

# **CITY OF ALBUQUERQUE**

## **Five-Year Forecast Fiscal Year 2022-2026**

**January 2022**



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## **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

The Five-Year Forecast estimates future revenues and expenditures for the General Fund and those funds subsidized by the General Fund for the current fiscal year 2022 (FY/22) through FY/26. The purpose of this forecast is to identify key trends in revenues and expenditures and provide information about the financial landscape anticipated over the next five years. This report is divided into seven sections: an Executive Summary, Economic Outlook, Revenue Outlook, Expenditure Outlook, Alternative Scenarios, Revenue History, and Accuracy of the Revenue Estimates. The information contained in this forecast is based on the data available through December 2021. 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/23 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 2021 and forecasts of economic activity for Albuquerque and New Mexico. A number of key economic forecast variables used in the City's revenue forecast models were prepared by the Bureau of Business and Economic Research at the University of New Mexico (BBER) (local variables) and IHS Global Insight (national variables). The City's Forecasting Advisory Committee, made up of experts from within and outside government, reviewed the forecasts and revenue projections prepared by the City Economist.

The current five-year outlook for revenue growth is complicated by ongoing uncertainties associated with the recovery from the COVID-19 health crisis. Further, in FY/22 City revenue is augmented by the addition of local tax increments on internet sales. While a good problem to have, it is unclear just how much current revenue growth is due to internet sales. Finally, the phase out of food and medical hold harmless payments dropped to 56% in FY/22, falling further to 49% in FY/23.

This time last year, recurring General Fund growth was projected at 1.1% for FY/21. In the end, FY/21 GRT unaudited revenues were \$28.1 million, or 4.7%, above the amount estimated in the approved FY/22 budget process, performing better than cautious estimates of ongoing impacts

of the COVID-19 crisis. This is \$34.2 million, or 5.7% over FY/20. Just over \$2.4 million of this is one-time revenue resulting from the phase out of the food and medical hold harmless payments.

Total FY/21 General Fund growth, which includes non-recurring revenue, is 4.5% over FY/20, lowered somewhat by a \$6.8 million one-time lump sum payment of food hold harmless revenue received in FY/20 due to an amended tax return.

For FY/22, GRT revenue growth had a strong start, with cumulative growth at 23.3% as of October 2021. This is considerably above the estimated growth of 7.7% for the year, which includes an estimate of \$18 million in internet sales revenue. Economic recovery, strong consumer spending and internet sales revenue are all contributing factors; however, some of this strength over FY/21 is expected to taper off at least by February. It was in February 2021 when City revenues finally turned to positive growth following the worst of the pandemic impacts.

Nevertheless, FY/22 GRT benefits from a larger beginning base due to better-than-expected revenues in FY/21. Potentially strong internet sales revenue, and other favorable conditions, such as a strong fiscal position at the State level due to federal assistance, robust oil and gas revenues, and favorable income and other tax revenue are contributing factors.

For FY/22, base GRT growth as measured by the State share 1.225% is expected to rebound at 5.4% before the consideration of internet sales. Internet sales revenue, in this first year of implementation, are not considered part of "base" growth, but rather a new, yet uncertain, positive increase to the tax base. Because of this, internet sales were estimated separately from the rest of GRT for FY/22. Nevertheless, when including internet sales, GRT growth is expected to be 7.7%, although this will be closely monitored and adjusted as FY/22 unfolds.

In the remainder of the forecast, growth resumes a more typical, albeit relatively strong by historical standards, at 3.7% for FY/23, 2.5% in FY/24, and averaging 2% by FY/25 and FY/26.

GRT receipts, which comprised 67.8% of all General Fund revenues in FY/21, continue to be volatile, largely due to the erratic nature of the hold harmless food and medical payments resulting from inconsistent tax filers. This is in addition to the reduction in the distribution for

## EXECUTIVE SUMMARY

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, the State tax department removed the 3% administrative fee on food and medical hold harmless payments in FY/20, which had the effect of mitigating the usual impacts of the declines for a year.

Other expected reductions continue to affect growth in GRT. This includes Tax Increment Development Districts (TIDDs), such as the expansion of Winrock and Mesa Del Sol, which had experienced delays and setbacks in FY/20 and FY/21 due in part to COVID-19. Additionally, during FY/21 a new UNM South Campus TIDD was approved. The City does its best to estimate the impacts of these agreements; however, market conditions and construction progress are inherently variable. For FY/22, the impact is expected to be \$3.1 million, increasing to \$4.4 million in FY/23. Growth jumps over 50% in FY/24 and FY/25 before topping out at a negative impact of nearly \$14 million in FY/26.

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

Building permit revenues remained remarkably strong through most of FY/20, with FY/21 revenues coming in nearly flat with FY/20, despite the ongoing health crisis. For FY/22, growth is expected at a strong 8.1% despite the demise of the Orion Center project, which was cancelled in FY/21 due to ongoing financial and legal problems. Expectations for housing starts and other construction GRT remain fairly strong for FY/22; however, in FY/23, the run of strong growth cools with a decline of nearly 3%, before rebounding up to 8% growth once more in FY/24. Growth evens out to an average of 3% for the remainder of the forecast.

For FY/21, property taxes were \$806 thousand, or .9%, over the FY/21 budget expectations and \$2.8 million, or 3.1%, over FY/20. In FY/22, revenues are projected to rise by 2.8%. For FY/23, property taxes are expected rise by 2.7%, and near 3.1% by the end of the forecast period.

Recurring FY/21 franchise tax revenues were \$3.2 million above the estimate, largely due to the electricity franchise, which showed moderate

growth throughout the health crisis in addition to a franchise fee increase from 2% to 3%. The gas franchise also did better than expectations by about \$945 thousand over the estimate. The remaining franchises all showed at least some positive growth saving the telephone franchise, which continues to suffer as fewer consumers hold on to their landlines. In FY/22, growth over all franchises is expected at 3.1%, which largely reflects increasing energy prices. In FY/23, another 3% growth for all franchises is expected due to a reported request for a 9% rate hike for the gas franchise. Growth for the remainder of the forecast is held to expected rates for business formation, energy prices and population growth.

In FY/21, charges for services revenues finished \$2.7 million, or 13.1%, above the estimate, which had been reduced in anticipation of negative impacts from the pandemic. This is largely due to faster than expected growth for Golf revenues, which were moved from an enterprise account to the General Fund in FY/21. While revenues show evidence of some rebound from the worst impacts of the pandemic, they still lag previous years as at least some of the public remains wary of crowded venues, and demand for City services remains subdued. For FY/22, this category is projected to increase 15% over the FY/21 actuals, and then grow another 4% in FY/23. Growth resumes at more historical levels consistent with population and business growth for the remainder of the forecast.

Interest earnings on investments in part reflect interest rates and City General Fund balances; however, despite lower interest rates in the recent past, interest earnings for FY/20 finished \$1.3 million, or 151% above the estimate due to strong markets and larger fund balances. FY/21 was estimated to be flat with FY/20; however, this fell short of the estimate about \$777 thousand. For FY/22, the estimate is reduced by 14.6% to about \$1.2 million. For FY/23 and the remainder of the forecast, revenues are assumed to grow with the expected increases in two-year treasury rates as forecasted by IHS.

### Fiscal Year 2022 Budget Outlook

The approved General Fund budget for FY/22 is significantly higher at \$714.5 million reflecting a total increase of \$119.4 million or 20% over the original FY/21 budget, not including reserves. The amount of non-recurring appropriations at \$36.6 million is significantly higher as compared to the \$24.6 million original approved FY/21 budget.

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Recurring increases include a \$10.2 million 3% cost-of-living adjustment (subject to negotiations for union positions), \$7.5 million for the facility and programmatic operations of the Gateway Center at the Gibson Medical Center, \$1.5 million medical increase, and restoration of approximately \$71 million used for eligible CARES Act expenses in FY/21.

Police and Fire have the largest restoration of CARES Act funding which amount to \$31.8 million and \$31.7 million, respectively. Police and Fire had the largest CARES Act budget reductions as police officers and firefighter/paramedics are the primary first responders substantially dedicated to mitigating and responding to the COVID-19 public health emergency.

The majority of newly approved, non-recurring appropriations include \$3 million for a zero fare transit pilot program, \$3 million for LEDA projects, \$11 million for the purchase and remodel of the City/County building, \$1.9 million for spray pad installations at Alamosa and Westgate locations, and \$2 million for additional APD risk recovery.

In FY/21, the City formally established the Albuquerque Community Safety Department (ACS), a third public safety department that will respond to the calls and needs of the City that are not best served by Police or Fire departments. ACS was created with an initial budget of \$2.5 million in FY/21. In FY/22, ACS's budget increased to \$7.7 million and full-time personnel will increase from 13 positions in FY/21 to 61 positions in FY/22.

### Fiscal Year 2023 Budget Outlook

The forecast for FY/23 includes all anticipated expenses using the best available information. The net effect is a forecasted budget of \$822.9 million. This would be a \$108.4 million or a 15.2% increase over the original FY/22 Budget. The large FY/23 increase is primarily due to capital projects coming-on-line, anticipated costs to support the City's public safety departments, and risk recovery allocations.

Five-Year Forecast increases for FY/23 include an estimated \$38.4 million for the operation of new capital projects coming-on-line; \$4.7 million for the increase in medical benefits; \$2.8 million for the continued operations of the City/County building, \$27.8 million to support the needs of the City's public safety departments, and \$6.2 million for catch up risk recovery allocations.

Historically, the majority of non-recurring resources comes from unspent appropriations from prior years. As budgets get tighter and tighter, those resources become less common, putting a constraint on the allocation for non-recurring uses. The FY/23 forecast includes \$12.8 million in non-recurring expenses, while only \$3.1 million is available in non-recurring resources. As is typically the case in the annual budget process, decisions will have to be made to either eliminate some of these non-recurring expenses or absorb them with recurring resources. A complete list of non-recurring items can be found in the "Expenditure Outlook" section of this document. All of these non-recurring expenses are carried into the out-years, which contributes to the out-year deficits.

The City is self-insured for workers compensation and general liability. Based on recent trends and analysis by the Risk Division, an overall increase in the cost of risk allocated to the departments is reflected in this forecast. Workers' compensation and tort is \$3.5 million higher (10.9%) for the General Fund in FY/23 as compared to FY/22. The Risk Recovery Program transfer is fully funded at \$6.6 million in the General Fund for FY/23.

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/23. Some expenses will have to be fully funded. However, some expenses may be scaled back or deferred to later years if possible. It is also possible that some of these early estimated costs will be lowered in the coming months as new information is made available. The available fund balance for FY/23 is forecasted to be a negative \$76.9 million.

### Fiscal Years 2023 – 2026 Budget Outlook

Most of the underlying assumptions in FY/23 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

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approximately 6.4% for health care costs through FY/26. Other costs were estimated by the respective departments or OMB.

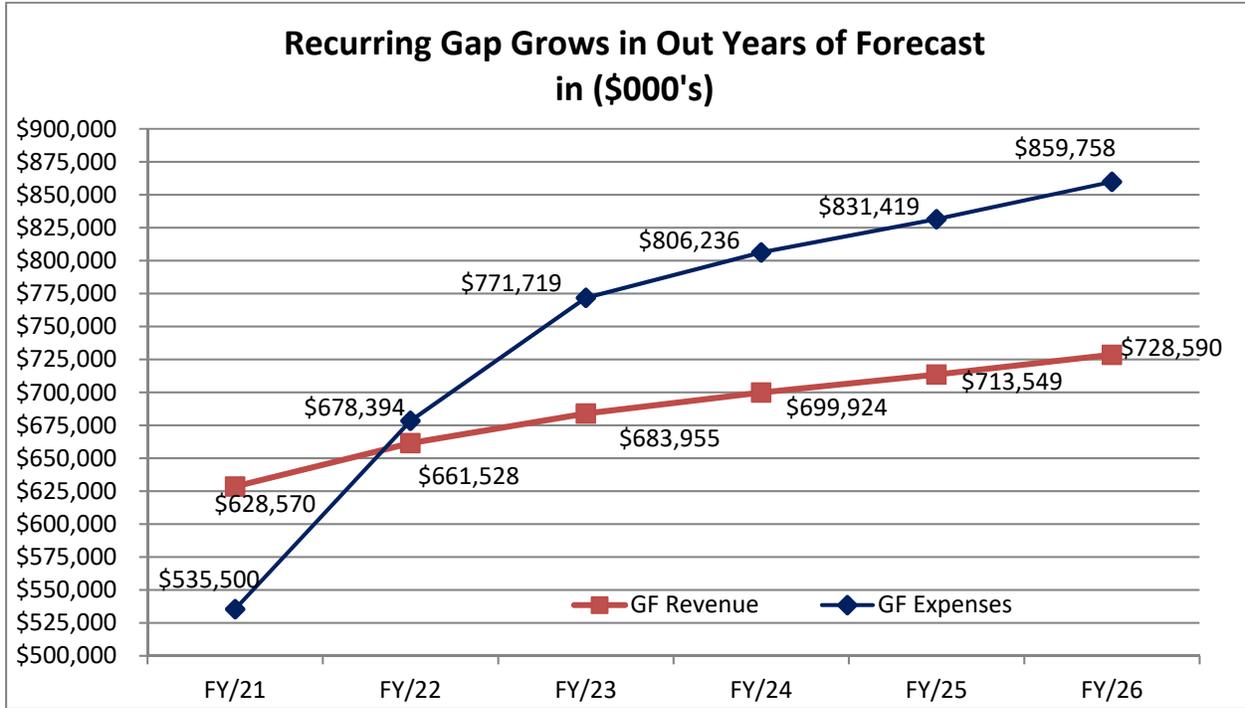
The out years of this forecast reflect a fund balance deficit that compounds with each year the budget is not brought into balance, which is a highly unlikely outcome given the City's requirement to submit a structurally balanced annual budget. That said, the baseline forecast

for FY/23, reflects an overall fund balance of negative \$76.9 million, which transitions to an unmet compounded need of \$592.9 million in FY/26.

