25,000	25,000	25,000	25,000
<b>New Fleet Building</b>						
Operating cost for Fleet Building- utilities		-	-	105,000	105,000	105,000
SW Mesa Fire Station 23 - Personnel ( 1-Captain, 3-Lieutenant, 4-Driver, 4-Firefighter)		-	-	1,451,518	1,495,064	1,539,916
Operating cost for Engine 23		-	33,765	33,765	33,765	33,765
SW Mesa Station Rescue 23 - (4-Para Lieutenant, 4-Para Driver positions)		-	-	1,116,367	1,149,858	1,184,353

## EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 25 Budget	FY 26	FY 27	FY 28	FY 29
Operating cost for Rescue 23		-	33,765	33,765	33,765	33,765
SW Mesa Station EMS Supervisor Unit 23 - (3-Para Captain)		-	-	472,146	486,310	500,900
Operating cost for EMS Supervisor Unit 23		-	33,765	33,765	33,765	33,765
Airboat Facility Addition						
Operating cost for Airboat Facility- utilities		-	15,000	15,000	15,000	15,000
Addition of Battalion at FS18		-				
Operating cost for of Battalion at FS18- utilities		-	25,000	25,000	25,000	25,000
Bunk room Expansion FS 16						
Operating cost for addition of Bunkroom for FS 16- utilities		-	250,000	25,000	25,000	25,000
Fires Station 12-New Building						
Operating cost for FS12- utilities		-	-	50,000	50,000	50,000
Fires Station 12-Medic Unit		-	-	1,069,867	1,101,963	1,135,022
Operating Cost for medic unit 12		-	-	33,765	33,765	33,765
Fires Station 4- New Building						
Operating cost for FS4- utilities		-	-	50,000	50,000	50,000
<b>Total Fire Department</b>		<b>\$0</b>	<b>\$416,295</b>	<b>\$4,539,958</b>	<b>\$4,663,255</b>	<b>\$4,790,251</b>
<b><u>Health, Housing &amp; Homelessness</u></b>						
Gateway Ph 1 and Engagement Center at Gibson Health Hub		-	1,800,000	1,800,000	1,800,000	1,800,000
Med Respite at Gibson Health Hub	January 2025	-	-	300,000	300,000	300,000
Men's Sheltering	February2025	-	-	1,800,000	1,800,000	1,800,000
Medical Sobering	December 2024	-	-	3,200,000	3,200,000	3,200,000
First Responder's	June2024	-	1,200,000	1,200,000	1,200,000	1,200,000
Pallet Home Recovery	March 2025	-	-	2,963,463	2,963,463	2,963,463
Young Adult Shelter	June 2025	-	-	3,398,065	3,398,065	3,398,065
<b>Total Health, Housing, &amp; Homelessness Department</b>		<b>\$0</b>	<b>\$3,000,000</b>	<b>\$14,661,529</b>	<b>\$14,661,529</b>	<b>\$14,661,529</b>
<b><u>Parks &amp; Recreation</u></b>						
Alameda Drain Trail (Phase I & II)	July'23&FY 25	-	-	150,000	155,000	160,000
Aquatics - Los Altos HVAC system	FY20	-	-	85,000	87,000	90,000
Barelas Park	FY23	-	-	197,500	200,000	210,000
Candelaria Nature Preserve	Dec'24	-	-	245,000	250,000	255,000
Chaparral Bike Park	FY28	-	-	-	40,000	42,500
Creighton Park	FY27	-	-	50,000	52,000	55,000
Crestview Bluff Park	FY27	-	-	20,000	22,000	25,000
Cricknet Pitches	FY24	-	-	31,000	35,000	35,000
Daniel Webster Park (Phases 3, 4)	FY25	-	-	17,500	20,000	21,500
Dog Parks	FY24&25	-	-	760,000	770,000	785,000
Genievas Arroyo Park	FY27	-	-	70,000	75,000	80,000
Horseman's Complex	May'25	-	-	5,000	6,000	7,000
International District Park	FY25	-	-	195,000	200,000	210,000
Juan Tabo Hills (Phases 2, 3, 4)	Dec'24	-	-	107,000	110,000	114,500
Los Altos Softball Complex	FY24	-	-	350,000	355,000	370,000
Los Tomasas Park	FY25	-	-	2,600	2,700	2,800
Manzano Mesa Pickleball Courts	May'24	-	-	68,000	70,000	71,500
Martineztown Community Garden	FY27	-	-	5,000	5,500	6,000
McKinley Bicycle Center/Boys & Girls Teen Center	FY25	-	72,000	74,000	76,000	77,500
Mesa Verde Park	FY27	-	-	80,000	84,000	88,000
Multi-Use Stadium at Balloon Fiesta Park	Mar'26	-	-	460,000	470,000	482,000
North Domingo Baca Aquatics Center	FY26	-	-	1,525,000	1,550,000	1,570,000
Phil Chacon Park	Mar'25	-	-	162,500	165,000	169,000
Rail Trail	FY27	-	-	814,000	650,000	650,000
San Antonio Oxbow	Oct'25	-	-	10,000	11,000	12,000
Shred Mountain Bike Course at BFP	Jul'24	-	-	73,500	75,000	78,500
Splash Pads	FY23-FY27	-	-	245,000	255,000	261,000

## EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates							
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 25 Budget	FY 26	FY 27	FY 28	FY 29	
Tijeras Arroyo BioZone -Diamond Rock, Education Center, Carmel Site	FY24	-	-	260,000	265,000	268,000	
Trails--Other new trail and trail improvement	ongoing	-	-	430,000	440,000	448,000	
Ventana Ranch Tennis & Pickleball Courts	FY24&FY25	-	-	280,000	290,000	300,000	
Vista del Norte Park	FY24	-	-	167,000	170,000	174,000	
Wells Park	Jan'25	-	-	166,000	168,000	171,000	
<b>Total Parks &amp; Recreation Department</b>		<b>\$0</b>	<b>\$72,000</b>	<b>\$7,105,600</b>	<b>\$7,124,200</b>	<b>\$7,289,800</b>	
<b><u>Police</u></b>							
Southeast Area Command: Phase I							
Utilities		-	100,000	-	-	-	
Southeast Area Command: Phase II							
Utilities		-	-	75,000	75,000	75,000	
Rosenwald:							
Utilities		-	6,000	6,000	6,000	6,000	
City Church:							
Utilities		-	75,000	75,000	75,000	75,000	
APD Shooting Range							
Furniture		-	10,000	-	-	-	
Utilities		-	-	18,000	18,000	18,000	
RTCC/RTMC							
Utilities		-	100,000	100,000	100,000	100,000	
Crime Lab Roof		-	-	-	-	-	
APD Airboat Facility		-	-	-	-	-	
Utilities		-	50,000	50,000	50,000	50,000	
APD West Bluff							
Utilities		-	6,000	6,000	6,000	6,000	
SW Public Safety							
Utilities		-	9,000	9,000	9,000	9,000	
<b>Total Police Department</b>		<b>\$0</b>	<b>\$356,000</b>	<b>\$339,000</b>	<b>\$339,000</b>	<b>\$339,000</b>	
<b><u>Senior Affairs</u></b>							
Martinez Town Multigeneration Center		-	-	389,000	464,000	539,000	
Cibola Loop Multigenerational Center		-	-	1,530,000	1,530,000	1,530,000	
Old Westgate		-	-	427,300	502,300	577,300	
<b>Total Department of Senior Affairs</b>		<b>\$0</b>	<b>\$0</b>	<b>\$2,346,300</b>	<b>\$2,496,300</b>	<b>\$2,646,300</b>	
<b><u>Technology and Innovation</u></b>							
<b><u>Infrastructure</u></b>							
Cisco UCS		-	-	50,000	50,000	50,000	
Transcepta contract escalator 4-7%		-	-	8,000	12,000	16,000	
TrendMicro (additional function due to insurance requirements)		-	-	60,000	60,000	60,000	
Mythics PAAS Credits		-	-	50,000	50,000	50,000	
Finesse Licenses		-	-	2,700	2,700	2,700	
Veeam		-	-	140,000	140,000	140,000	
<b><u>Applications</u></b>							
ESRI increase to support APD		-	-	110,000	120,000	130,000	
DocuSign (CARES initial funding)		-	-	60,000	60,000	60,000	
<b><u>ERP</u></b>							
HR GT E-Forms		-	-	25,000	25,000	25,000	
PeopleSoft Licensing increase		-	-	60,000	60,000	60,000	
<b><u>Citizen Services</u></b>							
Call Center script for 311		-	-	10,000	10,000	10,000	
<b>Total Technology and Innovation Department</b>		<b>\$0</b>	<b>\$0</b>	<b>\$575,700</b>	<b>\$589,700</b>	<b>\$603,700</b>	
<b><u>Youth and Family Services</u></b>							
Jack Candelaria CC & Boxing Training Center		-	-	75,000	75,000	75,000	
Loma Linda CC (Therapeutic Recreation)		-	-	80,000	80,000	80,000	
<b>Total Youth and Family Services Department</b>		<b>\$0</b>	<b>\$0</b>	<b>\$155,000</b>	<b>\$155,000</b>	<b>\$155,000</b>	

## EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 25 Budget	FY 26	FY 27	FY 28	FY 29
<b>Total General Fund Departments CIP Coming-On-Line</b>		<b>\$478,066</b>	<b>\$4,789,295</b>	<b>\$36,985,382</b>	<b>\$38,266,667</b>	<b>\$39,763,766</b>
-						
<u>Transit</u>						
University BRT		-	-	-	2,098,326	2,098,326
Southwest Mesa Park & Ride		-	140,275	140,275	140,275	140,275
Far East Park & Ride		-	-	-	-	142,775
Micro Transit		-	467,550	467,550	467,550	467,550
TDM Staff		-	560,547	560,547	560,547	560,547
<i>Total Transit Department Subsidy</i>		<b>\$0</b>	<b>\$1,168,372</b>	<b>\$1,168,372</b>	<b>\$3,266,698</b>	<b>\$3,409,473</b>
<b>Total GF Subsidized CIP Coming-On-Line</b>		<b>\$0</b>	<b>\$1,168,372</b>	<b>\$1,168,372</b>	<b>\$3,266,698</b>	<b>\$3,409,473</b>
-						
<b>Total CIP Coming-On-Line</b>		<b>\$478,066</b>	<b>\$5,957,667</b>	<b>\$38,153,754</b>	<b>\$41,533,365</b>	<b>\$43,173,239</b>

**REVENUES AND EXPENDITURES  
UNDER ALTERNATIVE SCENARIOS**



## ALTERNATIVE SCENARIOS

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

The alternative scenarios are based on October 2024 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 55%.

The following sections 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 significant.

<b>Available Fund Balance by Scenario</b>				
<b>(\$000's)</b>				
	<b>FY/26</b>	<b>FY/27</b>	<b>FY/28</b>	<b>FY/29</b>
Baseline	(49,480)	(179,872)	(323,584)	(474,922)
Optimistic	(36,357)	(158,935)	(290,105)	(433,383)
Pessimistic	(89,059)	(254,118)	(418,811)	(596,104)

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.

## OPTIMISTIC SCENARIO

IHS assigns the optimistic scenario a 20% probability of occurring. The optimistic scenario assumes stronger growth in consumer spending and productivity relative to the baseline. Stronger equity markets provide more support to consumers and allows financial institutions to continue to supply solid growth of credit. Further, fighting in the Russia-Ukraine conflict and in the Middle East abates, reducing the threat of higher energy prices. GDP is 0.7% faster than in the baseline through the end of FY/26 with less risk of a government shutdown in the winter. On average, GDP grows 2.5% through FY/27 as opposed to 2% in the baseline.

In the optimistic scenario, Albuquerque employment grows incrementally faster than the baseline in FY/25 and then slightly less than the baseline in FY/26. It remains unchanged from baseline in all remaining years. Construction employment grows 0.2% faster in FY/25 and 0.5% faster in FY/26 and continues an average of 0.3% higher than the baseline for the

remainder of the forecast period. The unemployment rate averages 0.2% lower in each year relative to the baseline. The moderately improved economic indicators in this scenario result in 1.9% higher GRT in FY/25, about 0.9% higher GRT rate for FY/26, then slowing to 0.3% average advantage through FY/29. Total revenues increase by \$5 million and nearly \$10 million in FY/25 and FY/26, respectively.

**Note: Even in the optimistic scenario, growth in revenue does not equal growth in expenditures and available fund balance is negative for all four out-years of the forecast. The available fund balance in this scenario is negative \$36.4 million in FY/26 and compounds to a negative \$433.4 million in FY/29.**

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

### OPTIMISTIC SCENARIO INFLATION FACTORS

	2023	2024	2025	2026	2027	2028	2029
CPI U All Items	6.3%	3.3%	2.0%	3.3%	2.8%	2.0%	2.4%
Employment Cost Index-Wages & Salary	5.0%	4.3%	3.6%	3.6%	3.8%	3.6%	3.7%
Medical Care	2.5%	2.6%	2.3%	3.0%	3.0%	2.9%	3.0%
Core CPI	5.8%	3.9%	2.5%	2.6%	2.4%	2.3%	2.3%
New Cars	7.1%	0.4%	-2.5%	-2.4%	-2.2%	-2.2%	-2.4%
Transportation	11.0%	4.0%	1.5%	2.8%	2.1%	2.0%	1.9%
Natural Gas	12.6%	-24.4%	10.9%	89.5%	-13.5%	-1.5%	-10.0%
Gasoline & Oil	0.9%	-4.2%	-9.4%	5.6%	5.1%	2.5%	3.0%
Electricity Chained Price Index	11.8%	3.7%	0.5%	3.9%	8.4%	-1.4%	2.8%
Govt Consumption Noncompensation	4.9%	1.8%	2.4%	3.3%	3.1%	3.0%	2.9%
Tires/Tubes/Accessories/Parts	8.7%	-0.1%	1.0%	1.1%	1.2%	1.0%	1.0%

### General Fund Revenues (In Thousands of Dollars)

Optimistic Scenario	Audited		Five Year Forecast					Growth				
	FY/24	FY/25	FY/25	FY/26	FY/27	FY/28	FY/29	FY/25	FY/26	FY/27	FY/28	FY/29
Total Gross Receipts	562,886	573,282	582,004	597,919	609,565	617,636	622,693	3.4%	2.7%	1.9%	1.3%	0.8%
Taxes	138,635	146,287	143,978	148,843	152,754	156,588	160,932	3.9%	3.4%	2.6%	2.5%	2.8%
Shared	4,316	4,826	4,091	4,223	4,294	4,288	4,310	-5.2%	3.2%	1.7%	-0.1%	0.5%
Permits	13,805	21,590	18,204	20,652	21,597	22,305	23,089	31.9%	13.4%	4.6%	3.3%	3.5%
Charges for Services	28,548	28,597	28,798	28,885	29,029	29,087	29,145	0.9%	0.3%	0.5%	0.2%	0.2%
Intra City	21,452	35,816	35,816	36,948	38,176	39,394	40,720	67.0%	3.2%	3.3%	3.2%	3.4%
Misc	16,663	8,464	9,663	9,750	9,838	9,925	10,012	-42.0%	0.9%	0.9%	0.9%	0.9%
CIP Funded	8,213	13,829	13,829	14,328	14,867	15,395	15,959	68.4%	3.6%	3.8%	3.6%	3.7%
<b>Total Revenue</b>	<b>794,517</b>	<b>832,693</b>	<b>836,385</b>	<b>861,547</b>	<b>880,120</b>	<b>894,618</b>	<b>906,861</b>	5.3%	3.0%	2.2%	1.6%	1.4%