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

| TABLE B<br>FIVE YEAR FORECAST<br>GENERAL FUND - BASELINE SCENARIO<br>RESOURCES, APPROPRIATIONS AND FUND BALANCES<br>(\$000's) |                              |                            |                        |                         |                         |                         |
|---|------------------------------|----------------------------|------------------------|-------------------------|-------------------------|-------------------------|
| (\$000's)   | UNAUDITED<br>ACTUAL<br>FY/21 | REVISED<br>BUDGET<br>FY/22 | FORECASTS              |                         |                         |                         |
|   |                              |                            | FY/23                  | FY/24                   | FY/25                   | FY/26                   |
| <b>RESOURCES:</b>   |                              |                            |                        |                         |                         |                         |
| Recurring Revenue   | 628,570                      | 661,528                    | 683,955                | 699,924                 | 713,549                 | 728,590                 |
| % Change Recurring Revenue  |                              | 5.2%                       | 3.4%                   | 2.3%                    | 1.9%                    | 2.1%                    |
| Total Non-recurring   | <u>2,361</u>                 | <u>15,262</u>              | <u>3,079</u>           | <u>3,230</u>            | <u>3,356</u>            | <u>3,306</u>            |
| <b>TOTAL REVENUES</b>   | <b>630,931</b>               | <b>676,790</b>             | <b>687,034</b>         | <b>703,153</b>          | <b>716,905</b>          | <b>731,896</b>          |
| % Change Total Revenue  |                              | 7.3%                       | 1.5%                   | 2.3%                    | 2.0%                    | 2.1%                    |
| BEGINNING FUND BALANCE  | <u>137,526</u>               | <u>196,871</u>             | <u>128,422</u>         | <u>(7,453)</u>          | <u>(165,169)</u>        | <u>(333,969)</u>        |
| <b>TOTAL RESOURCES</b>  | <b><u>768,457</u></b>        | <b><u>873,661</u></b>      | <b><u>815,456</u></b>  | <b><u>695,701</u></b>   | <b><u>551,737</u></b>   | <b><u>397,927</u></b>   |
| <b>EXPENDITURES/APPROPRIATIONS:</b>   |                              |                            |                        |                         |                         |                         |
| Recurring Expenditures/Appropriations   | 535,500                      | 678,394                    | 810,096                | 846,371                 | 872,893                 | 900,963                 |
| % Change Recurring Appropriation  |                              | 26.7%                      | 19.4%                  | 4.5%                    | 3.1%                    | 3.2%                    |
| Non-recurring Exp/App:<br>One-time Items  | <u>36,086</u>                | <u>66,845</u>              | <u>12,813</u>          | <u>14,498</u>           | <u>12,813</u>           | <u>12,813</u>           |
| <b>TOTAL EXPEND/APPROP</b>  | <b><u>571,586</u></b>        | <b><u>745,239</u></b>      | <b><u>822,909</u></b>  | <b><u>860,870</u></b>   | <b><u>885,706</u></b>   | <b><u>913,776</u></b>   |
| <b>UNADJUSTED FUND BALANCE</b>  | <b><u>196,871</u></b>        | <b><u>128,422</u></b>      | <b><u>(7,453)</u></b>  | <b><u>(165,169)</u></b> | <b><u>(333,969)</u></b> | <b><u>(515,849)</u></b> |
| <b>ADJUSTMENTS:</b>   |                              |                            |                        |                         |                         |                         |
| Encumbrances  | (16,560)                     | 0                          | 0                      | 0                       | 0                       | 0                       |
| Unrealized Gains on Investments   | (749)                        | (749)                      | (749)                  | (749)                   | (749)                   | (749)                   |
| Other Accounting Adjustments  | <u>(107)</u>                 | <u>(107)</u>               | <u>(107)</u>           | <u>(107)</u>            | <u>(107)</u>            | <u>(107)</u>            |
| <b>TOTAL ADJUSTMENTS</b>  | <b><u>(17,416)</u></b>       | <b><u>(856)</u></b>        | <b><u>(856)</u></b>    | <b><u>(856)</u></b>     | <b><u>(856)</u></b>     | <b><u>(856)</u></b>     |
| <b>ADJUSTED FUND BALANCE</b>  | <b><u>179,455</u></b>        | <b><u>127,566</u></b>      | <b><u>(8,309)</u></b>  | <b><u>(166,025)</u></b> | <b><u>(334,825)</u></b> | <b><u>(516,705)</u></b> |
| <b>RESERVES:</b>  |                              |                            |                        |                         |                         |                         |
| 1/12th Operating Reserve  | 48,595                       | 59,543                     | 68,576                 | 71,739                  | 73,809                  | 76,148                  |
| Reserve for the Cost of Labor   | 0                            | 0                          | 0                      | 0                       | 0                       | 0                       |
| Increase to Reserve   | 0                            | 0                          | 0                      | 0                       | 0                       | 0                       |
| Runoff Election   | 0                            | 1,500                      | 0                      | 0                       | 0                       | 0                       |
| Misc  | <u>0</u>                     | <u>0</u>                   | <u>0</u>               | <u>0</u>                | <u>0</u>                | <u>0</u>                |
| <b>TOTAL RESERVES</b>   | <b>48,595</b>                | <b>61,043</b>              | <b>68,576</b>          | <b>71,739</b>           | <b>73,809</b>           | <b>76,148</b>           |
| <b>AVAILABLE FUND BALANCE</b>   | <b><u>130,860</u></b>        | <b><u>66,523</u></b>       | <b><u>(76,885)</u></b> | <b><u>(237,764)</u></b> | <b><u>(408,634)</u></b> | <b><u>(592,853)</u></b> |
| 1/12th Operating Reserve  | 47,632                       | 62,103                     | 68,576                 | 71,739                  | 73,809                  | 76,148                  |
| Recurring Surplus/(Deficit)   | 93,070                       | (16,866)                   | (126,142)              | (146,448)               | (159,344)               | (172,373)               |

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The above graph illustrates the underlying trend in recurring revenues to recurring expenses from FY/21 through FY/26. CIP Coming-On-Line costs are excluded from the expense amount to provide a more realistic outlook for recurring costs. The CIP Coming-On-Line amounts depict the anticipated needs of each department but are often well above the funding capacity of the General Fund. As a result, the City funds the most critical CIP Coming-On-Line needs. Most CIP Coming-On-Line costs are absorbed by the respective departments through the realignment of existing resources.

Based on the assumptions presented in this baseline forecast, expenses exceed resources

beginning in FY/22. The recurring deficit, excluding CIP Coming-On-Line, in FY/26 is \$131.2 million with recurring expenses at \$859.8 million and recurring revenue at \$728.6 million. The recurring gap is important because it demonstrates the underlying potential structural imbalance going forward. The gap is driven by general inflationary factors, labor costs (wages and benefits), and mandated costs such as medical and pension increases. If this predicted possible scenario actually occurs in the out-years, the Administration and Council will work together to close the gap between revenue and expenses and manage within available resources.



## **ECONOMIC OUTLOOK**



## 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 2021 and reflects the best available data to assess the economic impacts of COVID-19. The data utilizes October 2021 forecasts from IHS Global Insight (IHS) and the University of New Mexico Bureau of Business and Economic Research (BBER). Unless otherwise noted, all annual data has been adjusted for City fiscal years. Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios. The Five-Year Forecast is available on the City's website at <http://www.cabq.gov/dfa/budget/five-year-forecast>.

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

### Baseline Scenario

In the baseline forecast, assigned a probability of 50%, IHS Global Insight (IHS) projected annual Real GDP growth increasing to 4.5% for FY/22, followed by a slight decline to 3.7% growth in FY/23 and 2.6% in FY/24. Growth slows to 2.5% through the end of the forecast.

The national unemployment rate in this scenario declines from 6.9% in FY/21 to 4.6% in FY/22. For FY/23 through the end of the forecast the rate averages 3.7%

Core inflation is projected to decrease from 4.6% in FY/22 to a more historical rate of 2.0% in FY/23, and remaining slightly above that for the remainder of the forecast. It is assumed the federal government begins raising the federal funds rate in March of 2023, with it rising steadily to a neutral rate of 2.5% to 2.75% by 2028. The IHS credits its latest upward projection for inflation to continued pessimism in the automotive

industry due to prolonged shortages of microprocessors as well as a "soaring, quick gap" between house prices and shelter costs resulting in an upward projection for rents. In this scenario, consumer sentiment remains in the 70's in mid-FY/22, increasing to the 80's by the end of the fiscal year, and finally up into the 90's throughout FY/23 and the remainder of the forecast.

Wage growth averages 4.4% in the second half of FY/22, slowing slightly to 4% throughout FY/23. By FY/24, growth slows to just under 4% and remains there for the remainder of the forecast.

Oil price (West Texas Intermediate) reaches average highs near \$70 per barrel in FY/22, dropping to the low \$60s in FY/23 and throughout the remainder of the forecast.

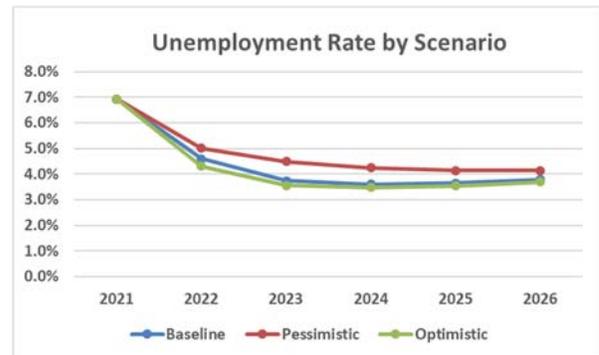
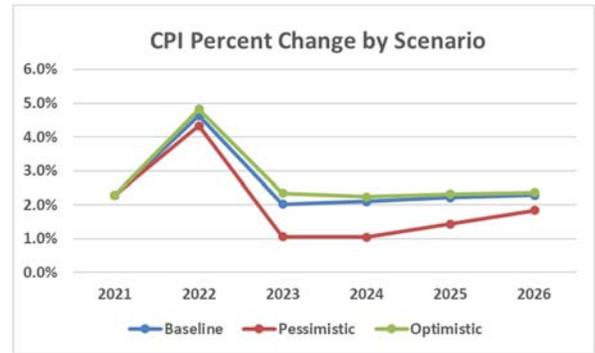
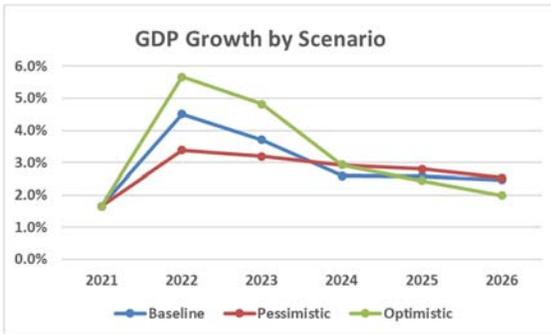
The risks and uncertainties in the forecast are many. Shocks due to new COVID-19 variants, the ongoing impediments to supply chains and the persistent strength of inflation all continue to shadow the forecast. Yet, as one of the remaining municipalities that recently implemented local government tax increments on Internet sales, Albuquerque has access to this "new" revenue that began in FY/22 during what continues to be a challenging time for local governments. Additionally, FY/23 is expected to continue a rebound of positive growth, with employment reaching near pre-pandemic FY/19 levels during the year.

### Pessimistic Scenario

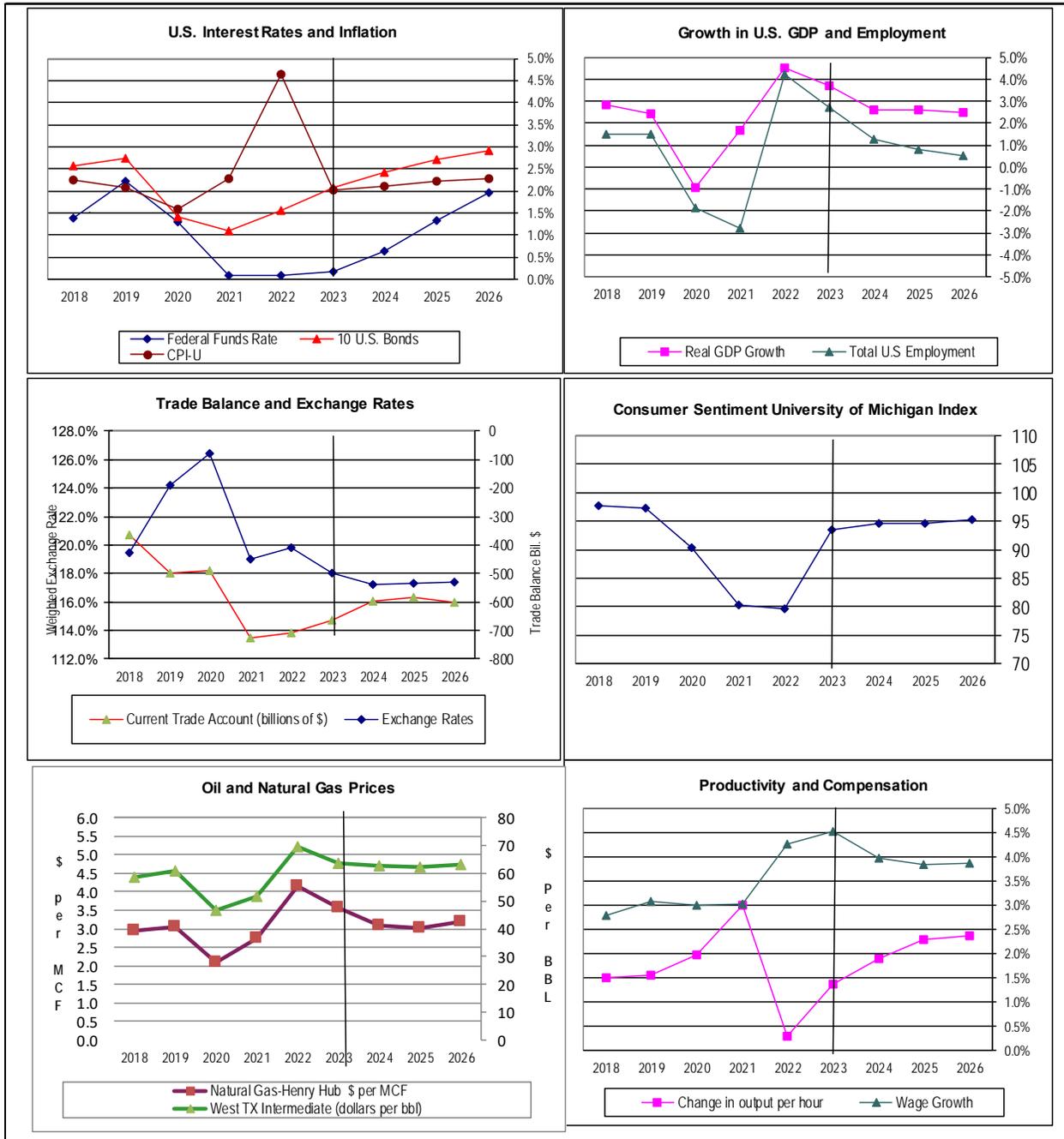
The pessimistic scenario is assigned a probability of 30%. In this scenario, real GDP grows 3.4% in FY/22 and 3.2% in FY/23, or about 1% and 0.5% slower in each year respectively than in the baseline. Core inflation grows about 1% slower in FY/22 through FY/25 and then about 0.5% slower in FY/26. The unemployment rate in the pessimistic scenario runs slightly higher, although less than 1% greater throughout the forecast. Consumer confidence remains below the baseline over the entire forecast as spread of COVID-19 variants prompts extra caution by consumers.

## Optimistic Scenario

The optimistic scenario is assigned a probability of 20%. In this scenario, GDP grows about 1% faster than the baseline in FY/22 and FY/23 and then dips slightly in the remaining years of the forecast. The optimistic core inflation rate and unemployment rate are both nearly identical with the baseline. Consumers spend relatively more stimulus income, with consumer confidence above the baseline scenario throughout the entire forecast.



## U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR) December 2021 Baseline Forecast



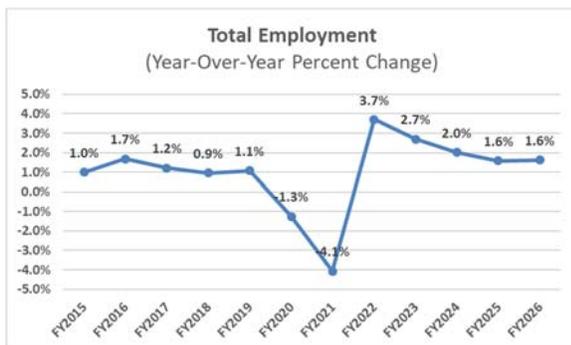
## ALBUQUERQUE ECONOMY

The employment outlook for the Albuquerque economy is developed by BBER at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts for the state and local economy. The UNM BBER forecasting model for October 2021 provides the forecast of the Albuquerque economy presented in the following section.