**OPTIMISTIC SCENARIO**

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

(\$000's)	AUDITED ACTUAL FY/24	REVISED BUDGET FY/25	FORECASTS			
			FY/26	FY/27	FY/28	FY/29
<b>RESOURCES:</b>						
Recurring Revenue	790,405	832,218	857,183	875,604	889,922	901,973
% Change Recurring Revenue		5.3%	3.0%	2.1%	1.6%	1.4%
Total Non-recurring	<u>4,112</u>	<u>4,167</u>	<u>4,365</u>	<u>4,515</u>	<u>4,696</u>	<u>4,888</u>
<b>TOTAL REVENUES</b>	<b>794,517</b>	<b>836,385</b>	<b>861,547</b>	<b>880,120</b>	<b>894,618</b>	<b>906,861</b>
% Change Total Revenue		5.3%	3.0%	2.2%	1.6%	1.4%
BEGINNING FUND BALANCE	<u>167,514</u>	<u>95,777</u>	<u>76,953</u>	<u>39,160</u>	<u>(75,467)</u>	<u>(204,250)</u>
<b>TOTAL RESOURCES</b>	<b><u>962,030</u></b>	<b><u>932,162</u></b>	<b><u>938,500</u></b>	<b><u>919,279</u></b>	<b><u>819,151</u></b>	<b><u>702,611</u></b>
<b>EXPENDITURES/APPROPRIATIONS:</b>						
Recurring Expenditures/Appropriations	776,122	822,612	870,999	966,405	995,060	1,019,742
% Change Recurring Appropriation		6.0%	5.9%	11.0%	3.0%	2.5%
Non-recurring Exp/App:						
One-time Items	<u>90,131</u>	<u>32,597</u>	<u>28,341</u>	<u>28,341</u>	<u>28,341</u>	<u>28,341</u>
<b>TOTAL EXPEND/APPROP</b>	<b><u>866,253</u></b>	<b><u>855,209</u></b>	<b><u>899,340</u></b>	<b><u>994,746</u></b>	<b><u>1,023,401</u></b>	<b><u>1,048,083</u></b>
UNADJUSTED FUND BALANCE	<u>95,777</u>	<u>76,953</u>	<u>39,160</u>	<u>(75,467)</u>	<u>(204,250)</u>	<u>(345,471)</u>
<b>ADJUSTMENTS:</b>						
Encumbrances	(5,149)	0	0	0	0	0
Council Appropriation	0	(300)	0	0	0	0
Unrealized (Gain)/Loss on Investments	(456)	(456)	(456)	(456)	(456)	(456)
Other Accounting Adjustments	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>
<b>TOTAL ADJUSTMENTS</b>	<b><u>(5,722)</u></b>	<b><u>(872)</u></b>	<b><u>(572)</u></b>	<b><u>(572)</u></b>	<b><u>(572)</u></b>	<b><u>(572)</u></b>
<b>ADJUSTED FUND BALANCE</b>	<b><u>90,056</u></b>	<b><u>76,081</u></b>	<b><u>38,588</u></b>	<b><u>(76,039)</u></b>	<b><u>(204,822)</u></b>	<b><u>(346,043)</u></b>
<b>RESERVES:</b>						
1/12th Operating Reserve	68,888	70,933	74,945	82,896	85,283	87,340
Additional 1% for Tiered COLA [E,I,U]	0	1,550	0	0	0	0
Wage Adjust Less Than \$15/hr	100	0	0	0	0	0
NU Classified Wage Adj. per C&C	<u>0</u>	<u>215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL RESERVES</b>	<b>68,988</b>	<b>72,698</b>	<b>74,945</b>	<b>82,896</b>	<b>85,283</b>	<b>87,340</b>
<b>AVAILABLE FUND BALANCE</b>	<b><u>21,068</u></b>	<b><u>3,383</u></b>	<b><u>(36,357)</u></b>	<b><u>(158,935)</u></b>	<b><u>(290,105)</u></b>	<b><u>(433,383)</u></b>
1/12th Operating Reserve	72,188	71,267	74,945	82,896	85,283	87,340
Recurring Surplus/(Deficit)	14,283	9,605	(13,817)	(90,801)	(105,138)	(117,769)

## PESSIMISTIC SCENARIO

This scenario is based on the IHS pessimistic alternative and is assigned a probability of 25%. In this scenario there is weaker consumer spending and business investment, with consumer confidence remaining well below the baseline, particularly in FY/25 and FY/26. A driving force in this scenario is the assumption that the Russia-Ukraine conflict intensifies and lingers on, and tighter lending standards than in the baseline exist.

In Albuquerque, the unemployment rate remains around 0.2% higher in FY/25 and 1.1% higher in FY/26. Employment remains 1.1% below the baseline in FY/25 and 1.9% below the baseline in FY/26. It then levels with the baseline in FY/27 before averaging 0.4% above the baseline for the remainder of the forecast.

A slowdown in employment and construction, particularly in FY/26, has a negative impact on GRT and other revenues. Recurring revenue decreases \$11.8 million in FY/25 and \$25 million in FY/26. General Fund losses then average 4.3% each year throughout the remainder of the forecast. In addition to declines in GRT, there are substantial impacts on other taxes and building permits.

**Note: Revenues grow slower than expenses and available fund balance is negative \$89.1 million in FY/26. Assuming the initial deficit is not addressed, the recurring deficit compounds to a negative \$152.1 million by FY/29.**

### Pessimistic Scenario Inflation Factors

	2022	2023	2024	2025	2026	2027	2028	2029
All Items	7.2%	6.3%	3.3%	2.6%	3.0%	2.2%	1.4%	1.7%
Wages & Salary	5.1%	5.0%	4.3%	3.4%	2.6%	2.4%	2.2%	2.2%
Medical Care	2.3%	2.5%	2.6%	2.0%	2.2%	2.1%	2.0%	2.1%
Core CPI	6.9%	9.4%	3.91%	2.72%	2.13%	1.76%	1.64%	1.63%
New Cars	10.6%	7.1%	0.4%	-2.2%	-3.1%	-3.3%	-3.1%	-3.2%
Transportation	8.6%	11.0%	4.0%	1.4%	2.2%	1.4%	1.2%	1.1%
Natural Gas	46.4%	-6.8%	-24.4%	12.1%	90.9%	-14.0%	-1.6%	-10.3%
Gasoline & Oil	45.1%	0.9%	-4.2%	1.5%	12.1%	3.4%	1.4%	2.2%
Electricity	8.5%	11.8%	3.7%	1.1%	2.9%	7.7%	-2.1%	2.1%
Govt Consumption	6.7%	4.9%	1.8%	2.6%	3.1%	2.7%	2.6%	2.5%
Auto Parts and Accessories	9.4%	8.7%	-0.1%	1.3%	0.4%	0.4%	0.4%	0.7%

### General Fund Revenues (In Thousands of Dollars)

Pessimistic Scenario	Audited		Budget		Five Year Forecast					Growth				
	FY/24	FY/25	FY/25	FY/26	FY/27	FY/28	FY/29	FY/25	FY/26	FY/27	FY/28	FY/29		
Total Gross Receipts	562,886	573,282	579,376	581,176	585,797	588,332	590,372	2.9%	0.3%	0.8%	0.4%	0.3%		
Taxes	138,635	146,287	142,340	144,909	148,848	152,436	156,377	2.7%	1.8%	2.7%	2.4%	2.6%		
Shared	4,316	4,826	4,021	4,090	4,176	4,191	4,214	-6.8%	1.7%	2.1%	0.3%	0.5%		
Permits	13,805	21,590	15,274	16,941	17,382	17,809	18,200	10.6%	10.9%	2.6%	2.5%	2.2%		
Charges for Services	28,548	28,597	28,548	28,548	28,691	28,748	28,806	0.0%	0.0%	0.5%	0.2%	0.2%		
Intra City	21,452	35,816	30,503	31,150	31,785	32,365	32,975	42.2%	2.1%	2.0%	1.8%	1.9%		
Misc	16,663	8,464	7,304	7,340	7,374	7,407	7,441	-56.2%	0.5%	0.5%	0.5%	0.4%		
CIP Funded	8,213	13,829	12,250	12,565	12,872	13,149	13,441	49.2%	2.6%	2.4%	2.2%	2.2%		
<b>Total Revenue</b>	<b>794,517</b>	<b>832,693</b>	<b>819,616</b>	<b>826,718</b>	<b>836,924</b>	<b>844,437</b>	<b>851,824</b>	<b>3.2%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>0.9%</b>	<b>0.9%</b>		

**PESSIMISTIC SCENARIO**

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

(\$000's)	AUDITED ACTUAL FY/24	REVISED BUDGET FY/25	FORECASTS			
			FY/26	FY/27	FY/28	FY/29
<b>RESOURCES:</b>						
Recurring Revenue	790,405	815,370	822,297	832,396	839,784	847,041
% Change Recurring Revenue		3.2%	0.8%	1.2%	0.9%	0.9%
Total Non-recurring	4,112	4,245	4,421	4,529	4,654	4,784
<b>TOTAL REVENUES</b>	<b>794,517</b>	<b>819,616</b>	<b>826,718</b>	<b>836,924</b>	<b>844,437</b>	<b>851,824</b>
% Change Total Revenue		3.2%	0.9%	1.2%	0.9%	0.9%
BEGINNING FUND BALANCE	167,514	95,777	60,184	(13,457)	(170,699)	(334,241)
<b>TOTAL RESOURCES</b>	<b>962,030</b>	<b>915,393</b>	<b>886,902</b>	<b>823,467</b>	<b>673,739</b>	<b>517,583</b>
<b>EXPENDITURES/APPROPRIATIONS:</b>						
Recurring Expenditures/Appropriations	776,122	822,612	872,018	965,825	979,639	999,150
% Change Recurring Appropriation		6.0%	6.0%	10.8%	1.4%	2.0%
Non-recurring Exp/App:						
One-time Items	90,131	32,597	28,341	28,341	28,341	28,341
<b>TOTAL EXPEND/APPROP</b>	<b>866,253</b>	<b>855,209</b>	<b>900,359</b>	<b>994,166</b>	<b>1,007,980</b>	<b>1,027,491</b>
UNADJUSTED FUND BALANCE	95,777	60,184	(13,457)	(170,699)	(334,241)	(509,908)
<b>ADJUSTMENTS:</b>						
Encumbrances	(5,149)	0	0	0	0	0
Council Appropriation	0	(300)	0	0	0	0
Unrealized (Gain)/Loss on Investments	(456)	(456)	(456)	(456)	(456)	(456)
Other Accounting Adjustments	(116)	(116)	(116)	(116)	(116)	(116)
<b>TOTAL ADJUSTMENTS</b>	<b>(5,722)</b>	<b>(872)</b>	<b>(572)</b>	<b>(572)</b>	<b>(572)</b>	<b>(572)</b>
<b>ADJUSTED FUND BALANCE</b>	<b>90,056</b>	<b>59,312</b>	<b>(14,029)</b>	<b>(171,271)</b>	<b>(334,813)</b>	<b>(510,480)</b>
<b>RESERVES:</b>						
1/12th Operating Reserve	68,888	70,933	75,030	82,847	83,998	85,624
Additional 1% for Tiered COLA [E,I,U]	0	1,550	0	0	0	0
Wage Adjust Less Than \$15/hr	100	0	0	0	0	0
NU Classified Wage Adj. per C&C	0	215	0	0	0	0
<b>TOTAL RESERVES</b>	<b>68,988</b>	<b>72,698</b>	<b>75,030</b>	<b>82,847</b>	<b>83,998</b>	<b>85,624</b>
<b>AVAILABLE FUND BALANCE</b>	<b>21,068</b>	<b>(13,386)</b>	<b>(89,059)</b>	<b>(254,118)</b>	<b>(418,811)</b>	<b>(596,104)</b>
1/12th Operating Reserve	72,188	71,267	75,030	82,847	83,998	85,624
Recurring Surplus/(Deficit)	14,283	(7,242)	(49,721)	(133,429)	(139,855)	(152,109)

COMPARISON OF SCENARIOS

Indicator/FY	SCENARIO			Difference		
	Optimistic	Baseline	Pessimistic	Optimistic	Pessimistic	
<b>GRT- (State Shared 1.225%)</b>						
2025	6.4%	4.5%	5.9%	1.9%	1.4%	
2026	2.0%	1.1%	-1.0%	0.9%	-2.1%	
2027	2.1%	1.8%	0.9%	0.3%	-0.9%	
2028	2.7%	2.4%	1.9%	0.3%	-0.5%	
2029	3.1%	2.9%	2.5%	0.2%	-0.4%	
<b>Employment -Albuquerque MSA</b>						
2025	1.0%	0.8%	-0.3%	0.2%	-1.1%	L
2026	0.1%	0.2%	-1.7%	-0.1%	-1.9%	O
2027	0.1%	0.1%	0.1%	0.0%	0.0%	C
2028	0.4%	0.4%	0.8%	0.0%	0.4%	A
2029	0.4%	0.4%	0.8%	0.0%	0.4%	L
<b>Unemployment Rate -Albuquerque MSA</b>						
2025	3.8%	3.9%	4.1%	-0.1%	0.2%	
2026	4.0%	4.2%	5.3%	-0.2%	1.1%	
2027	4.5%	4.6%	5.8%	-0.1%	1.2%	
2028	4.5%	4.7%	5.6%	-0.2%	0.9%	
2029	4.5%	4.7%	5.6%	-0.2%	0.9%	
<b>GRT Construction</b>						
2025	11.1%	8.3%	10.3%	2.8%	2.0%	
2026	4.6%	3.2%	1.3%	1.4%	-1.9%	I
2027	4.4%	3.9%	2.4%	0.5%	-1.5%	N
2028	4.3%	3.9%	2.8%	0.4%	-1.1%	D
2029	4.5%	4.1%	3.3%	0.4%	-0.8%	I
<b>MSA Construction Employment</b>						
2025	1.6%	1.4%	1.0%	0.2%	-0.4%	A
2026	1.7%	1.2%	-0.3%	0.5%	-1.5%	T
2027	1.6%	1.2%	0.2%	0.4%	-1.0%	O
2028	1.5%	1.2%	0.7%	0.3%	-0.5%	R
2029	1.5%	1.2%	0.7%	0.3%	-0.5%	S
<b>Residential Housing Permits-Inside City</b>						
2025	1,493	1,453	1,346	40	(107)	
2026	1,431	1,372	1,148	58	(224)	
2027	1,476	1,427	1,221	49	(206)	
2028	1,541	1,483	1,278	58	(205)	
2029	1,609	1,541	1,338	68	(203)	
<b>Real GDP</b>						
2025	2.9%	2.4%	1.6%	0.5%	-0.8%	
2026	2.6%	1.9%	0.3%	0.7%	-1.6%	
2027	1.9%	1.7%	2.1%	0.2%	0.4%	
2028	1.6%	1.7%	2.1%	-0.1%	0.4%	
2029	1.7%	1.8%	2.0%	-0.1%	0.2%	
<b>Unemployment Rate</b>						
2025	4.0%	4.2%	5.0%	-0.2%	0.8%	
2026	4.1%	4.4%	6.3%	-0.3%	1.9%	N
2027	4.3%	4.5%	6.2%	-0.3%	1.7%	A
2028	4.3%	4.6%	5.8%	-0.3%	1.3%	T
2029	4.3%	4.5%	5.4%	-0.2%	0.9%	I
<b>CPI-Urban Consumers</b>						
2025	2.0%	2.1%	2.6%	0.0%	0.5%	O
2026	3.3%	2.7%	3.0%	0.6%	0.3%	N
2027	2.8%	2.7%	2.2%	0.1%	-0.5%	A
2028	2.0%	2.0%	1.4%	0.1%	-0.6%	L
2029	2.4%	2.3%	1.7%	0.1%	-0.6%	
<b>Interest Rates-Federal Funds Rate</b>						
2025	4.8%	4.6%	4.3%	0.2%	-0.3%	I
2026	3.7%	3.0%	1.6%	0.7%	-1.4%	N
2027	3.0%	2.6%	0.6%	0.3%	-2.0%	D
2028	2.8%	2.6%	0.6%	0.2%	-2.0%	I
2029	2.6%	2.6%	0.6%	0.0%	-2.0%	C
<b>Interest Rates-Ten Year Treasury Bonds</b>						
2025	3.9%	3.7%	3.5%	0.2%	-0.2%	A
2026	3.6%	3.4%	2.8%	0.3%	-0.6%	T
2027	3.4%	3.3%	2.5%	0.1%	-0.8%	O
2028	3.3%	3.2%	2.3%	0.1%	-0.9%	R
2029	3.3%	3.3%	2.3%	0.0%	-0.9%	S
<b>West Texas Intermediate \$/Barrel</b>						
2025	67.1	70.4	89.2	(3.3)	18.8	
2026	71.0	71.8	88.7	(0.8)	16.9	
2027	76.7	76.7	89.3	0.0	12.6	
2028	79.3	79.3	91.9	0.0	12.6	
2029	81.9	81.9	94.4	0.0	12.5	

COMPARISON OF SCENARIOS

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**REVENUE COMPARISON**  
(In Thousands of Dollars)

	Pessimistic - Baseline					Optimistic - Baseline				
	FY/25	FY/26	FY/27	FY/28	FY/29	FY/25	FY/26	FY/27	FY/28	FY/29
Total Gross Receipts	(1,503)	(12,551)	(19,137)	(23,093)	(25,043)	1,125	4,192	4,631	6,211	7,278
Other Taxes	(1,151)	(2,860)	(3,545)	(3,707)	(3,909)	488	1,073	361	445	646
State Shared	(69)	(57)	(22)	(4)	(3)	1	76	95	93	93
Permits	(144)	75	(252)	(302)	(355)	2,785	3,786	3,963	4,195	4,535
Charges for Services	(50)	(135)	(136)	(136)	(137)	201	202	203	203	203
Intra City	(5,313)	(5,750)	(6,266)	(6,816)	(7,396)	-	47	126	213	349
Misc	(1,959)	(2,004)	(2,052)	(2,103)	(2,156)	400	406	411	414	416
CIP Funded	(1,579)	(1,752)	(1,962)	(2,193)	(2,437)	-	12	33	53	82
Total Revenue	(11,768)	(25,036)	(33,372)	(38,353)	(41,436)	5,001	9,794	9,823	11,827	13,601
Recurring Growth	<b>-1.4%</b>	<b>-2.9%</b>	<b>-3.8%</b>	<b>-4.3%</b>	<b>-4.6%</b>	<b>0.6%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>1.5%</b>