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

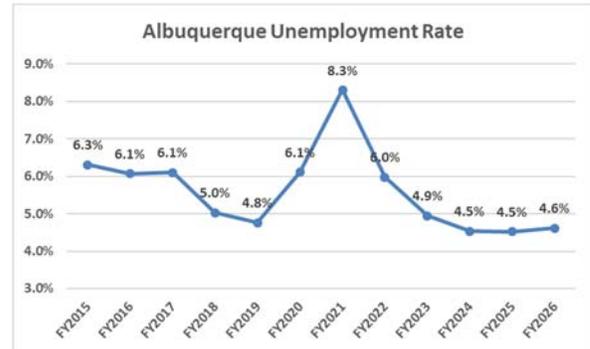
However, after 7 years of gains, employment in the Albuquerque Metropolitan Statistical Area (MSA) registered 384,571 jobs in the first quarter of FY/20, finally exceeding the pre-recession peak of 384,370 jobs reached in FY/08. The unemployment rate temporarily dropped to a low of 4.1% in December 2019.

Overall, BBER estimates that the MSA lost about 20,000 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%. As of October 2021, BBER estimates that in FY/22 the MSA will still be around 670 jobs below FY/19. In FY/23, total employment finally rises 335 jobs above FY/19 or about 0.9%. After spiking to 8.3% in FY/21, the unemployment rate is projected to decline to 6.0% in FY/22, 4.9% in FY/23, and then average about 4.5% for the remainder of the forecast.



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

projected to return to pre-COVID-19 levels until the beginning of FY/24.



In addition to the tables embedded in the following section, there are a series of charts and tables providing comparisons of Albuquerque to the U.S. economy. Albuquerque MSA employment numbers are provided for FY/15 to FY/26 by major business sectors, specifically North American Industrial Classification System (NAICS) categories.

### Retail and Wholesale Trade

This sector accounts for about 14.1% of employment in the MSA and is particularly important in terms of the Gross Receipts Tax (GRT), historically comprising about 25% of GRT; however, at least in part due to shifts in employment and business sectors due to COVID-19, the share of GRT rose to 32.6% in FY/21. During the 2008 recession, closure of stores and reductions in purchases substantially impacted employment and GRT in this sector.

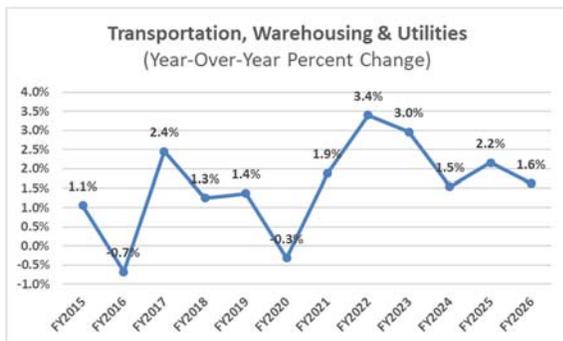


Due to the current pandemic, local retail trade has again been impacted, with a great deal of sales moving online, significantly in the short term and at a new, higher level in the longer term. After the sharp decline in FY/20, retail and wholesale trade is expected to grow 0.4%, or about 400 jobs from FY/21 to FY/23, all of which are in wholesale.

Growth slows and declines somewhat in the remainder of the forecast.

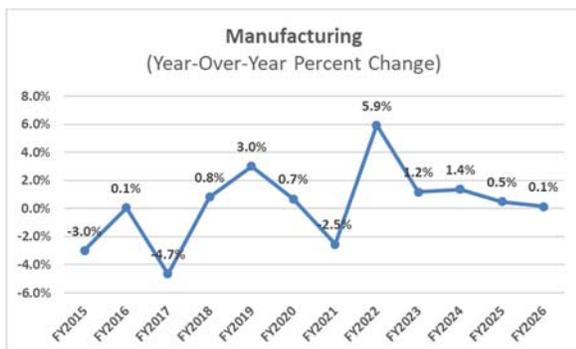
### Transportation, Warehousing and Utilities

This sector, while important, accounts for just 2.4% of employment. The sector had initially been impacted by the effects of COVID-19 when non-essential businesses were required to close. However, the sector rebounded significantly as business activity began to recover. From FY/21 to FY/23 growth in this sector slows, but is still expected to increase by 626 jobs, or about 3.2%. Growth slows further, but remains positive, averaging 1.2% for the remainder of the forecast period.



### Manufacturing

This sector accounts for about 4.4% of employment in the MSA. It is an important sector as it creates relatively high paying jobs that bring revenue from outside the area. It also generates purchases of materials and services in the local economy, making this sector's impact greater than its employment share.



The sector had steady growth from FY/17 to FY/19. However, growth slowed in FY/20 and declined due to impacts of the pandemic in FY/21. However, for FY/22 the sector is expected to rebound by 5.9% and then level off to more moderate growth for the remainder of the forecast, maintaining a level of about 17,000 jobs. While an improvement, this is still substantially

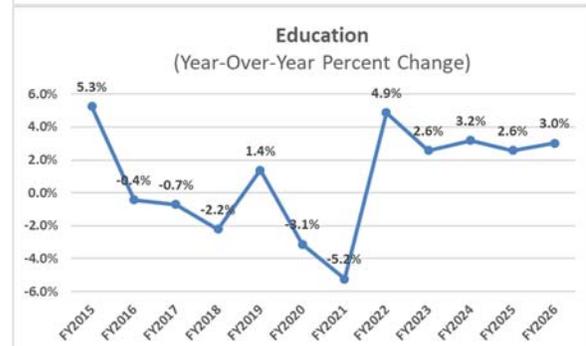
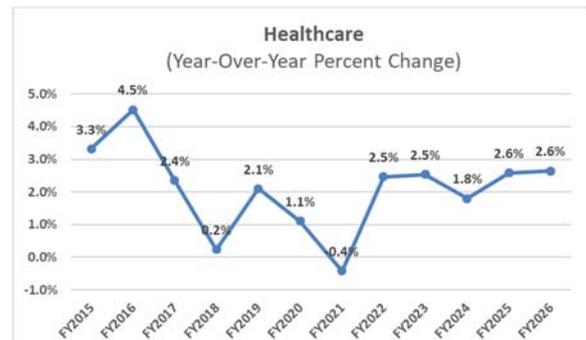
below the high of nearly 23,000 jobs during FY/08.

### 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 15.6% of total employment. Albuquerque is a major regional medical center that attracts people into the area for services. Presbyterian Hospital and its HMO are one of the largest employers in the area.

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 as elective procedures and routine medical care was put on hold to ensure capacity to treat COVID-19 cases. However, with continued recovery, from FY/21 to FY/23 this sector is expected to add another 2,844 jobs, or 2.5%, remaining around 2.5% growth for the remainder of the forecast.

Educational services was impacted by the pandemic as schools struggled with decisions about remote learning and lost revenues associated with having students on campus. For FY/21 the sector declined by 5.2% but is expected to rebound 4.9% in FY/22 and maintain steady growth at an average of 3% throughout the remainder of the forecast.



## Accommodation and Food Services

This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounts for 8.6% of employment in the MSA, a slight decline from the pre-pandemic level of 9.5%. The sector is a major contributor to both GRT and Lodgers' Tax and was a major contributor to employment growth since the 2008 recession.

This sector is of course one of the most severely impacted by COVID-19, dropping from steady pre-pandemic growth to a 14.4% decline in FY/21, representing a loss of more 5,000 jobs. However, in FY/22 the sector is expected to rebound 11.3%, regaining about 3,500 of the lost jobs. Yet while modest growth continues, the sector is not projected to return to the pre-pandemic level employment of about 39,000 jobs until FY/24.



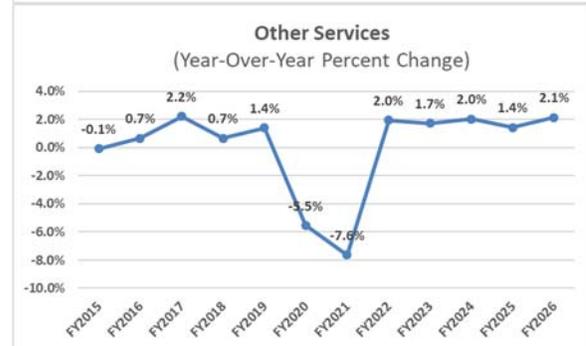
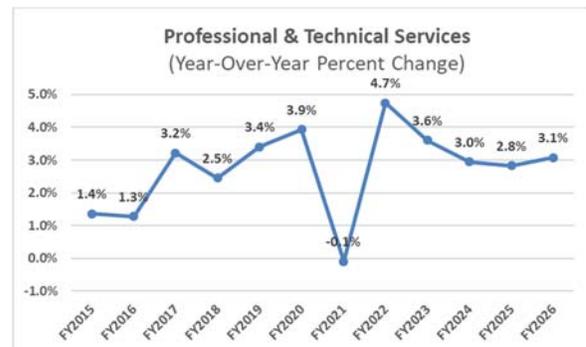
## Real Estate & Financial Activities

This section includes two sectors, finance & insurance and real estate, including credit intermediation. It accounts for about 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 2.1% in FY/21. For FY/23 the sector sees a 2.8% recovery before resuming modest growth for the remainder of the forecast, albeit at lower rate than before the onset of the pandemic. The sector nears pre-pandemic levels of employment in FY/23 of about 18,600 total.



## 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 19% of employment in the MSA. It includes temporary employment agencies, some of Albuquerque's back-office operations, and architecture and engineering firms that are closely tied to construction. It also includes Sandia National Labs (SNL).



The sector as a whole remained weak until FY/16 when construction services (engineering and architecture) began adding jobs. The sector showed growth in FY/16 of less than 1%, growing to over 2% from FY/17 to FY/19. With many of these jobs allowing for work from home, the professional technical portion of this sector was not impacted as much as some, declining only 0.1% in FY/21. This is contrasted with the other services sector which comprises many of the in

person jobs that were more severely impacted; the other services portion of the sector experienced 5.5% and 7.6% declines in FY/20 and FY/21, respectively. Professional and technical jobs will also receive a more robust recovery than the other services jobs. In fact, other services is the only portion of this sector that will not recover to pre-pandemic levels within the current forecast period.

### Information

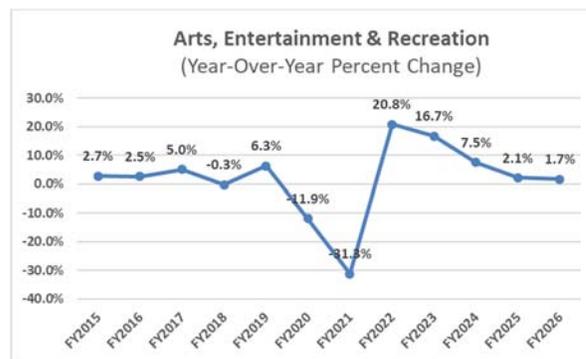
This sector includes businesses in telecom, broadcasting, publishing, internet service establishments, and the film studios. It accounts for about 1.4% of employment in the MSA. This sector declined steadily since FY/16, with a pronounced decline of 8.2% and 9.6% in FY/18 and FY/19, respectively. Then with the onset of COVID-19, the sector experienced significant 12.8% and 11.9% drops in FY/20 and FY/21, respectively. The sector isn't expected to begin to see positive growth until FY/23, with a gain of only 28 jobs from FY/21 to FY/23. This is another that will not reach pre-pandemic levels of employment, about 5,600, by the end of this forecast period.



### Arts, Entertainment and Recreation

This is a relatively small sector with 0.8% of MSA employment, a slight decline from the pre-pandemic level 1.2%. It includes artists, entertainers, spectator sports, and recreation facilities such as bowling alleys and fitness centers, most of whom were significantly impacted by the pandemic. In FY/19, this sector showed strong growth of 6.3% and was expected to grow 5% in FY/20. Unfortunately, given the nature of such events often bringing large crowds together, this sector was particularly hard hit during the pandemic, reaching more than 30% decline in FY/21. For FY/22, and FY/23 the sector is projected to rebound 20.8% and 16.7%, respectively, tapering in FY/24 to 7.5%, and then leveling to about 2% growth for the remainder of the forecast. By the end of this forecast period in

FY/26, this sector remains about 240 jobs shy of the pre-pandemic high of around 5,000 jobs in FY/19.



### 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 6.7%. This sector lost 12,000 jobs from FY/07 to FY/13. After falling consistently from FY/07, employment in construction began increasing at the end of FY/13 and continued to grow rapidly through FY/18. Construction began FY/20 with very strong growth and maintained much of the momentum despite the health crisis as this sector was deemed essential during the peaks of the crisis. Despite the pandemic, the sector grew nearly 3% in FY/20 and only declined an estimated 0.1% in FY/21, or about 24 jobs. For FY/22, the estimate is for recovery at about 5.1%, tapering to 2.7% in FY/23 and then leveling off to a modest growth of 1.7% for the remainder of the forecast period. From FY/21 to FY/23 the sector is expected to grow 3.9%, adding nearly 2,000 jobs.

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

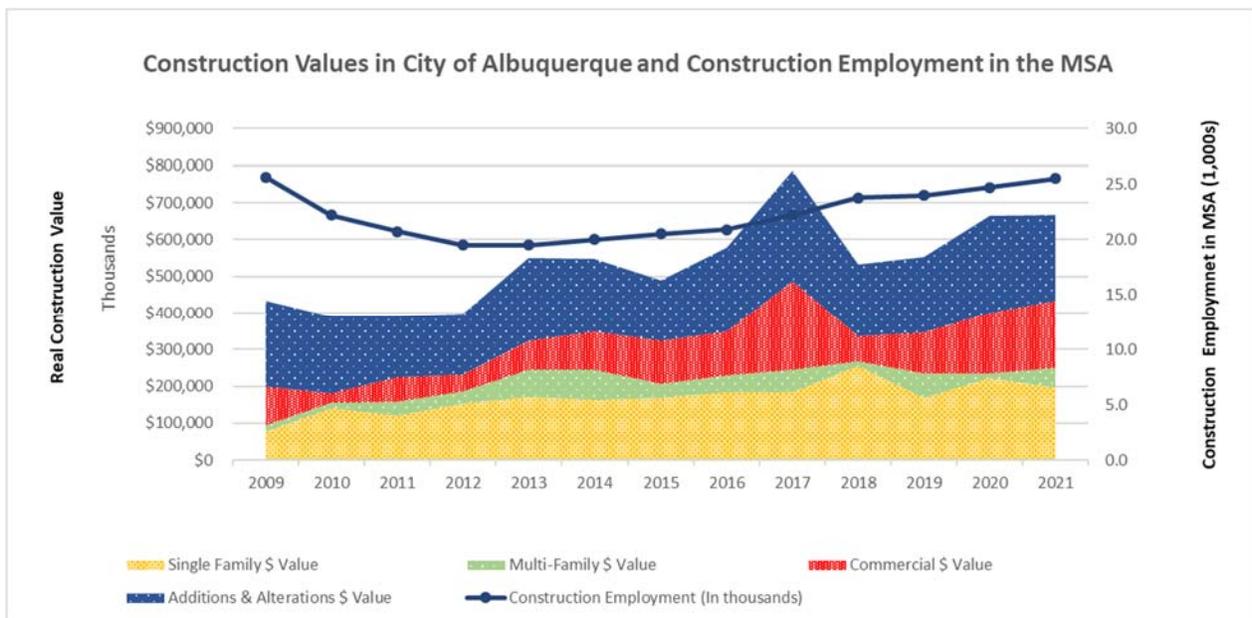


Total housing permits declined -47.6% in the 2008 recession, with the split being roughly equal between single-family units and multi-family units. Growth was somewhat steady through FY/16, FY/17 and again in FY/19. In FY/20, mostly multi-family units led a drop from the previous year. FY/21 construction values finished level with FY/20, despite the ongoing impacts of the pandemic, including significant issues around supply chains and rising costs of materials.