## COMPARISON OF SCENARIOS

### US Macro Forecast Snapshot

	Baseline (55%)	Pessimistic (25%)	Optimistic (20%)
<b>GDP growth</b>	Real GDP rose 2.9% in 2023. Growth continues at 2.7% in 2024 and 2.1% in 2025.	Real GDP growth comes in at 2.6% in 2024 and slows to 0.4% in 2025.	Real GDP growth ticks down to 2.8% in 2024 and inches up to 2.9% in 2025.
<b>Consumer spending</b>	Consumption dropped from 3.0% in 2022 to 2.5% in 2023. Growth continues at 2.6% in 2024 and 2.4% in 2025.	Spending growth ticks down to 2.4% in 2024 and decelerates to 0.5% in 2025.	Spending accelerates to 2.7% in 2024 and 3.3% in 2025.
<b>Business fixed investment</b>	Rose 6.0% in 2023 and rises 4.1% in 2024 and 2.9% in 2025.	Rises 3.8% in 2024 before falling 1.5% in 2025.	Will rise 4.4% in 2024 and in 2025.
<b>Housing</b>	Housing starts fell from 1.55 million in 2022 to 1.42 million in 2023 then will decline to 1.35 million in 2024 and rise to 1.37 million in 2025.	Housing starts will drop to 1.35 in 2024 and 1.26 million in 2025.	Housing starts will fall to 1.36 million in 2024 and rise up to 1.40 million in 2025.
<b>Exports</b>	Rose 2.8% in 2023; rise 3.4% in 2024 and 4.2% in 2025.	Rise 3.3% in 2024 and 2025.	Will jump 3.3% in 2024 and 5.4% in 2025.
<b>Fiscal policy</b>	Under the Fiscal Responsibility Act of 2023 (FRA23) the debt ceiling is suspended through 2024 but is assumed raised without incident before then.	Same fiscal assumptions as in baseline.	Same fiscal assumptions as in baseline.
<b>Monetary policy</b>	We expect that the upper end of the federal funds rate target peaked at 5.33% and declines gradually to 2.75% in the second quarter of 2026.	The federal funds rate drops to an upper limit of 0.75% by late 2026.	The upper end of the federal funds rate target declines before settling at 2.75% around mid 2028.
<b>Credit conditions</b>	Tightened in 2023; conditions ease amidst declining interest rates.	Remain slightly tighter than in baseline.	Slightly looser than in baseline.
<b>Productivity growth</b>	Rose 1.8% in 2023, and will rise 2.3% in 2024 and 1.8% in 2025.	Rises 2.3% in 2024 and 2.0% in 2025.	Rises 2.3% in 2024 and 2.2% in 2025.
<b>Consumer confidence</b>	Gently escalated through 2023.	Remains below the baseline over the entire forecast interval.	Outperforms baseline over the entire forecast interval.
<b>Oil prices (Dollars/barrel)</b>	Average price of Brent crude oil fell from \$101/barrel in 2022 to \$83 in 2023. It slips to \$80 in 2024 before falling to \$75 in 2025.	Brent crude oil averages \$84 in 2024 and \$103 in 2025.	Brent crude oil averages \$79 in 2024 and \$73 in 2025.
<b>Stock markets</b>	The year-end value of the S&P 500 rose 24.6% over 2023, and growth persists at 20.8% in 2024 and falls 3.2% in 2025.	The year-end value of the S&P 500 rises 18.7% in 2024 and falls 7.2% in 2025.	The year-end value of the S&P 500 will rise 22.3% in 2024 and be decline 0.4% in 2025.
<b>Inflation (PCE)</b>	Core personal consumption (PCE) price inflation rose by 4.1% in 2023 and will moderate to 2.7% in 2024 and 2.1% in 2025.	Core PCE price inflation cools to 2.7% in 2024 and 2.0% in 2025.	Core PCE price inflation moderates to 2.2% in 2024 and 2.3% in 2025.
<b>Foreign growth</b>	Eurozone GDP will increase from 0.5% in 2023 to 0.8% in 2024, while China's growth will fall from 5.2% in 2023 to 4.9% in 2024.	Global economy suffers from Russia-Ukraine conflict and tightening lending standards.	Global economy recovers more quickly than in baseline amid a faster resolution to the Russia-Ukraine conflict.
<b>US dollar</b>	The broad real dollar gently falls through the end of 2031 before resuming to rise.	Decreases slowly through the forecast through 2028 before resuming to rise.	The broad dollar strengthens slightly more than in the baseline.

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## **REVENUE HISTORY**



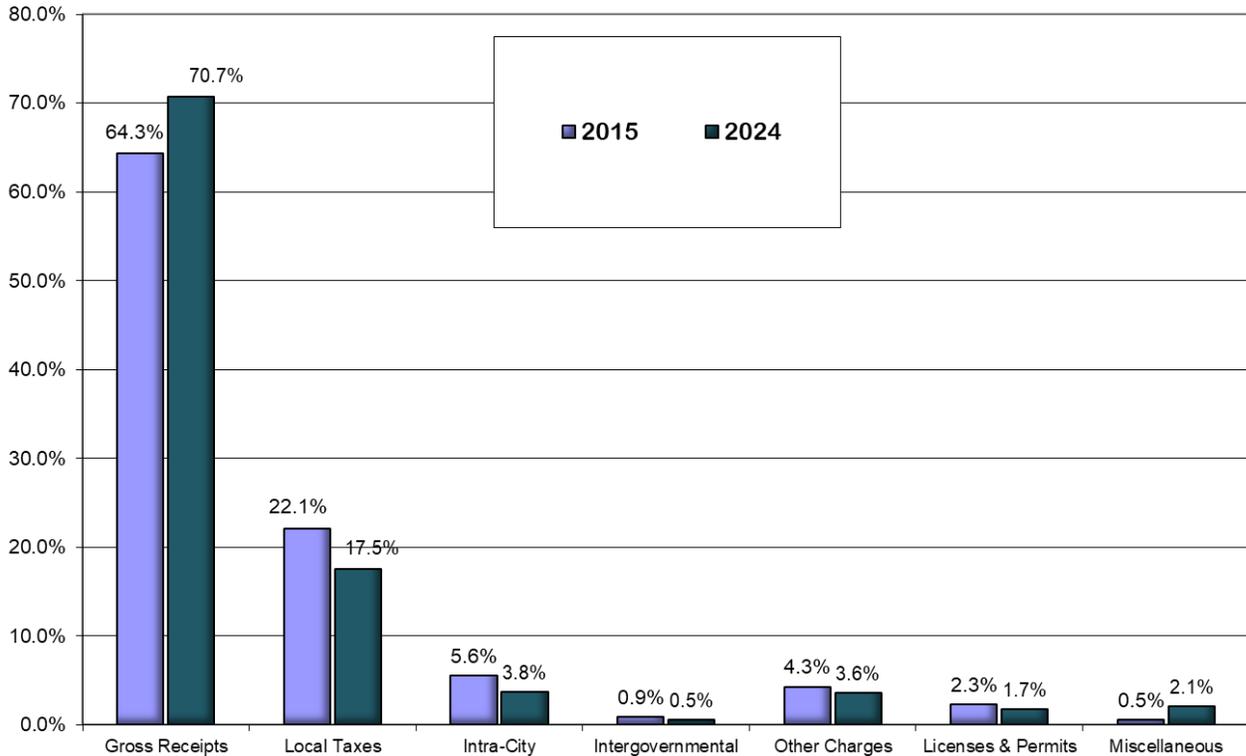
## GENERAL FUND REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/15 to FY/24 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. Total receipts from FY/15 to FY/24 increased 62.2% or a compound annual rate of 5.5%. Recurring revenues for the same period showed annual growth of 5.6%.

The bar chart below compares the composition, by major revenue category, of

General Fund recurring revenues in FY/15 and FY/24. The City's General Fund has continued to become more reliant on Gross Receipts Taxes and less on local taxes (franchises and property tax). This became more pronounced in FY/22, when tax changes at the State level allowed for local tax increments on internet sales. For FY/24, the GRT share of General Fund was 70.7%. Licenses and permits declined to 1.7%. Charges for services became somewhat lower and miscellaneous revenues became higher.

**Shares of Recurring  
General Fund Revenues**



The following sections present changes that occurred from FY/15 to FY/24, as well as detailed historical perspective, by category.

## GENERAL FUND REVENUE HISTORY

(\$000'S)

REVENUE SOURCE	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20	FY/21	FY/22	FY/23	FY/24	GROWTH	COMPOUND
											FY/15 TO FY/24	ANNUAL RATE
GROSS RECEIPTS TAX	276,573	280,550	284,466	296,408	348,621	363,444	371,051	450,299	480,903	494,693	78.9%	6.7%
GRT PUBLIC SAFETY	37,606	38,236	38,720	40,283	40,500	42,268	43,561	52,869	56,291	57,873	53.9%	4.9%
INTERNET SALES	0	0	0	0	0	6,012	12,025	0	0	0	N/A	N/A
LOCAL COMPENSATING TAX	2,361	1,325	1,269	1,557	1,542	1,766	1,403	9,361	9,049	8,340	253.2%	15.1%
INTERSTATE TELECOM TAX	0	0	0	0	0	0	0	89	74	64	N/A	N/A
CANNABIS EXCISE	0	0	0	0	0	0	0	296	4,141	1,917	N/A	N/A
<b>TOTAL GRT</b>	<b>316,540</b>	<b>320,111</b>	<b>324,456</b>	<b>338,248</b>	<b>390,663</b>	<b>413,490</b>	<b>428,039</b>	<b>512,913</b>	<b>550,458</b>	<b>562,886</b>	<b>77.8%</b>	<b>6.6%</b>
<b>OTHER LOCAL TAXES</b>	<b>107,542</b>	<b>108,010</b>	<b>111,203</b>	<b>111,584</b>	<b>114,743</b>	<b>117,852</b>	<b>128,437</b>	<b>130,796</b>	<b>134,251</b>	<b>138,635</b>	<b>28.9%</b>	<b>2.9%</b>
LICENSES AND PERMITS	11,307	11,899	13,049	11,545	13,634	13,866	11,213	13,984	14,630	13,805	22.1%	2.2%
INTER-GOVERNMENTAL AID	4,327	4,739	4,887	4,753	5,219	5,010	4,929	4,521	4,558	4,316	-0.3%	0.0%
INTRA-CITY CHARGES (1)	27,630	29,577	30,734	30,426	29,524	28,963	29,836	30,594	31,472	29,664	7.4%	0.8%
OTHER SERVICE CHARGES	20,841	21,537	22,924	24,161	22,669	20,030	23,294	29,164	28,289	28,548	37.0%	3.6%
MISCELLANEOUS	1,568	4,002	3,925	3,437	4,004	4,529	5,183	8,264	8,520	16,663	962.4%	30.0%
<b>TOTAL REVENUES</b>	<b>489,756</b>	<b>499,875</b>	<b>511,179</b>	<b>524,154</b>	<b>580,457</b>	<b>603,739</b>	<b>630,931</b>	<b>730,236</b>	<b>772,178</b>	<b>794,517</b>	<b>62.2%</b>	<b>5.5%</b>
<b>LESS NON-RECURRING</b>	<b>4,836</b>	<b>4,210</b>	<b>4,915</b>	<b>8,768</b>	<b>2,965</b>	<b>9,146</b>	<b>2,361</b>	<b>15,262</b>	<b>3,265</b>	<b>4,112</b>	<b>-15.0%</b>	<b>-1.8%</b>
<b>RECURRING REVENUES</b>	<b>484,920</b>	<b>495,665</b>	<b>506,264</b>	<b>515,386</b>	<b>577,492</b>	<b>594,593</b>	<b>628,570</b>	<b>714,974</b>	<b>768,913</b>	<b>790,405</b>	<b>63.0%</b>	<b>5.6%</b>

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 reduced its share of total recurring revenues from 22.1% in FY/15 to 17.5% in FY/24. Overall, property tax revenues increased at an annual compound rate of 3.1%. There were no shifts in the tax that affected growth in this period. However, increasing property values and valuation efforts at the county resulted in property taxes increasing 5.8% in FY/24.

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. According to the Bernalillo County Assessor 2024 Annual Report, taxable values increased 5.5% and 5.7% for residential properties and non-residential properties, respectively.

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. For the 2024 tax year, fast growing valuations caused the yield control rates to be further reduced to 6.17 mills. Which may slow revenue growth for the City slightly in FY/25.

## GENERAL FUND REVENUE HISTORY

The compound annual rate for total franchise revenues decreased from 3.1% to 2.1% from FY/15 to FY/24, with declines in growth for the telephone, electric, gas, and cable franchises in FY/24. Only the water franchise (15.7%) and telecom franchise (8.7%) posted gains for the year.

In FY/24, natural gas prices declined considerably and the U.S. experienced higher than average temperatures through the winter. In its 2023 rate case, the company cited a \$49 million revenue deficiency among its rationale for seeking higher rates. According to its 2023 earnings report, PNM earnings decreased in 2023 primarily due to \$242 million in regulatory disallowances and restructuring costs. This was despite hotter summer temperatures that tend to drive consumer demand up.

PILOT had annual compound growth of 3.5% and grew 3.8% in FY/24. Historically, slow population growth and household formation contributes to sluggish growth in the franchises and PILOT. However, extreme heat and cold and volatile energy prices have impacted gas and electric franchises in recent years.

### Licenses and Permits

The share for this category declined to 1.7% for FY/24. The limited share was due in part to the fall in building permits and licensing revenue that occurred in FY/07 through FY/09. This category was also impacted in complex ways during the pandemic. Certain revenues, such as business registration fees and barricading, declined due to decreased demand or because the City waived the fees. Other revenues, such as building permits, maintained momentum due to pre-pandemic strength and City policy that determined construction was an essential business. Although, inflation in FY/22 did eat into real growth for the year. From FY/15, building permits increased an average compound annual rate of 4.0%. However, this category decreased 2.7% in FY/23, and 8.1% in FY/24 following a 12.4% increase in FY/22.

As of FY/24, revenue was still only 72% of the FY/06 high. Other licenses and fees declined at a compound annual rate of 0.2% since FY/15. While for FY/22 and FY/23 this group increased 68.4% and 22%, respectively, the group declined 5.6% in FY/24.

### Intergovernmental Aid

Revenues from other governments not including GRT shared distributions accounted for 0.9% of General Fund recurring receipts in FY/15 and decreased slightly for FY/24, to 0.5%. Due largely to virtually flat population growth, relatively stable gas prices and more fuel-efficient vehicles, State-shared gas tax revenues and this overall category remained flat during this period. The only recurring revenues are the municipal gasoline tax, state shared vehicle taxes and county shared revenues.

The State stopped the cigarette tax revenues distribution in FY/11, 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/15, these accounted for 5.6% of recurring revenues and 3.8% in FY/23.

CIP-funded positions are associated with capital projects for the construction of parks, roads, storm sewer, and other construction projects in the CIP program and vary considerably with City trends in construction.

## GENERAL FUND REVENUE HISTORY

For FY/23, these revenues declined 16.5%, to \$8.3 million. For FY/24, these revenues declined another 0.8%, to \$8.2 million. This is in contrast to \$10.1 million in FY/20 following an influx of capital expenditures. Compound annual growth from FY/14 is a decline of 1.8%.

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 thousand 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. For FY/21, transfers increased 54.4% due to a one-time transfer from the Golf operating fund to the General Fund, ending Golf as an enterprise fund. Interfund transfers increased 54.8% in FY/23, largely due to an accounting adjustment that decommissioned the Fund 715 warehouse fund. For FY/24, transfers declined 28.3%, returning to more historical averages.

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. From FY/19 to FY/22 most fluctuations are largely the result of rising and falling demand for engineering inspections conducted by the Municipal Development Department. Compound annual growth is down 6.3% from FY/15, a slight improvement over last year as FY/24 revenues were up about 1.8%.

Indirect overhead (IDOH) revenues in FY/15 were \$15.1 million, increasing to approximately \$18.5 million in FY/24. This increase is mostly due to changes to the indirect plan, but could also be impacted by recent increases in inflation. 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/15, dipping to 3.6% in FY/24. 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 mostly due to a rate increase in FY/10. This revenue in large part is dependent on the number of staff in the Legal Department and the work of outside counsel for risk management cases they need to employ. In FY/12, the alarm ordinance amount increased to over \$1 million 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, which 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

## GENERAL FUND REVENUE HISTORY

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 FY/19 due 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 decreases 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 declined another 9.4% in FY/21; however, the transfer of golf revenue from an enterprise fund to the General Fund in that year resulted in just over \$5 million in additional revenue resulting in a net increase over FY/20 of 16.3% for this revenue category. For FY/22, this sector returned to and even exceeded pre-pandemic levels, increasing 25.4% over FY/21 to just over \$29 million, but slowed from the post-pandemic surge by 3% in FY/23. For FY/24, growth was nearly flat at 0.9% as the post-COVID-19 recovery waned and consumers grew more cautious.

### Miscellaneous

This category has only a small share of recurring revenue, but increased from 0.5% in FY/15 to 2.1% in FY/24.

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 was due to the inclusion of unrealized gains. As a result of 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 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. After a moderate \$1.4 million in FY/21, interest earnings experienced the \$10.4 million unrealized loss in response to extreme volatility in markets as the recovery transitioned into worries about inflation and a potential recession. For FY/23, this category returned to more historical levels at about \$1.8 million as markets maintained more stable levels; however, higher fund balances and interest rates resulted in a 111.2% increase to \$3.8 million in FY/24.