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

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

As shown in the chart below, construction employment moves similarly to permit values, but differences occur. Some of this is due to projects outside the City as well as non-building projects.



## Government

The government sector makes up almost 20% 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 4.1% of Albuquerque MSA employment but only 1.9% of national employment. Note this does not include military employment, which is counted separately, or

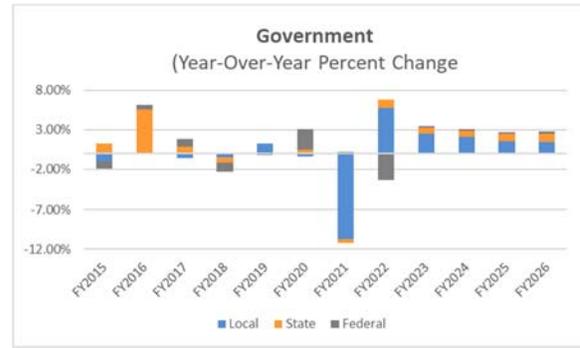
employment at the national labs which is included in professional and business services.

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

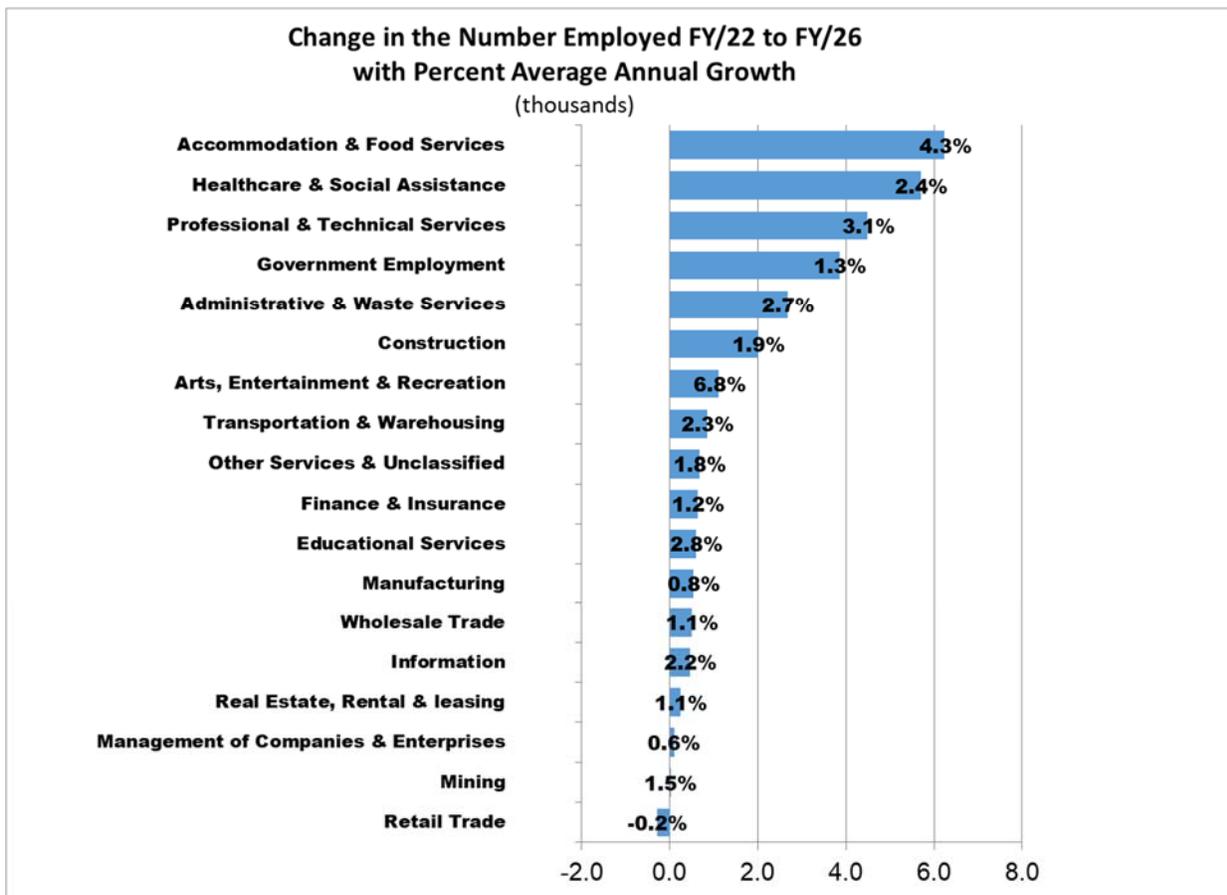
The major sources of state and local jobs are education, though the Labor Department does not keep individual counts for these jobs at the local level for Albuquerque. Local government declined in FY/14 through FY/18, but increased moderately in FY/19 and FY/20. Federal

government increased temporarily in FY/20 due to the U.S. Census.

All government declined in FY/21, with local government being the most impacted, 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 FY/25. In FY/22, there is modest recovery except for declines in federal government as census work winds down. From FY/23 through the remainder of the forecast, growth remains steady and modest at around 3% total, with the majority of job gains at the local and state level.

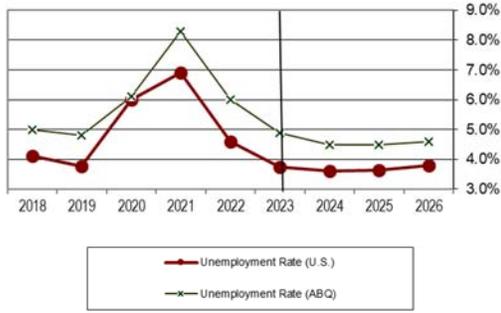


The following charts and tables present more information on the Albuquerque economy and its comparison to the U.S.

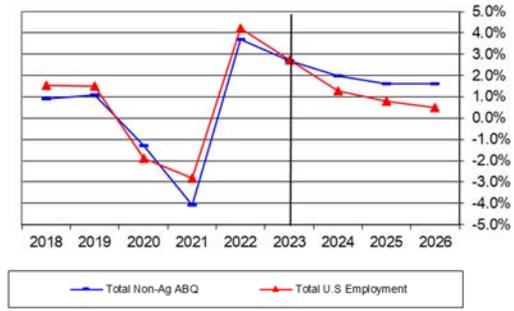


# Albuquerque MSA and Comparisons to the U.S -- Fiscal Year December 2021

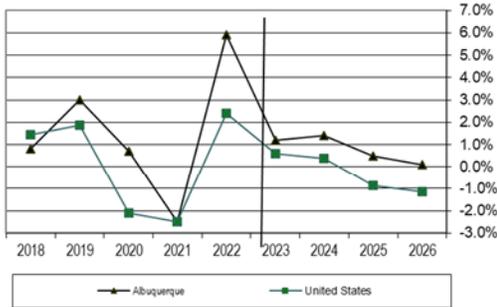
Albuquerque MSA vs. U.S. Unemployment Rates



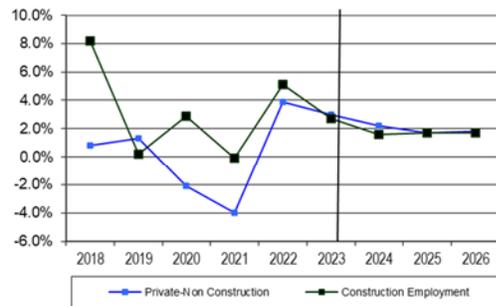
Albuquerque MSA vs. U.S. Employment Growth



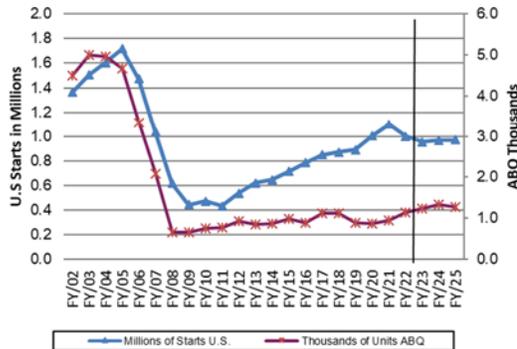
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



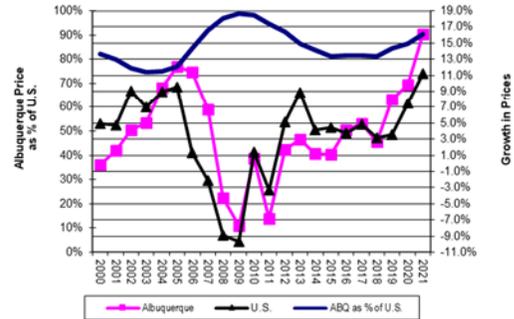
Albuquerque MSA Construction and Private Non-Construction Employment Growth



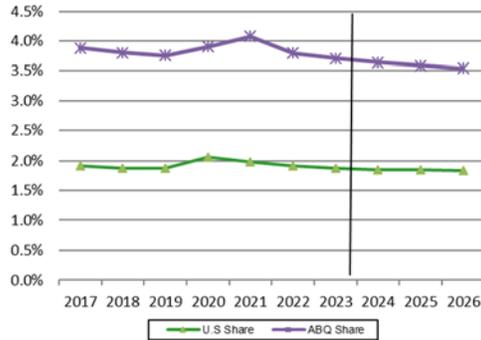
Single Family Construction



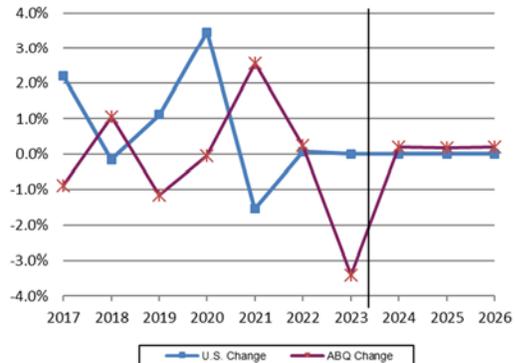
Comparison of Growth in Existing Home Sales Price by Calendar Year (history only)



Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



**Economic Variables Underlying the Forecast by Fiscal Year**

| Fiscal Year  | Historical |         |         |         |         | Forecast |         |         |         |         |
|--|------------|---------|---------|---------|---------|----------|---------|---------|---------|---------|
|  | 2017       | 2018    | 2019    | 2020    | 2021    | 2022     | 2023    | 2024    | 2025    | 2026    |
| <b>National Variables</b>                                    |            |         |         |         |         |          |         |         |         |         |
| Real GDP Growth  | 1.9%       | 2.8%    | 2.4%    | -0.9%   | 1.6%    | 4.5%     | 3.7%    | 2.6%    | 2.6%    | 2.5%    |
| Federal Funds Rate   | 0.6%       | 1.4%    | 2.2%    | 1.3%    | 0.1%    | 0.1%     | 0.2%    | 0.6%    | 1.3%    | 2.0%    |
| 10 U.S. Bonds  | 2.1%       | 2.6%    | 2.7%    | 1.4%    | 1.1%    | 1.5%     | 2.1%    | 2.4%    | 2.7%    | 2.9%    |
| CPI-U  | 1.9%       | 2.2%    | 2.1%    | 1.6%    | 2.3%    | 4.6%     | 2.0%    | 2.1%    | 2.2%    | 2.3%    |
| Unemployment Rate (U.S.)                                     | 4.7%       | 4.1%    | 3.8%    | 6.0%    | 6.9%    | 4.6%     | 3.7%    | 3.6%    | 3.6%    | 3.8%    |
| Total U.S. Employment  | 1.7%       | 1.5%    | 1.5%    | -1.9%   | -2.8%   | 4.2%     | 2.7%    | 1.3%    | 0.8%    | 0.5%    |
| Manufacturing Employment                                     | 0.2%       | 1.4%    | 1.9%    | -2.1%   | -2.5%   | 2.4%     | 0.6%    | 0.4%    | -0.9%   | -1.1%   |
| Consumer sentiment index--University of Michigan             | 94.3       | 97.7    | 97.3    | 90.4    | 80.3    | 79.5     | 93.5    | 94.5    | 94.7    | 95.2    |
| Exchange Rates   | 1.26       | 1.19    | 1.24    | 1.26    | 1.19    | 1.20     | 1.18    | 1.17    | 1.17    | 1.17    |
| Current Trade Account (billions of \$)                       | (382.6)    | (362.6) | (498.4) | (489.8) | (727.1) | (710.5)  | (662.4) | (598.4) | (585.4) | (599.3) |
| Change in output per hour                                    | 0.9%       | 1.5%    | 1.5%    | 2.0%    | 3.0%    | 0.3%     | 1.4%    | 1.9%    | 2.3%    | 2.4%    |
| West TX Intermediate (dollars per bbl)                       | 48.6       | 58.6    | 60.8    | 46.7    | 51.8    | 69.5     | 63.7    | 62.6    | 62.4    | 63.0    |
| Wage Growth  | 2.4%       | 2.8%    | 3.1%    | 3.0%    | 3.0%    | 4.2%     | 4.5%    | 4.0%    | 3.8%    | 3.9%    |
| Natural Gas-Henry Hub \$ per MCF                             | 3.0        | 2.9     | 3.1     | 2.1     | 2.8     | 4.1      | 3.6     | 3.1     | 3.0     | 3.2     |
| <b>Albuquerque Variables</b>                                 |            |         |         |         |         |          |         |         |         |         |
| <b>Employment Growth and Unemployment in Albuquerque MSA</b> |            |         |         |         |         |          |         |         |         |         |
| Total Non-Ag ABQ   | 1.2%       | 0.9%    | 1.1%    | -1.3%   | -4.1%   | 3.7%     | 2.7%    | 2.0%    | 1.6%    | 1.6%    |
| Private-Non Construction                                     | 1.1%       | 0.8%    | 1.3%    | -2.1%   | -4.0%   | 3.9%     | 3.0%    | 2.2%    | 1.7%    | 1.8%    |
| Construction Employment                                      | 6.9%       | 8.2%    | 0.2%    | 2.9%    | -0.1%   | 5.1%     | 2.7%    | 1.6%    | 1.7%    | 1.7%    |
| Manufacturing  | -4.7%      | 0.8%    | 3.0%    | 0.7%    | -2.5%   | 5.9%     | 1.2%    | 1.4%    | 0.5%    | 0.1%    |
| Government   | 0.1%       | -0.7%   | 0.6%    | 0.4%    | -5.6%   | 2.5%     | 1.5%    | 1.3%    | 1.1%    | 1.1%    |
| Unemployment Rate (ABQ)                                      | 6.1%       | 5.0%    | 4.8%    | 6.1%    | 8.3%    | 6.0%     | 4.9%    | 4.5%    | 4.5%    | 4.6%    |
| Growth in Personal Income                                    | 2.9%       | 3.0%    | 3.7%    | 7.5%    | 7.9%    | -2.5%    | 3.3%    | 5.1%    | 5.3%    | 5.6%    |
| <b>Construction Units Permitted in City of Albuquerque</b>   |            |         |         |         |         |          |         |         |         |         |
| Single-Family Permits  | 957        | 1,318   | 827     | 935     | 816     | 1,098    | 1,163   | 1,315   | 1,284   | 1310    |
| Multi-Family Permits   | 825        | 150     | 839     | 126     | 791     | 594      | 363     | 389     | 417     | 441     |
| Total Residential Permits                                    | 1,782      | 1,468   | 1,666   | 1,061   | 1,607   | 1,692    | 1,525   | 1,704   | 1,701   | 1,751   |

Sources: IHS Global Insight/Oct 2021 and FOR-UNM Oct 2021 Baseline Forecasts

**Albuquerque MSA Employment in Thousands**

|  | FY2017  | FY2018  | FY2019  | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|--|---------|---------|---------|--------|--------|--------|--------|--------|--------|--------|
| Total Employment   | 372.48  | 376.02  | 380.08  | 375.3  | 360.0  | 373.4  | 383.4  | 391.1  | 397.4  | 403.8  |
| Private Employment   | 295.65  | 299.69  | 303.28  | 298.2  | 287.3  | 298.8  | 307.7  | 314.4  | 319.8  | 325.4  |
| Mining & Agriculture   | 0.82    | 0.83    | 0.75    | 0.7    | 0.8    | 0.8    | 0.8    | 0.8    | 0.8    | 0.8    |
| Construction   | 21.61   | 23.39   | 23.45   | 24.1   | 24.1   | 25.3   | 26.0   | 26.4   | 26.9   | 27.3   |
| Manufacturing  | 15.62   | 15.75   | 16.22   | 16.3   | 15.9   | 16.9   | 17.1   | 17.3   | 17.4   | 17.4   |
| Wholesale Trade  | 11.56   | 11.49   | 11.50   | 11.3   | 10.7   | 11.0   | 11.2   | 11.2   | 11.4   | 11.5   |
| Retail Trade   | 41.64   | 41.58   | 41.31   | 39.7   | 40.1   | 39.6   | 40.0   | 40.2   | 39.7   | 39.3   |
| Transportation, Warehousing & Utilities                              | 8.17    | 8.27    | 8.50    | 8.5    | 8.6    | 8.9    | 9.2    | 9.4    | 9.6    | 9.8    |
| Information  | 7.78    | 7.15    | 6.46    | 5.6    | 5.0    | 5.0    | 5.0    | 5.2    | 5.3    | 5.4    |
| Finance & Insurance  | 12.07   | 12.34   | 12.64   | 12.8   | 12.7   | 13.0   | 13.2   | 13.4   | 13.5   | 13.6   |
| Real Estate, Rental & Leasing  | 5.24    | 5.37    | 5.51    | 5.5    | 5.1    | 5.4    | 5.4    | 5.5    | 5.6    | 5.6    |
| Professional & Technical Services                                    | 29.86   | 30.60   | 31.64   | 32.9   | 32.9   | 34.4   | 35.7   | 36.7   | 37.7   | 38.9   |
| Management of Companies & Enterprises                                | 3.58    | 3.68    | 3.76    | 3.8    | 3.7    | 3.8    | 3.8    | 3.8    | 3.9    | 3.9    |
| Administrative & Waste Services                                      | 24.06   | 24.92   | 25.30   | 24.7   | 23.2   | 24.2   | 25.4   | 26.1   | 26.5   | 26.9   |
| Educational Services   | 5.23    | 5.11    | 5.18    | 5.0    | 4.8    | 5.0    | 5.1    | 5.3    | 5.4    | 5.6    |
| Healthcare & Social Assistance                                       | 54.47   | 54.60   | 55.75   | 56.4   | 56.1   | 57.5   | 59.0   | 60.0   | 61.6   | 63.2   |
| Arts, Entertainment & Recreation                                     | 4.75    | 4.73    | 5.03    | 4.4    | 3.0    | 3.7    | 4.3    | 4.6    | 4.7    | 4.8    |
| Accommodation & Food Services  | 38.32   | 38.93   | 39.27   | 36.0   | 30.9   | 34.4   | 36.4   | 38.2   | 39.4   | 40.6   |
| Other Services & Unclassified  | 9.75    | 9.82    | 9.95    | 9.4    | 8.7    | 8.9    | 9.0    | 9.2    | 9.3    | 9.5    |
| Government   | 76.83   | 76.33   | 76.80   | 77.1   | 72.8   | 74.6   | 75.7   | 76.7   | 77.6   | 78.4   |
| Local Government   | 39.56   | 39.39   | 39.88   | 39.7   | 35.5   | 37.5   | 38.4   | 39.2   | 39.8   | 40.4   |
| State Government   | 22.83   | 22.66   | 22.64   | 22.8   | 22.7   | 22.9   | 23.1   | 23.3   | 23.5   | 23.8   |
| Federal Government   | 14.44   | 14.28   | 14.27   | 14.6   | 14.7   | 14.2   | 14.2   | 14.2   | 14.3   | 14.3   |
| Military Employment  | 5.65    | 5.72    | 5.82    | 6.2    | 6.5    | 6.5    | 6.5    | 6.5    | 6.5    | 6.5    |
| private non-construction   | 274.036 | 276.296 | 279.833 | 274.1  | 263.2  | 273.5  | 281.7  | 288.0  | 292.9  | 298.1  |
| Other Indicators   |         |         |         |        |        |        |        |        |        |        |
| Personal Income, \$Billions  | 37.0    | 38.1    | 39.5    | 42.5   | 45.8   | 44.7   | 46.2   | 48.5   | 51.1   | 54.0   |
| Labor Force, NSA, Thousands  | 432.0   | 432.6   | 436.3   | 435.3  | 436.0  | 441.5  | 446.6  | 450.7  | 453.8  | 456.1  |
| Total Housing Units Authorized, Thousands (City of Albuquerque Only) | 1.8     | 1.5     | 1.7     | 1.1    | 1.6    | 1.7    | 1.5    | 1.7    | 1.7    | 1.8    |
| Single-Family Housing Units, Thousands                               | 1.0     | 1.3     | 0.8     | 0.9    | 0.8    | 1.1    | 1.2    | 1.3    | 1.3    | 1.3    |
| Multi-Family Housing Units, Thousands                                | 0.8     | 0.2     | 0.8     | 0.1    | 0.8    | 0.6    | 0.4    | 0.4    | 0.4    | 0.4    |
| Unemployment Rate, NSA   | 6.1     | 5.0     | 4.8     | 6.1    | 8.3    | 6.0    | 4.9    | 4.5    | 4.5    | 4.6    |
| <b>Growth Rates</b>  |         |         |         |        |        |        |        |        |        |        |
| Total Employment   | 1.2%    | 0.9%    | 1.1%    | -1.3%  | -4.1%  | 3.7%   | 2.7%   | 2.0%   | 1.6%   | 1.6%   |
| Private Employment   | 1.5%    | 1.4%    | 1.2%    | -1.7%  | -3.7%  | 4.0%   | 3.0%   | 2.2%   | 1.7%   | 1.8%   |
| Mining & Agriculture   | 7.1%    | 1.6%    | -9.3%   | -3.6%  | 9.9%   | -1.8%  | 1.4%   | 0.5%   | 0.6%   | 1.6%   |
| Construction   | 6.9%    | 8.2%    | 0.2%    | 2.9%   | -0.1%  | 5.1%   | 2.7%   | 1.6%   | 1.7%   | 1.7%   |
| Manufacturing  | -4.7%   | 0.8%    | 3.0%    | 0.7%   | -2.5%  | 5.9%   | 1.2%   | 1.4%   | 0.5%   | 0.1%   |
| Wholesale Trade  | -0.9%   | -0.6%   | 0.2%    | -1.6%  | -5.4%  | 3.0%   | 1.4%   | -0.3%  | 2.3%   | 1.1%   |
| Retail Trade   | -0.9%   | -0.1%   | -0.7%   | -4.0%  | 1.0%   | -1.1%  | 1.0%   | 0.5%   | -1.2%  | -1.0%  |
| Transportation, Warehousing & Utilities                              | 1.8%    | 1.2%    | 2.8%    | -0.4%  | 1.6%   | 3.6%   | 3.3%   | 1.7%   | 2.4%   | 1.8%   |
| Information  | -0.1%   | -8.2%   | -9.6%   | -12.8% | -11.9% | -0.2%  | 0.7%   | 3.5%   | 2.4%   | 2.4%   |
| Finance & Insurance  | 3.4%    | 2.3%    | 2.4%    | 1.1%   | -0.4%  | 2.0%   | 1.7%   | 1.2%   | 1.1%   | 0.9%   |
| Real Estate, Rental & Leasing  | -0.8%   | 2.4%    | 2.7%    | -0.7%  | -6.1%  | 4.8%   | 1.0%   | 0.9%   | 1.6%   | 0.9%   |
| Professional & Technical Services                                    | 3.2%    | 2.5%    | 3.4%    | 3.9%   | -0.1%  | 4.7%   | 3.6%   | 3.0%   | 2.8%   | 3.1%   |
| Management of Companies & Enterprises                                | 1.1%    | 2.9%    | 2.2%    | 1.3%   | -3.4%  | 3.3%   | 0.6%   | 0.6%   | 0.8%   | 0.5%   |
| Administrative & Waste Services                                      | 2.2%    | 3.6%    | 1.6%    | -2.5%  | -6.1%  | 4.7%   | 4.7%   | 2.9%   | 1.3%   | 1.7%   |
| Educational Services   | -0.7%   | -2.2%   | 1.4%    | -3.1%  | -5.2%  | 4.9%   | 2.6%   | 3.2%   | 2.6%   | 3.0%   |
| Healthcare & Social Assistance                                       | 2.4%    | 0.2%    | 2.1%    | 1.1%   | -0.4%  | 2.5%   | 2.5%   | 1.8%   | 2.6%   | 2.6%   |
| Arts, Entertainment & Recreation                                     | 5.0%    | -0.3%   | 6.3%    | -11.9% | -31.3% | 20.8%  | 16.7%  | 7.5%   | 2.1%   | 1.7%   |
| Accommodation & Food Services  | 1.2%    | 1.6%    | 0.9%    | -8.3%  | -14.4% | 11.3%  | 6.1%   | 4.9%   | 3.0%   | 3.1%   |
| Other Services & Unclassified  | 2.2%    | 0.7%    | 1.4%    | -5.5%  | -7.6%  | 2.0%   | 1.7%   | 2.0%   | 1.4%   | 2.1%   |
| Government   | 0.1%    | -0.7%   | 0.6%    | 0.4%   | -5.6%  | 2.5%   | 1.5%   | 1.3%   | 1.1%   | 1.1%   |
| Local Government   | -0.6%   | -0.4%   | 1.3%    | -0.4%  | -10.8% | 5.7%   | 2.5%   | 2.1%   | 1.5%   | 1.5%   |
| State Government   | 0.8%    | -0.7%   | -0.1%   | 0.5%   | -0.4%  | 1.1%   | 0.8%   | 0.8%   | 1.0%   | 1.0%   |
| Federal Government   | 1.0%    | -1.2%   | -0.1%   | 2.6%   | 0.2%   | -3.4%  | 0.2%   | 0.2%   | 0.2%   | 0.2%   |
| Military Employment  | -0.6%   | 1.3%    | 1.8%    | 6.6%   | 4.9%   | 0.2%   | -0.2%  | 0.0%   | 0.0%   | 0.0%   |
| Personal Income, \$Billions  | 2.9%    | 3.0%    | 3.7%    | 7.5%   | 7.9%   | -2.5%  | 3.3%   | 5.1%   | 5.3%   | 5.6%   |
| Labor Force, NSA, Thousands  | 1.6%    | 0.1%    | 0.9%    | -0.2%  | 0.2%   | 1.3%   | 1.2%   | 0.9%   | 0.7%   | 0.5%   |
| Total Housing Units Authorized, Thousands (City of Albuquerque Only) | 12.1%   | -17.6%  | 13.5%   | -36.3% | 51.5%  | 5.3%   | -9.8%  | 11.7%  | -0.1%  | 2.9%   |
| Single-Family Housing Units, Thousands                               | -1.2%   | 37.7%   | -37.3%  | 13.1%  | -12.7% | 34.5%  | 5.9%   | 13.1%  | -2.3%  | 2.0%   |
| Multi-Family Housing Units, Thousands                                | 32.9%   | -81.8%  | 459.3%  | -85.0% | 527.8% | -24.9% | -38.9% | 7.1%   | 7.3%   | 5.7%   |

## **REVENUE OUTLOOK**



**Overview**

The following forecast of revenues is presented in tables following this section. They rely on the October 2021 IHS Global Insights (IHS) and October 2021 University of New Mexico Bureau of Business and Economic Research (BBER) baseline forecasts. The presentation provides unaudited FY/21 receipts, the FY/22 budget and revised estimates for FY/22, and the baseline forecast receipts for FY/23 through FY/26. 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/22 is expected to increase by 4.3%, or about \$18.5 million, from FY/21 actuals resulting from an estimated \$18 million in municipal tax revenue on internet sales and the ongoing recovery from the impacts of the pandemic. The GRT estimate was increased \$24.6 million over the FY/22 original budget due to improved economic conditions and a higher starting base because final FY/21 GRT revenue exceeded earlier, more conservative estimates prepared at the height of the pandemic.

In FY/22, recurring revenue is expected to increase 4.9%, or \$33 million, over FY/21 actuals in the baseline scenario. In addition to increased GRT, contributing to this growth are increases in franchise revenue and charges for services to be more in line with FY/21 actuals and year-to-date revenues.

Total revenue for FY/22 increases 7.3%, or \$45.9 million. This large increase is largely due to \$12.3 million in non-recurring miscellaneous revenue resulting from the settlement of a lawsuit between the City and the State of New Mexico regarding conflicts over certain historical GRT tax distributions.

Food hold harmless distributions in FY/22 are assumed to be generally back to pre-pandemic levels. These revenues, however, continue to be volatile and somewhat difficult to project. For FY/22, the phase-out for these revenues reaches 56%, with an estimated loss of \$21.4 million for FY/22 as they continue the 15-year phase-out that began in FY/16.

Employment has recovered somewhat from the initial impact of the pandemic, with approximately 75% of the estimated 51,000 jobs lost at the height of the crisis. Total employment for FY/21 is expected to show a decline of 4.1%, once final data is available, and then recover by 3.7% in FY/22. The sectors most affected by the health crisis are in arts, entertainment and recreation, accommodation and food services, and other services and unclassified, some of which are not expected to reach pre-pandemic levels for several years.