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 effort 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/21 there was the addition of new rental income associated with the acquisition of the Gibson Medical Center. In FY/23, air quality fees declined from the previous year and "other miscellaneous" declined substantially due to a \$12.3 million settlement between the City and the State's Taxation and Revenue Department that occurred in FY/22. However, this category increased by 93% in FY/24 due to some end-of-year accounting adjustments that are not expected to be ongoing.

### Gross Receipts Tax

GRT remains the major contributor to the General Fund, making up 70.7% of recurring revenues in FY/24, up from 64.3% in FY/15. In FY/05, the City imposed a new 1/4 cent tax for public safety. On January 1, 2000 the 1/4 cent transportation tax was imposed; this replaced the 1/4 cent quality of life tax that expired June 30, 1999. In January 2007 and July 2008, the 1/4 cent tax basic services increment was removed in two 1/8 cent increments. The Transportation Tax expired in 2019 and was reinstated by voters on November 11, 2019, without a sunset.

## GENERAL FUND REVENUE HISTORY

The following table provides a summary of the GRT from FY/15 to FY/24 by revenue source. The locally imposed GRT consists of the municipal imposed 1/2 cent (two quarters), public safety 1/4 cent, infrastructure 1/16 cent, the transportation infrastructure 1/4 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 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. In FY/19, the tax generated about \$50 million for the first 11 months, increasing to \$81 million in FY/24. The 3/8ths tax grows more quickly than other increments because it does not include hold harmless revenues, which act as a drag on growth. 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. In FY/22, following changes at the State level, the City began receiving both State shared and local increments on compensating tax; in FY/24, the City received a total of \$8.3 million.

In FY/22, these changes at the State level also allowed for local increments on internet sales. Implementing destination-based taxes, a change necessary to allow for local options on internet sales, resulted in other changes

to local tax bases that are still not entirely understood. Also, effective July 1, 2019, House Bill 479 de-earmarked and consolidated local option taxes, allowing local governments more freedom in their use. However, the City of Albuquerque continues to collect and use its local options in the same manner as before.

Another change resulting in destination-based sourcing includes interstate telecom tax which totaled about \$64 thousand in FY/24. Finally, in FY/22 the State began allowing for the sale of recreational use cannabis. Total cannabis revenue received in FY/23 was \$4.1 million; however, due to an accounting oversight at the City, only \$295.6 thousand was recognized for FY/22. The remaining \$524.1 thousand was recognized in FY/23. For FY/24, only \$1.9 million is recognized in the General Fund. A City ordinance enacted in November 2023 created the permanent Marijuana Equity And Community Reinvestment Fund for the benefit of those who have been negatively impacted by the criminalization of marijuana. Beginning in FY/25, all of the cannabis excise revenue is diverted to this new fund.

Total Gross Receipts Tax revenues in the General Fund increased at a compound annual rate of 6.6% from FY/15 to FY/24. The increased growth is partly due to 3/8ths hold harmless tax increment that went into effect July 1, 2018 as well as State shared and more remarkably, local internet sales, in FY/20, FY/21 and FY/22. The one-percent distribution showed a compound annual growth of 4.6% from FY/15 to FY/24. However, this slowed to 2.8% growth for FY/24 due to federal efforts to control inflation and resulting caution on the part of businesses and consumers.

# GENERAL FUND REVENUE HISTORY

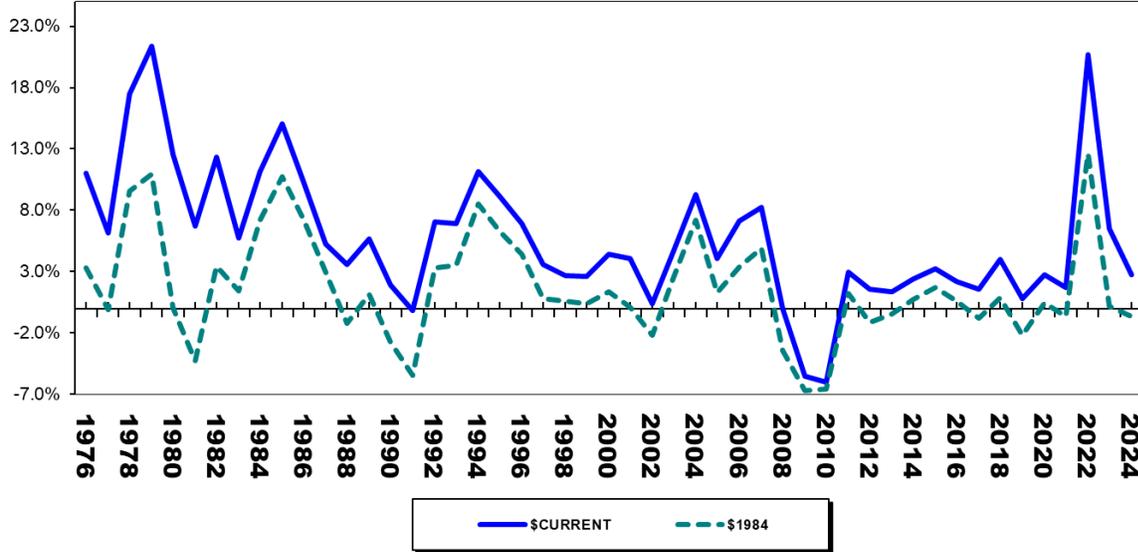
## GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2015 - 2024 (\$000's)

DETAIL ON GROSS RECEIPTS:	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20 <sup>(5)</sup>	FY/21	FY/22	FY/23	FY/24	FY'S 15-24 PERCENT CHANGE	COMPOUND ANNUAL RATE
<b>GENERAL FUND:</b>												
MUNICIPAL IMPOSED 1/2 CENT	77,481	78,796	79,817	83,052	83,534	86,203	87,121	105,737	112,582	115,746	49.4%	4.6%
PUBLIC SAFETY 1/4 CENT(3)	37,606	38,236	38,720	40,283	40,500	42,268	43,561	52,869	56,291	57,873	53.9%	4.9%
INFRASTRUCTURE 1/16 CENT (2)	9,237	9,387	9,523	9,913	9,986	10,305	10,752	13,093	13,959	14,340	55.2%	5.0%
HOLD HARMLESS 3/8 CENT					49,992	51,675	59,389	73,585	79,402	80,988		
COMPENSATING TAX								5,247	5,072	4,675		
	124,324	126,419	128,061	133,248	184,011	190,451	200,823	250,531	267,306	273,622	120.1%	9.2%
<b>STATE SHARED RECEIPTS:</b>												
1% DISTRIBUTION	152,725	155,223	157,529	163,962	165,276	173,305	172,772	208,450	222,052	228,188	49.4%	4.6%
.225% DISTRIBUTION	34,366	34,931	35,450	36,898	37,194	39,001	38,881	46,909	49,971	51,351	49.4%	4.6%
MUNICIPAL SHARE INTERNET SALES TAX						6,012	12,025					
MUNICIPAL SHARE COMPENSATING TAX	2,361	1,326	1,381	1,557	1,542	1,766	1,403	4,114	3,977	3,665	55.2%	5.0%
CANNABIS EXCISE TAX (7)								296	4,141	1,917		
INTERSTATE TELECOM								89	74	64		
	189,452	191,480	194,361	202,417	204,012	220,084	225,080	259,858	280,215	285,185	50.5%	4.6%
<b>TOTAL TAX RECEIPTS</b>	313,776	317,899	322,422	335,665	388,023	410,535	425,903	510,389	547,521	558,807	78.1%	6.6%
PENALTY & INTEREST	2,765	2,212	2,078	2,583	2,640	2,955	2,136	2,525	2,937	4,079	47.5%	4.4%
<b>TOTAL GENERAL FUND DISTRIBUTION(6)</b>	316,540	320,111	324,500	338,248	390,663	413,490	428,039	512,913	550,458	562,886	77.8%	6.6%
<b>MUNICIPAL IMPOSED 1/4 CENT</b>												
TRANSPORTATION2010 (4)	36,777	37,616	38,154	39,720	40,011	41,603	43,026	52,371	55,836	57,359	56.0%	5.1%
	36,777	37,616	38,154	39,720	40,011	41,603	43,026	52,371	55,836	57,359	56.0%	5.1%
<b>CAPITAL PURPOSES IMPOSED 1/8 CENT</b>												
BIO PARK PROJECTS TAX(6)			15,579	17,773	19,970	18,683	19,808	24,509	26,454	27,090		
<b>TOTAL GROSS RECEIPTS TAX REVENUES(1)</b>	353,318	357,728	378,233	395,741	450,644	473,775	490,874	589,793	632,749	647,335	83.2%	7.0%

- (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) The tax is to be used only for BioPark capital projects. It sunsets on June 30, 2031.
- (7) Due to an accounting oversight, \$524.1 thousand in FY/22 Cannabis revenue will be recognized in FY/23; therefore, FY/22 revenue is short by the same amount.