For FY/21, new commercial permit values decreased by 9% while new residential values increased 13%. Multi-family permits declined 74%. Commercial renovations and adds outpaced those for residential. GRT revenue for construction stayed relatively strong through the pandemic and FY/21 ended 2.5% over FY/20, which itself was a strong year.

Building permit revenue dropped substantially following the Albuquerque Public Schools (APS) decision to employ the State Construction Industries Division to issue permits rather than the City; however, this change does not affect GRT revenue from APS construction projects. Building permits and revenue have cooled somewhat halfway through FY/22 and are about 1% above FY/21 as of December 2021.

Property tax revenue is expected to grow 2.8% over FY/21. Yield control is based on inflation and could become more of a limiting factor in the current forecast as it was from FY/16 to FY/18.

The long-term baseline forecast anticipates General Fund recurring revenue growth at 7.3%, 1.5%, 2.3%, 2.0%, and 2.1%, in FY/22, FY/23, FY/24, FY/25 and FY/26 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/21 were \$25.3 million, or 6.3% above the amount estimated in the approved FY/22 budget process, performing better than earlier conservative estimates of potential impacts of the COVID-19 crisis. This is 11%, or nearly \$41 million over the FY/21 original budget. It is estimated that \$2.6 million of this is one-time revenue due to the phase-out of all medical and food hold harmless payments that began in FY/16. The phase out decreases to 56% in FY/22 and drops to 49% in FY/23.

While higher than earlier estimates, GRT growth continues to be challenging to estimate because of the many factors that could potentially impact revenues. For example, as of the current forecast, another variant of COVID-19 is surging, causing flight cancellations and targeted closures, yet consumer demand remains strong despite increases in inflation and ongoing supply chain issues. Additionally, unprecedented government supports are winding down, which could also impact individual saving and spending patterns going forward.

Additionally, beginning in FY/22, changes at the State level allowed local government tax increments to be applied to Internet sales for the first time. This is undoubtedly having a significant, positive impact on FY/22 revenues, which will be discussed below; however, there is insufficient data to allow for an accurate estimate of just how much

Internet sales are contributing to current FY/22 year-to-date growth.

For FY/22, GRT revenue growth has had a robust start, with cumulative growth at around 23.3% over the same period last year. Base growth as measured by the State shared 1.225% increment is estimated to be 7.7% for FY/22 when including the current estimate of \$18 million in Internet taxes. However, the budgeted amount for Internet sales revenue was estimated prior to the pandemic, during which a significant amount of retail sales occurred online as people purchased necessities remotely due to store closures and to avoid in-person interactions. This spiked at the height of the pandemic but national data show that Internet sales were growing each year prior to the pandemic and have remained at a new, higher level well into the post-pandemic recovery.

Because FY/21 actuals performed better than early estimates, FY/22 begins with a higher base. This combined with improved estimates from IHS Market and UNM Bureau of Economic and Business Research (BBER) forecasts, results in an upward estimated actual projection for FY/22. For this Five-Year Forecast, the new FY/22 GRT estimate is \$24.6 million above the approved budget, which is about 4.3% over the FY/21 actual.

For FY/23, GRT growth is expected to rebound at 3.7%, or \$16.5 million, over FY/22 as the recovery continues and with the continued impact of GRT revenues on Internet sales. Currently, the FY/23 projection assumes 4.9% growth for Internet sales above the \$18 million in the FY/22 budget; however, this estimate is subject to revision should it appear that Internet sales are exceeding early estimates. For the remainder of the forecast, growth averages 2.1%.

Deductions for the Tax Increment Development Districts (TIDDs) largely stalled in FY/20 and FY/21 due to delayed construction amid business uncertainties

**PROJECTED REVENUES FOR FISCAL YEARS 2022 TO 2026**

due to COVID-19. However, renewed development in the Winrock and Mesa Del Sol TIDDs, as well as a new TIDD located in the UNM South Campus, are expected to increase these deductions from an estimated \$1.4 million in FY/21 to nearly \$14 million by FY/26. The estimated impacts for FY/22 and FY/23 are \$3.1 million and \$4.4 million, respectively.

**Adjustments to GRT Growth**

| Adjustments Made to Gross Receipts (1.225% base growth) |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
|   | FY/22 | FY/23 | FY/24 | FY/25 | FY/26 |
| Growth w/o adjustments                                  | 6.8%  | 4.9%  | 3.9%  | 3.3%  | 3.6%  |
| F&M hold harmless                                       | -1.2% | -0.9% | -0.8% | -0.7% | -0.7% |
| TIDDs and Incentives                                    | -0.9% | -0.3% | -0.6% | -1.0% | -0.6% |
| Adjusted Rate   | 4.7%  | 3.7%  | 2.5%  | 1.6%  | 2.3%  |

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. NOTE: For FY/22, the rates above were adjusted for the estimated impacts of Internet sales revenue to more accurately depict the impacts of hold harmless and TIDD reductions to revenue. The actual growth rate of the 1.225% increment is technically higher because in FY/21 internet sales revenue of \$12 million was shared by the State rather than accruing directly into City GRT.

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

**Property Tax**

FY/21 actual revenues were \$278 thousand, or 0.3%, over the FY/21 budget expectations and \$806 thousand, or 0.9%, over the FY/21 approved budget. While delinquent property taxes grew somewhat faster, the largest contributor of the increase was due to current property tax revenue.

In FY/22, revenues are projected at 2.8%. Yield control could become a factor in FY/22 as interest rates are projected to peak at an

average of 4.6% before returning closer to historical levels of around 2% from FY/23 through FY/26.

**Franchise Taxes**

Recurring FY/21 franchise tax revenues were \$3.2 million, or 10.3% above the estimate, largely due to the electricity franchise. In FY/21, the electricity franchise rate increased from 2% to 3% which was expected to increase revenues by about \$4.6 million; however, the franchise also experienced stronger than anticipated growth during the year that resulted in a total increase of \$6.7 million over FY/21, \$2 million over the estimate. The gas franchise was \$945 thousand over the estimate, also performing better than expected despite the pandemic. Telephone was the only franchise that declined even further than expectations, by \$186 thousand, due to continued consumer migration away from landlines. Remaining franchise revenues were near expectations that had been revised downward to be in line with FY/19 actuals and reduced expectations due to the pandemic.

For FY/22, the electric franchise is expected to grow 4% and the gas franchise is increased by 7.1%, largely due to anticipated increases in energy costs. The remaining franchises show modest growth, with the exception of telephone and telecommunications, which are generally experiencing a declining revenue base.

For FY/23, growth in the natural gas and water authority are increased 9% and 5% respectively, due to announced requests for rate hikes in those franchises; otherwise, growth in future years is based on limited population growth and changes in energy prices forecasted by IHS. Telephone and telecom are held flat or slightly negative to reflect historical trends.

## PROJECTED REVENUES FOR FISCAL YEARS 2022 TO 2026

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

PILOT revenues are maintained at the FY/22 budgeted level, with growth limited by continued slow to moderate population and economic growth. FY/23 is forecasted at base level near population growth; however, this could be revised upward for the final FY/23 budget.

### Building Permits

FY/21 building permit revenue grew 6% over FY/20, which itself was a strong year despite the onset of the pandemic near the end of the year. This was \$904 thousand above the estimate for FY/21. While actual building permits grew 2.5%, electrical permits and plan check permits, also included in this category, accounted for the majority of gains during the year growing 22% and 10%, respectively,

In FY/22, revenue was adjusted downward slightly to account for the cancellation of the Orion project; however, forecasts for construction and housing starts remain relatively strong resulting in a projected 8.1% growth rate for the year. For FY/23, the relatively brisk growth of the recovery cools by a decline of 2.8%. Growth spikes again in FY/24 and then slows to moderate growth consistent with residential housing permits in the UNM BBER forecast and projected construction employment.

As a note, major construction projects planned by the State (now to include APS) or the federal government, or road projects do not fall under the City's permitting process and the City receives no permit revenue. However, GRT is paid both by the State and the Federal governments on construction projects.

### Other Licenses/Fees

Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of the City right of way, and other miscellaneous fees. FY/21 finished \$1.6

million below the estimate and \$2.9 million, or 53.7% below the original budget. This is in part because business registration fees were waived to provide relief for area businesses during the health crisis. Other permit revenue, such as restaurant inspections and barricading permits were also low due to lack of demand or waivers during a year that imposed many restrictions on business and public events.

For FY/22, estimated growth was decreased slightly from the FY/22 budget due to the ongoing waiver of business registration fees; however, the projection is still 31.4% over the FY/21 actual revenue. For FY/23, modest growth is projected at 5.1%, with a return to more historical growth rates for the remainder of the forecast. However, the FY/23 estimate will be re-evaluated as the new budget is developed and new year-to-date information is available.

### 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/21 was \$83 thousand, or 1.7%, above the estimate. The FY/22 estimate is left at the budgeted level as year-to-date revenues appear on track for vehicle registrations and Municipal Road Gas Tax revenues.

For FY/23 and the remainder of the forecast, it is assumed that revenues will resume historical growth averages consistent with population growth and moderated gas prices.

### Charges for Services

Charges for services include fees charged for entry into City venues and services provided to citizens and other entities. FY/21 revenues were \$2.7 million, or 13.1%, above the estimate. This was \$1.6 million below the original budget, demonstrating that while revenues did need

## PROJECTED REVENUES FOR FISCAL YEARS 2022 TO 2026

to be pared back from the budget due to ongoing impact of the pandemic, revenues did not decline as much as feared. The FY/22 estimate is increased about \$1.8 million over the approved budget based on year-to-date revenues and discussions with City departments regarding trends. This represents a 15% increase over the FY/21 actual revenues and an approach to pre-pandemic levels for this category. However, this category also includes Golf green fees revenue and concessions, which prior to FY/21 had been a City enterprise fund. These revenues were stronger than projected in FY/21 and continue to show strength into FY/22.

### Internal Service

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

### Indirect Overhead

Indirect overhead in FY/22 is kept at the budgeted amount. FY/23 through the remainder of the forecast is increased at the rate of wage and salary compensation forecasted by IHS.

### CIP-Funded Positions

FY/22 is kept at the budgeted level and FY/23 through the remainder of the forecast increases at the rate of wage and salary compensation forecasted by IHS.

### Miscellaneous

This includes fines, rental of City property and "other miscellaneous" revenues. Revenues are elevated considerably, nearly 455% for FY/23, due in part to \$12.3 million in one-time revenue from the settlement of a multi-year lawsuit between the City and the State over discrepancies with GRT distributions. Additional increases include \$2.8 million in anticipated rental revenues from the City's newly acquired Gibson Center. FY/23 revenues are then increased

at the approximate level of population growth pending other significant changes. Consistent with the category name, this revenue source is often unpredictable.

### Interest Earnings

Interest earnings for FY/21 finished \$777 thousand below FY/20, a year that, at \$2.2 million, showed unusual growth due to strong markets and earnings. FY/22 revenue is increased slightly to \$1.2 million from the budgeted \$872 thousand, but conservatively remains about \$200 thousand below FY/21. In the forecast, it is assumed earnings do not reflect the adjustment for unrealized losses. The fund balance table will also not have an adjustment to offset unrealized losses or gains. FY/23 to FY/26 are assumed to grow with the expected increases in two-year treasury rates as forecasted by IHS.

### Interfund Transfers

Interfund transfers are kept at the budgeted amount for FY/22. FY/23 through the remainder of the forecast increase at the rate of wage and salary compensation forecasted by IHS; however revenues will be re-evaluated as the FY/23 budget is developed.



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

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

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

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

The construction GRT model is based on housing construction and construction employment. It uses the full GRT data available back to 1990. Care is taken to account for differences due to large construction projects, such as the Big I and the Coors & I-40 re-construction, which had large impacts on GRT revenues for short periods. There are also adjustments for large projects in the metro area that are not within the City. These include the large hospitals in Rio Rancho, and the Facebook project in Los Lunas.

### **Adjustments to the estimates**

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

### **Food and Medical Hold Harmless**

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

### **Tax Increment Development Districts and Other Incentives**

Revenue estimates of GRT were made using the tax base excluding distributions made to the TIDDs and penalty and interest payments. For future impacts, distributions to the TIDDs are directly taken out; however, in FY/15 there was a \$1.7 million dollar pay back of GRT that had been incorrectly distributed to the Winrock TIDD. The distributions now made to the TIDD by TRD are correct. Winrock has developed a plan associated with bonds that were issued in the fall of 2015 for expansion of Winrock and a change in the base year from 2007 to 2009. While some of the construction has taken place, much of the plan has not happened as rapidly as expected. It is assumed that TIDDs reduce GRT in FY/21 by \$1.4 million and \$2.5 million in FY/22 and averaging just over \$3 million through the

## ESTIMATING GROSS RECEIPTS TAXES

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rest of the forecast. It is further assumed that construction revenues are not a net loss to the General Fund, but retail sales revenues are a net loss to the General Fund. Estimates of TIDD revenues to Mesa del Sol are also estimated and deducted from General Fund revenue. Mesa del Sol revenues have been smaller in the recent past but the community is in a position to grow in the next few years.

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

## **EXPENDITURE OUTLOOK**



## 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/22 through FY/26. For the current fiscal year ending June 30, 2022, expenses are projected using the original appropriation as a base. The base is then adjusted to account for subsequent appropriations by the City Council including \$15.8 million in re-appropriated encumbrances. The assumption is that the departments will spend their full appropriations by the end of FY/22.