GENERAL FUND REVENUE HISTORY

**GROWTH IN THE GRT 1% DISTRIBUTION  
% CHANGE OVER PRIOR YEAR, FY'S 1976-2024**



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. 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 the food and medical hold harmless components of the distributions. The negative real growth in FY/81, FY/91, FY/02 and FY/09 and FY/19 corresponds to recessions. Since the 2008 recession in real terms, only FY/11, FY/14, FY/15, FY/16, FY/18, and FY/20 and FY/22 had growth that exceeded the rate of inflation. FY/17 shows a decline in real terms, in part, due to the phase out of the hold harmless distributions. The 1% 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 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. This of course was altered in FY/22 with the dramatic change to the tax base that occurred with the change to destination-based sourcing.

Changes to Gross Receipts Tax Base

Between FY/99 and FY/22 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,

## GENERAL FUND REVENUE HISTORY

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- 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,
- Deductions for Space Based efforts at the Airforce Research Labs, and
- Deductions for medical cannabis, and
- Deductions for feminine hygiene products.

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-out over five years beginning with a half year in FY/13.



## **ACCURACY OF THE REVENUE ESTIMATE**



## ACCURACY OF THE REVENUE ESTIMATES

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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 30<sup>th</sup>, looking forward 16 months. In the fall/winter period, the current-year revenue estimate is revised as part of the Five-Year Forecast, projecting six months out for the year ending June 30<sup>th</sup>. 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 30<sup>th</sup> (four months).

The first set of columns report the accuracy of the four month revised estimates. The second set of columns report the error of the six month revised estimates prepared as part of the Five-Year Forecast. 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/24.

For FY/24, the six month estimate at the Five-Year Forecast for GRT was revised slightly upward as the economy remained robust despite lingering inflation and federal efforts to slow the economy. Property tax revenues were also adjusted upward to reflect higher taxable property values and ongoing efforts by the Bernalillo County Assessor to obtain thorough and accurate valuations. Other adjustments were also made to more closely track with year-to-date revenues.

FY/24 audited actuals reflect GRT revenues at 1.0% over original budget expectations, with recurring revenues less CIP at 0.5% below the 4-month estimate.

## ACCURACY OF THE REVENUE ESTIMATES

### ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

*ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)*

*(in \$000s)*

	MARCH REVISION		FIVE YEAR FORECAST		APPROVED BUDGET	
	4 MONTH ESTIMATE		6 MONTH ESTIMATE		16 MONTH ESTIMATE	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
<b>FISCAL YEAR 2024 (Audited Results)</b>						
Gross Receipts Tax	(4,149)	-0.7%	(4,149)	-0.7%	5,845	1.0%
Recurring Revenues Less CIP	(4,134)	-0.5%	(2,344)	-0.3%	8,413	1.1%
Non-Recurring	(0)	0.0%	0.0	0.0%	374	9.1%
<b>FISCAL YEAR 2023</b>						
Gross Receipts Tax	11,135	2.0%	17,028	3.1%	11,135	2.0%
Recurring Revenues Less CIP	13,192	1.7%	15,970	2.1%	12,828	1.7%
Non-Recurring	186	5.7%	0.0	0.0%	186	5.7%
<b>FISCAL YEAR 2022</b>						
Gross Receipts Tax	2,037	0.4%	66,392	12.9%	91,015	17.7%
Recurring Revenues Less CIP	(5,691)	-0.8%	54,507	7.7%	83,450	11.8%
Non-Recurring	(0)	0.0%	(0)	0.0%	12,798	83.9%
<b>FISCAL YEAR 2021</b>						
Gross Receipts Tax	25,275	5.9%	25,275	5.9%	40,814	9.5%
Recurring Revenues Less CIP	22,660	3.7%	22,292	3.6%	35,495	5.8%
Non-Recurring	7,056	74.9%	7,992	84.9%	7,055	74.9%
<b>FISCAL YEAR 2020</b>						
Gross Receipts Tax	25,274	5.9%	1,358	0.3%	40,814	9.5%
Recurring Revenues Less CIP	28,767	4.7%	5,895	1.0%	35,495	5.8%
Non-Recurring	227	2.4%	227	2.4%	7,055	74.9%
<b>FISCAL YEAR 2019</b>						
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%
<b>FISCAL YEAR 2018</b>						
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%
<b>FISCAL YEAR 2017</b>						
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%
<b>FISCAL YEAR 2016</b>						
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%
<b>FISCAL YEAR 2015</b>						
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%
<b>FISCAL YEAR 2014</b>						
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

ACCURACY OF THE REVENUE ESTIMATES

**TABLE 28**  
**ACTUAL AND ESTIMATED REVENUE IN FY/24**

All figures in \$1,000's

REVENUE SOURCES:	AUDITED ACTUAL FY/24	ESTIMATES								
		2nd Revision (March 2024)		1st Revision (Dec. 2023)		Approved Budget (May 2023)				
		Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	562,886	567,035	(4,149)	-0.7%	567,035	(4,149)	-0.7%	557,041	5,845	1.0%
Property Tax	104,259	104,904	(645)	-0.6%	102,934	1,324	1.3%	99,941	4,318	4.1%
Franchise Tax-Telephone	771	754	16	2.1%	782	(11)	-1.5%	1,001	(230)	-29.9%
Franchise Tax-Electric	14,043	15,197	(1,154)	-8.2%	15,640	(1,597)	-11.4%	16,056	(2,013)	-14.3%
Franchise Tax-Gas	4,536	6,079	(1,543)	-34.0%	6,201	(1,665)	-36.7%	6,498	(1,962)	-43.3%
Franchise Tax-Cable TV ABQ	3,567	3,667	(100)	-2.8%	3,955	(388)	-10.9%	4,175	(608)	-17.0%
Franchise Tax - Water Auth	8,498	7,530	968	11.4%	7,347	1,151	13.5%	9,201	(703)	-8.3%
Franchise Tax-Telecom	455	472	(17)	-3.8%	418	37	8.2%	468	(13)	-2.9%
Other Intergovernmental Assistance	4,316	4,331	(15)	-0.4%	4,572	(256)	-5.9%	4,786	(470)	-10.9%
Building Permit Revenue	8,777	9,159	(383)	-4.4%	12,699	(3,922)	-44.7%	9,008	(231)	-2.6%
Permit Revenue	5,028	6,017	(989)	-19.7%	5,095	(67)	-1.3%	4,397	631	12.6%
Service Charges	28,548	27,084	1,464	5.1%	28,289	259	0.9%	28,589	(41)	-0.1%
Fines & Penalties	99	12	87	87.9%	92	7	7.4%	92	7	7.2%
Earnings on Investments	3,807	1,891	1,916	50.3%	1,891	1,917	101.4%	919	2,888	313.2%
Miscellaneous	12,756	6,647	6,109	47.9%	6,411	6,345	49.7%	5,486	7,270	57.0%
Transfers From Other Funds	2,854	2,853	0	0.0%	2,840	14	0.5%	2,840	14	0.5%
Payments In Lieu of Taxes	2,507	2,441	66	2.6%	2,422	85	3.4%	2,422	85	3.4%
IDOH	18,455	24,271	(5,816)	-31.5%	19,878	(1,424)	-7.7%	24,438	(5,983)	-32.4%
Services Charges-Internal	144	94	50	34.7%	147	(3)	-2.4%	161	(17)	-12.1%
Transfers For CIP Positions	8,213	9,307	(1,094)	-13.3%	8,632	(420)	-5.1%	10,524	(2,311)	-28.1%
<b>TOTAL REVENUE</b>	<b>794,517</b>	<b>799,746</b>	<b>(5,229)</b>	<b>-0.7%</b>	<b>797,281</b>	<b>(2,764)</b>	<b>-0.3%</b>	<b>788,041</b>	<b>6,476</b>	<b>0.8%</b>
<b>LESS: NON-RECUR</b>	<b>4,112</b>	<b>4,112</b>	<b>(0)</b>	<b>0.0%</b>	<b>4,112</b>	<b>0</b>	<b>0.0%</b>	<b>3,738</b>	<b>374</b>	<b>9.1%</b>
<b>RECURRING REVENUE</b>	<b>790,405</b>	<b>795,633</b>	<b>(5,228)</b>	<b>-0.7%</b>	<b>793,169</b>	<b>(2,764)</b>	<b>-0.3%</b>	<b>784,303</b>	<b>6,102</b>	<b>0.8%</b>