FY/23 estimated costs are, for the most part, derived independently of FY/22 estimates. The FY/23 forecast is compiled using the latest available information, including actual position information updated in December with vacant positions assumed to be fully funded at the first non-probationary step. Additionally, all subsidized funds and other funds receiving transfers from the General Fund are analyzed independently before adjustments are made for this General Fund forecast to reflect the

associated impacts. The FY/23 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/23 is largely driven by inflationary factors applied to the FY/23 through FY/26 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<br>NAME | FACTORS |       |       |       |
|---|---------------|---------|-------|-------|-------|
|   |               | FY/23   | FY/24 | FY/25 | FY/26 |
| CPI - All Urban Consumers, All Items                    | CPI-U         | 2.0%    | 2.1%  | 2.2%  | 2.3%  |
| EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm | WAGES         | 4.5%    | 4.0%  | 3.8%  | 3.9%  |
| Price Index Consumer Exp Medical Care                   | MEDICAL       | 2.7%    | 3.0%  | 2.9%  | 2.8%  |
| PRICE INDEX - Consumer Expenditures, New Cars           | NEWAUTO       | 1.5%    | -5.6% | -2.4% | -0.6% |
| PRICE INDEX - Consumer Exp, Transportation Services     | AUTOREP       | 3.0%    | 2.8%  | 2.6%  | 2.3%  |
| PRICE INDEX - Consumer Exp, House Oper, Natural Gas     | NATGAS        | -6.7%   | -7.1% | -0.9% | 3.0%  |
| PRICE INDEX - Consumer Exp, Gasoline & Oil              | FUEL          | -6.6%   | -1.4% | -0.2% | 0.7%  |
| PPI - Fuels & Related Products, Electric Power          | ELECT         | 1.3%    | 1.0%  | 1.8%  | 2.2%  |
| PRICE INDEX - Govt Consumption, Noncompensation         | GOVT          | 3.2%    | 3.2%  | 3.1%  | 3.1%  |
| PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts   | TIRES         | 0.7%    | -4.8% | -0.5% | 0.1%  |
| Growth of Gross Receipts Tax Revenue                    | GRT           | 3.7%    | 2.5%  | 1.6%  | 2.3%  |

## EXPENDITURE ESTIMATING METHODOLOGY

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

| (\$000's)                             | UNAUDITED<br>ACTUAL<br>FY/21 | REVISED<br>BUDGET<br>FY/22 | FORECASTS              |                         |                         |                         |
|---------------------------------------|------------------------------|----------------------------|------------------------|-------------------------|-------------------------|-------------------------|
|                                       |                              |                            | FY/23                  | FY/24                   | FY/25                   | FY/26                   |
| <b>RESOURCES:</b>                     |                              |                            |                        |                         |                         |                         |
| Recurring Revenue                     | 628,570                      | 661,528                    | 683,955                | 699,924                 | 713,549                 | 728,590                 |
| % Change Recurring Revenue            |                              | 5.2%                       | 3.4%                   | 2.3%                    | 1.9%                    | 2.1%                    |
| Total Non-recurring                   | <u>2,361</u>                 | <u>15,262</u>              | <u>3,079</u>           | <u>3,230</u>            | <u>3,356</u>            | <u>3,306</u>            |
| <b>TOTAL REVENUES</b>                 | <b>630,931</b>               | <b>676,790</b>             | <b>687,034</b>         | <b>703,153</b>          | <b>716,905</b>          | <b>731,896</b>          |
| % Change Total Revenue                |                              | 7.3%                       | 1.5%                   | 2.3%                    | 2.0%                    | 2.1%                    |
| BEGINNING FUND BALANCE                | <u>137,526</u>               | <u>196,871</u>             | <u>128,422</u>         | <u>(7,453)</u>          | <u>(165,169)</u>        | <u>(333,969)</u>        |
| <b>TOTAL RESOURCES</b>                | <b><u>768,457</u></b>        | <b><u>873,661</u></b>      | <b><u>815,456</u></b>  | <b><u>695,701</u></b>   | <b><u>551,737</u></b>   | <b><u>397,927</u></b>   |
| <b>EXPENDITURES/APPROPRIATIONS:</b>   |                              |                            |                        |                         |                         |                         |
| Recurring Expenditures/Appropriations | 535,500                      | 678,394                    | 810,096                | 846,371                 | 872,893                 | 900,963                 |
| % Change Recurring Appropriation      |                              | 26.7%                      | 19.4%                  | 4.5%                    | 3.1%                    | 3.2%                    |
| Non-recurring Exp/App:                |                              |                            |                        |                         |                         |                         |
| One-time Items                        | <u>36,086</u>                | <u>66,845</u>              | <u>12,813</u>          | <u>14,498</u>           | <u>12,813</u>           | <u>12,813</u>           |
| <b>TOTAL EXPEND/APPROP</b>            | <b><u>571,586</u></b>        | <b><u>745,239</u></b>      | <b><u>822,909</u></b>  | <b><u>860,870</u></b>   | <b><u>885,706</u></b>   | <b><u>913,776</u></b>   |
| <b>UNADJUSTED FUND BALANCE</b>        | <b><u>196,871</u></b>        | <b><u>128,422</u></b>      | <b><u>(7,453)</u></b>  | <b><u>(165,169)</u></b> | <b><u>(333,969)</u></b> | <b><u>(515,849)</u></b> |
| <b>ADJUSTMENTS:</b>                   |                              |                            |                        |                         |                         |                         |
| Encumbrances                          | (16,560)                     | 0                          | 0                      | 0                       | 0                       | 0                       |
| Unrealized Gains on Investments       | (749)                        | (749)                      | (749)                  | (749)                   | (749)                   | (749)                   |
| Other Accounting Adjustments          | <u>(107)</u>                 | <u>(107)</u>               | <u>(107)</u>           | <u>(107)</u>            | <u>(107)</u>            | <u>(107)</u>            |
| <b>TOTAL ADJUSTMENTS</b>              | <b><u>(17,416)</u></b>       | <b><u>(856)</u></b>        | <b><u>(856)</u></b>    | <b><u>(856)</u></b>     | <b><u>(856)</u></b>     | <b><u>(856)</u></b>     |
| <b>ADJUSTED FUND BALANCE</b>          | <b><u>179,455</u></b>        | <b><u>127,566</u></b>      | <b><u>(8,309)</u></b>  | <b><u>(166,025)</u></b> | <b><u>(334,825)</u></b> | <b><u>(516,705)</u></b> |
| <b>RESERVES:</b>                      |                              |                            |                        |                         |                         |                         |
| 1/12th Operating Reserve              | 48,595                       | 59,543                     | 68,576                 | 71,739                  | 73,809                  | 76,148                  |
| Reserve for the Cost of Labor         | 0                            | 0                          | 0                      | 0                       | 0                       | 0                       |
| Increase to Reserve                   | 0                            | 0                          |                        |                         |                         |                         |
| Runoff Election                       | 0                            | 1,500                      | 0                      | 0                       | 0                       | 0                       |
| Misc                                  | <u>0</u>                     | <u>0</u>                   | <u>0</u>               | <u>0</u>                | <u>0</u>                | <u>0</u>                |
| <b>TOTAL RESERVES</b>                 | <b>48,595</b>                | <b>61,043</b>              | <b>68,576</b>          | <b>71,739</b>           | <b>73,809</b>           | <b>76,148</b>           |
| <b>AVAILABLE FUND BALANCE</b>         | <b><u>130,860</u></b>        | <b><u>66,523</u></b>       | <b><u>(76,885)</u></b> | <b><u>(237,764)</u></b> | <b><u>(408,634)</u></b> | <b><u>(592,853)</u></b> |
| 1/12th Operating Reserve              | 47,632                       | 62,103                     | 68,576                 | 71,739                  | 73,809                  | 76,148                  |
| Recurring Surplus/(Deficit)           | 93,070                       | (16,866)                   | (126,142)              | (146,448)               | (159,344)               | (172,373)               |

## EXPENDITURE ESTIMATING METHODOLOGY

| TABLE C                    |                |                |                |              |                |             |                |             |                |             |
|----------------------------|----------------|----------------|----------------|--------------|----------------|-------------|----------------|-------------|----------------|-------------|
| EXPENSES BY MAJOR CATEGORY |                |                |                |              |                |             |                |             |                |             |
| (\$000's)                  |                |                |                |              |                |             |                |             |                |             |
|                            | ACTUAL         | BUDGET         | %              |              | %              |             | %              |             | %              |             |
|                            | FY/21          | FY/22          | FY/23          | Change       | FY/24          | Change      | FY/25          | Change      | FY/26          | Change      |
| PERSONNEL                  | 333,651        | 462,728        | 475,932        | 2.9%         | 492,337        | 3.4%        | 508,842        | 3.4%        | 526,029        | 3.4%        |
| OPERATING                  | 131,428        | 140,792        | 137,804        | -2.1%        | 141,586        | 2.7%        | 145,627        | 2.9%        | 149,864        | 2.9%        |
| CAPITAL                    | 11,341         | 1,282          | 557            | -56.6%       | 526            | -5.6%       | 513            | -2.4%       | 510            | -0.6%       |
| TRANSFERS                  | 97,549         | 109,718        | 111,402        | 1.5%         | 123,327        | 10.7%       | 121,417        | -1.5%       | 124,942        | 2.9%        |
| ADDITIONAL ITEMS FACTORED  | (2,383)        | 30,718         | 97,214         | 216.5%       | 103,094        | 6.0%        | 109,307        | 6.0%        | 112,431        | 2.9%        |
| <b>GRAND TOTAL</b>         | <b>571,586</b> | <b>745,238</b> | <b>822,909</b> | <b>10.4%</b> | <b>860,870</b> | <b>4.6%</b> | <b>885,706</b> | <b>2.9%</b> | <b>913,776</b> | <b>3.2%</b> |

This forecast does not assume any reductions in recurring expenses for FY/23 which drives a recurring gap between revenues and expenses. As shown in Table B, the total increase in expenses peaks in FY/26, mostly due to the assumed cost increases for medical, public safety needs, pension obligations, and bringing capital on-line.

Labor costs make up the majority of overall costs to bring new or expanded facilities on-line. That said, a 2% wage increase for all employees is included in the personnel section in Table C for FY/23. 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/23.

| Non-Recurring Items for FY/23 (\$000's) |  |                  |
|---|--|------------------|
| Department                              | Purpose                                | Amount (\$000's) |
| Animal Welfare                          | Safety Net/Dog House-Straw             | 30               |
|   | Promotions, Outreach, Communications   | 30               |
| Arts & Culture                          | One Time Sponsored Events Contracts    | 1,560            |
|   | Explora                                | 250              |
|   | Library IT / Public Library Automation | 350              |
|   | Misc Special Events                    | 40               |
|   | Online Ticketing System                | 350              |
|   | Promotions, Outreach, Communications   | 60               |
| City Clerk                              | Promotions, Outreach, Communications   | 20               |
| City Support                            | Budget Software                        | 800              |

## EXPENDITURE ESTIMATING METHODOLOGY

| Non-Recurring Items for FY/23 (\$000's) |   |                                      |
|---|---|--------------------------------------|
| Department                              | Purpose   | Amount<br>(\$000's)                  |
| Civilian Police Oversight Agency        | Equip Investigative Staff                             | 21                                   |
| Community Safety                        | Contractual Staffing                                  | 250                                  |
|   | Promotions, Outreach, Communications                  | 40                                   |
| Council Services                        | Albuquerque Energy Challenge                          | 40                                   |
|   | Community Bike Program                                | 6                                    |
|   | Consultant Developments                               | 50                                   |
|   | Girl Scouts of America                                | 15                                   |
|   | Gun Buy Back Program                                  | 45                                   |
|   | HAWKS Athletic Club                                   | 30                                   |
|   | Partnership with UNM SPA                              | 30                                   |
|   | Sparks Antonio Lorenzo Scholarship                    | 30                                   |
|   | Tiny Home Village - Bern Co                           | 75                                   |
|   | Trumbull Homeless Services                            | 10                                   |
|   | Vizionz-Sankofa                                       | 10                                   |
|   | Way Out West Film Fest/SW Gay & Lesbian FF            | 5                                    |
| Economic Development                    | 3 Sisters Kitchen                                     | 20                                   |
|   | ABQID   | 100                                  |
|   | AED and Albuquerque Economic Development              | 100                                  |
|   | African American Chamber of Commerce                  | 40                                   |
|   | Asian Business Collaborative                          | 30                                   |
|   | Barelas Mainstreet                                    | 60                                   |
|   | Calle Corte Market                                    | 30                                   |
|   | Downtown Mainstreet                                   | 60                                   |
|   | International Trade - Bernco                          | 25                                   |
|   | Native American Film Makers                           | 10                                   |
|   | Nob Hill Mainstreet                                   | 60                                   |
|   | Southeast Economic Development Center                 | 20                                   |
|   | Southwest Women's Collaborative                       | 50                                   |
|   | TedXABQ   | 5                                    |
|   | University MR Area                                    | 100                                  |
|   | Vizionz-Sankofa                                       | 15                                   |
|   | West Central Community Development Group              | 13                                   |
|   | West Fest   | 20                                   |
|   | ED promo, digital marketing and related contracts     | 80                                   |
|   | Environmental Health                                  | Promotions, Outreach, Communications |
| Family & Community Services             | Collective Impact Project (Intimate Partner Violence) | 50                                   |

## EXPENDITURE ESTIMATING METHODOLOGY

| Non-Recurring Items for FY/23 (\$000's) |   |                     |
|---|---|---------------------|
| Department                              | Purpose   | Amount<br>(\$000's) |
|   | Gateway Federally Qualified Health Center             | 100                 |
|   | Mayor' Taskforce on Domestic Violence Housing Voucher | 100                 |
|   | Sanctioned Encampments Operational Cost               | 200                 |
|   | Youth Leadership                                      | 30                  |
|   | Promotions, Outreach, Communications                  | 70                  |
|   | One Time Sponsored Initiatives                        | 1,985               |
| <b>Fire</b>                             | Equipment EMS / Fleet Operations - Supplies           | 5                   |
|   | Fleet Operations - Utilities                          | 100                 |
|   | SCBA Bottles  | 35                  |
|   | Promotions, Outreach, Communications                  | 30                  |
| <b>Human Resources</b>                  | Bilingual Testing                                     | 8                   |
|   | HR Staff Professional Development                     | 15                  |
|   | Labor Negotiations                                    | 50                  |
| <b>Legal</b>                            | Citizenship Program                                   | 25                  |
|   | Promotions, Outreach, Communications                  | 85                  |
| <b>Parks &amp; Recreation</b>           | Albuquerque Disc Golf Association                     | 20                  |
|   | Balloon Fiesta Park Summer Rec Program                | 327                 |
|   | Bike/Trail Maintenance                                | 300                 |
|   | New Mexico Games                                      | 25                  |
|   | Park Security   | 200                 |
|   | Reforestation Program                                 | 50                  |
|   | Trails and Park Maintenance                           | 100                 |
|   | UNM Summer Camp                                       | 40                  |
|   | Urban Forestry  | 607                 |
|   | USA Cycling National Championships                    | 350                 |
|   | Promotions, Outreach, Communications                  | 30                  |
| <b>Planning</b>                         | ADAPT Program   | 300                 |
|   | Community Planning Assessment                         | 150                 |
|   | Promotions, Outreach, Communications                  | 30                  |
| <b>Police</b>                           | CIT ECHO Project                                      | 74                  |
|   | CNM Cadet Academy                                     | 90                  |
|   | Crimes Against Children Unit / Equip                  | 135                 |
|   | Drag Racing Tactical Plans                            | 50                  |
|   | Electronic Control Weapon Lease                       | 986                 |
|   | Independent Monitor DOJ Contract                      | 800                 |
|   | Student Loan Forgiveness Program                      | 90                  |

## EXPENDITURE ESTIMATING METHODOLOGY

| Non-Recurring Items for FY/23 (\$000's) |                                  |                  |
|---|----------------------------------|------------------|
| Department                              | Purpose                          | Amount (\$000's) |
| Senior Affairs                          | Gift Cards                       | 5                |
|   | Support COVID Response           | 100              |
|   | Tarde de Oro                     | 15               |
|   | Youth Program Wages due to COVID | 35               |
| <b>TOTAL</b>                            |                                  | <b>12,813</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 requested again in FY/23. Departments estimate a need of \$38.4 million in additional funding to operate projects coming-on-line in FY/23. The estimates for FY/24 through FY/26 are \$40.1 million, \$40.5 million, and \$41.2 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<br><i>Department/Division</i>                      | Opening Date | FY 22 Budget     | FY 23      | FY 24      | FY 25      | FY 26      |  |
| <b><i>Animal Welfare</i></b>   |              |                  |            |            |            |            |  |
| Additional Scope: Kennel O additional bldg. part of Kennel D Project (sq 1940) |              | 127,255          | -          | -          | -          | -          |  |
| Mobile Clinic -Supplies  |              | 5,000            | -          | -          | -          | -          |  |
| Mobile Clinic -Supplies Operating (Microchips)                                 |              | 10,000           | -          | -          | -          | -          |  |
| Mobile Clinic- Vehicle Fuel  |              | 4,000            | -          | -          | -          | -          |  |
| Mobile Clinic- Vehicle Maintenance   |              | 8,000            | -          | -          | -          | -          |  |
| Mobile Clinic -Veterinarian Drugs & Medicine (DHLP,FVRCP,Rabies)               |              | 12,500           | -          | -          | -          | -          |  |
| Mobile Clinic-Veterinary Supplies  |              | 40,000           | -          | -          | -          | -          |  |
| <b>Total Animal Welfare Department</b>   |              | <b>\$206,755</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |  |
| <b><i>Arts &amp; Culture Department</i></b>                                    |              |                  |            |            |            |            |  |
| <b>Bio Park Exhibits</b>   |              |                  |            |            |            |            |  |
| Asia   | 2023         | -                | 250,000    | 500,000    | 500,000    | 500,000    |  |
| Australia  | 2023         | 211,250          | 225,000    | 225,000    | 225,000    | 225,000    |  |
| Farm   | 2023         | -                | 100,000    | 200,000    | 200,000    | 200,000    |  |
| Americas   | 2024         | -                | -          | 300,000    | 600,000    | 600,000    |  |
| <b>Museums</b>   |              |                  |            |            |            |            |  |
| Albuquerque Museum Education Center  | 2025         | -                | 59,707     | 287,823    | 1,100,907  | 600,907    |  |
| International District Library   | Feb 2022     |                  |            |            |            |            |  |

**EXPENDITURE ESTIMATING METHODOLOGY**

| 5-Year Forecast CIP Coming-On-Line Estimates  |              |                    |                     |                     |                     |                     |
|---|--------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| Funding Allocation Category<br><i>Department/Division</i>   | Opening Date | FY 22 Budget       | FY 23               | FY 24               | FY 25               | FY 26               |
|   |              | 104,400            | -                   | 945,072             | 945,072             | 945,072             |
| <i>Total Arts &amp; Culture Department</i>  |              | <i>\$315,650</i>   | <i>\$634,707</i>    | <i>\$2,457,895</i>  | <i>\$3,570,979</i>  | <i>\$3,070,979</i>  |
| <b><u>Community Safety Department</u></b>   |              |                    |                     |                     |                     |                     |
| New Community Safety Building   | Jan 2024     |                    |                     |                     |                     |                     |
| Operating cost for Community Safety Building- Utilities-Recurring   |              | -                  | -                   | 250,000             | 500,000             | 500,000             |
| Equipment and other items- non-recurring  |              | -                  | -                   | 250,000             | -                   | -                   |
| <i>Total Community Safety Department</i>  |              | <i>\$0</i>         | <i>\$0</i>          | <i>\$500,000</i>    | <i>\$500,000</i>    | <i>\$500,000</i>    |
| <b><u>Family and Community Services</u></b>   |              |                    |                     |                     |                     |                     |
| Homeless Facility   | July 2019    | -                  | 6,216,307           | 6,216,307           | 6,216,307           | 6,216,307           |
| Gateway Ph 1 and Engagement Center at Gibson Health Hub   | Dec 2022     | 4,000,000          | 3,200,000           | 2,000,000           | 2,040,000           | 2,080,800           |
| Medical Respite at Gibson Health Hub  | Dec 2022     | -                  | 2,890,000           | 2,200,000           | 2,244,000           | 2,288,880           |
| Sobering Center Ph1 at Gibson Health Hub  | Dec 2022     | -                  | 1,750,000           | 1,150,000           | 1,173,000           | 1,196,460           |
| Trauma Recovery at Gibson Health Hub  | Jan 2022     | -                  | 1,008,000           | 1,000,000           | 1,020,000           | 1,040,400           |
| Loma Linda Community Center Expansion   | Jan 2023     | -                  | 78,450              | -                   | -                   | -                   |
| Joan Jones Community Center (Pat Hurley CC)   | Jan 2023     | -                  | 147,077             | -                   | -                   | -                   |
| NEW Singing Arrow Community Center  | Dec 2021     | -                  | 194,673             | -                   | -                   | -                   |
| Snow Park Community Center  | July 2023    | -                  | 23,000              | -                   | -                   | -                   |
| Trumbull Child Development Expansion  | Aug 2022     | -                  | 150,075             | -                   | -                   | -                   |
| Jack Candelaria Community Center Renovation   | Jan 2023     | -                  | 60,000              | -                   | -                   | -                   |
| <i>Total Family and Community Services Department</i>   |              | <i>\$4,000,000</i> | <i>\$15,717,582</i> | <i>\$12,566,307</i> | <i>\$12,693,307</i> | <i>\$12,822,847</i> |
| <b><u>Finance and Administrative Services</u></b>   |              |                    |                     |                     |                     |                     |
| Lease Administration Software Support and Maintenance   |              | 30,000             | -                   | -                   | -                   | -                   |
| Oracle Fusion Support and Maintenance   |              | 65,000             | -                   | -                   | -                   | -                   |
| <i>Total Finance and Administrative Services Department</i>   |              | <i>\$95,000</i>    | <i>\$0</i>          | <i>\$0</i>          | <i>\$0</i>          | <i>\$0</i>          |
| <b><u>Fire</u></b>  |              |                    |                     |                     |                     |                     |
| New Fleet Building  | Jan 2020     | -                  | -                   | -                   | -                   | -                   |
| Operating cost for Fleet Building- Utilities  |              | -                  | 105,000             | 105,000             | 105,000             | 105,000             |
| Volcano Vista Station - Engine 23- (1 Captain, 2 Suppression Lt, 4 Suppression Driver, 8 Firefighter positions) Recurring | July 2023    | -                  | -                   | 1,449,786           | 1,493,280           | 1,538,078           |
| Operating cost for Engine 23  |              | -                  | -                   | 33,765              | 33,765              | 33,765              |
| Volcano Vista Station Rescue 23 - (4 Paramedic Lt, 4 Paramedic Driver positions) Recurring                                | July 2023    | -                  | -                   | 926,131             | 953,915             | 982,532             |
| Operating cost for Rescue 23  |              | -                  | -                   | 33,765              | 33,765              | 33,765              |
| Volcano Vista Fire Station non-recurring (GO Bond purchase)   | July 2023    | -                  | -                   | -                   | -                   | -                   |
| Operating cost for Volcano Vista Station  |              | -                  | -                   | 100,000             | 100,000             | 100,000             |
| Expansion of Station 12   | Jan 2023     |                    |                     |                     |                     |                     |
| Medic 12 (4 Para Driver, 4 Para LT.) Recurring  |              | -                  | 449,578             | 463,065             | 476,957             | 491,266             |
| Operating cost for expansion of Station 12- Utilities   |              | -                  | -                   | -                   | -                   | -                   |

## EXPENDITURE ESTIMATING METHODOLOGY

| 5-Year Forecast CIP Coming-On-Line Estimates   |                 |                    |                     |                     |                     |                     |  |
|--|-----------------|--------------------|---------------------|---------------------|---------------------|---------------------|--|
| Funding Allocation Category<br><i>Department/Division</i>                                    | Opening<br>Date | FY 22<br>Budget    | FY 23               | FY 24               | FY 25               | FY 26               |  |
| Expansion of Station 11  | Jan 2023        | -                  | 25,000              | 50,000              | 50,000              | 50,000              |  |
| Medic 11 (4 Para Driver, 4 Para LT.) Recurring   |                 | -                  | 449,578             | 463,065             | 476,957             | 491,266             |  |
| Operating cost for expansion of Station 11-Utilities   |                 | -                  | 25,000              | 50,000              | 50,000              | 50,000              |  |
| Airboat Facility Addition  | July 2022       |                    |                     |                     |                     |                     |  |
| Operating cost for Airboat Facility- Utilities   |                 | -                  | 50,000              | 50,000              | 50,000              | 50,000              |  |
| Addition of Battalion at FS18  | July 2022       |                    |                     |                     |                     |                     |  |
| Operating cost for of Battalion at FS18- Utilities   |                 | -                  | 25,000              | 25,000              | 25,000              | 25,000              |  |
| Bunk room Expansion FS 16  | July 2022       |                    |                     |                     |                     |                     |  |
| Operating cost for Addition of Bunkroom for FS 16- Utilities                                 |                 | -                  | 25,000              | 25,000              | 25,000              | 25,000              |  |
| Addition of Burn Room at Academy   | July 2022       |                    |                     |                     |                     |                     |  |
| Operating cost for Addition of Burn Room- Utilities  |                 | -                  | 20,000              | 20,000              | 20,000              | 20,000              |  |
| <b>Total Fire Department</b>   |                 | <b>\$0</b>         | <b>\$1,174,156</b>  | <b>\$3,794,579</b>  | <b>\$3,893,640</b>  | <b>\$3,995,673</b>  |  |
| <b><u>DMD/Roadways/ Traffic Engineering Division</u></b>                                     |                 |                    |                     |                     |                     |                     |  |
| Albuquerque Traffic Management System/Intelligent Traffic Systems (unfunded in the GO Bonds) |                 | -                  | 750,000             | 750,000             | 750,000             | 750,000             |  |
| Facilities Coming-On-Line  |                 | -                  | 490,000             | 490,000             | 490,000             | 490,000             |  |
| Gibson Medical Center  |                 | 3,500,000          | 6,400,000           | 6,400,000           | 6,400,000           | 6,400,000           |  |
| Increase in electricity costs due to additional equipment and rate increases of 2%           |                 | -                  | 1,700,000           | 1,700,000           | 1,700,000           | 1,700,000           |  |
| Intersection Signalization (unfunded in the GO Bonds)  |                 | -                  | 1,600,000           | 1,600,000           | 1,600,000           | 1,600,000           |  |
| New Expanded Roadways  |                 | -                  | 1,600,000           | 1,600,000           | 1,600,000           | 1,600,000           |  |
| New Street lighting staff, equipment and materials   |                 | -                  | 400,000             | 150,000             | 150,000             | 150,000             |  |
| Repairs and Maintenance (Facilities)   |                 | -                  | 4,000,000           | 4,000,000           | 4,000,000           | 4,000,000           |  |
| RTMC Incident Management   |                 | -                  | 175,000             | 175,000             | 175,000             | 175,000             |  |
| Street Light maintenance & marking/signage   |                 | -                  | 1,500,000           | 1,500,000           | 1,500,000           | 1,500,000           |  |
| Transit Security   |                 | -                  | 120,000             | 120,000             | 120,000             | 120,000             |  |
| <b>Total Municipal Development Department</b>  |                 | <b>\$3,500,000</b> | <b>\$18,735,000</b> | <b>\$18,485,000</b> | <b>\$18,485,000</b> | <b>\$18,485,000</b> |  |
| <b><u>Parks &amp; Recreation</u></b>   |                 |                    |                     |                     |                     |                     |  |
| Aquatics   |                 | -                  | 150,000             | 150,000             | 150,000             | 150,000             |  |
| Balloon Fiesta Park Improvements   |                 | -                  | 200,000             | 200,000             | 200,000             | 200,000             |  |
| New Park Development & Land Acquisition  |                 | 205,820            | -                   | -                   | -                   | -                   |  |
| New Trail Development  |                 | -                  | 40,000              | 40,000              | 40,000              | 40,000              |  |
| Open Space associated with trails and Land Acquisition                                       |                 | -                  | 80,000              | 80,000              | 80,000              | 80,000              |  |
| <b>Total Parks &amp; Recreation Department</b>   |                 | <b>\$205,820</b>   | <b>\$470,000</b>    | <b>\$470,000</b>    | <b>\$470,000</b>    | <b>\$470,000</b>    |  |
| <b><u>Police</u></b>   |                 |                    |                     |                     |                     |                     |  |
| <b>Southeast Area Command:</b>   |                 |                    |                     |                     |                     |                     |  |
| Utilities  |                 | -                  | 100,000             | 100,000             | 100,000             | 100,000             |  |
| Furniture  |                 | -                  | 50,000              | -                   | -                   | -                   |  |

## EXPENDITURE ESTIMATING METHODOLOGY

| 5-Year Forecast CIP Coming-On-Line Estimates              |                 |                    |                     |                     |                     |                     |
|---|-----------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| Funding Allocation Category<br><i>Department/Division</i> | Opening<br>Date | FY 22<br>Budget    | FY 23               | FY 24               | FY 25               | FY 26               |
| Rosenwald:  |                 |                    |                     |                     |                     |                     |
| Utilities   |                 | -                  | 6,000               | 6,000               | 6,000               | 6,000               |
| City Church:  |                 |                    |                     |                     |                     |                     |
| Utilities   |                 | -                  | 150,000             | 150,000             | 150,000             | 150,000             |
| Furniture   |                 | -                  | 250,000             | -                   | -                   | -                   |
| RTCC/RTMC   |                 |                    |                     |                     |                     |                     |
| Utilities   |                 | -                  | 75,000              | 75,000              | 75,000              | 75,000              |
| Furniture/computer (monitors)                             |                 | -                  | 250,000             | -                   | -                   | -                   |
| <i>Total Police Department</i>                            |                 | <i>\$0</i>         | <i>\$881,000</i>    | <i>\$331,000</i>    | <i>\$331,000</i>    | <i>\$331,000</i>    |
| <i>Senior Affairs</i>                                     |                 |                    |                     |                     |                     |                     |
| North Domingo Baca Phase III (Gym)                        |                 | 74,909             | -                   | -                   | -                   | -                   |
| North West Multigenerational Center                       |                 | -                  | 765,000             | 1,530,000           | 1,530,000           | 1,530,000           |
| <i>Total Department of Senior Affairs</i>                 |                 | <i>\$74,909</i>    | <i>\$765,000</i>    | <i>\$1,530,000</i>  | <i>\$1,530,000</i>  | <i>\$1,530,000</i>  |
| <i>Technology and Innovation</i>                          |                 |                    |                     |                     |                     |                     |
| APPLICATIONS  |                 |                    |                     |                     |                     |                     |
| Leidos Iquoram Mayors Office software support             |                 | 17,000             | -                   | -                   | -                   | -                   |
| E-proval  |                 | 42,000             | -                   | -                   | -                   | -                   |
| Malware Endpoint protection                               |                 | 9,903              | -                   | -                   | -                   | -                   |
| ERP   |                 |                    |                     |                     |                     |                     |
| Mythics - PeopleSoft License expansion                    |                 | 45,000             | -                   | -                   | -                   | -                   |
| INFRASTRUCTURE  |                 |                    |                     |                     |                     |                     |
| DocuSign  |                 | 40,000             | -                   | -                   | -                   | -                   |
| Carahsoft Twilio  |                 | 41,000             | -                   | -                   | -                   | -                   |
| Pepwaves and Meraki's                                     |                 | 25,000             | -                   | -                   | -                   | -                   |
| ANM load balancer   |                 | 21,500             | -                   | -                   | -                   | -                   |
| Zoom Licenses   |                 | 79,000             | -                   | -                   | -                   | -                   |
| <i>Total Technology and Innovation Department</i>         |                 | <i>\$320,403</i>   | <i>\$0</i>          | <i>\$0</i>          | <i>\$0</i>          | <i>\$0</i>          |
| <b>Total General Fund Departments CIP Coming-On-Line</b>  |                 | <b>\$8,718,537</b> | <b>\$38,377,444</b> | <b>\$40,134,781</b> | <b>\$41,473,926</b> | <b>\$41,205,498</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 2021 forecasts from the UNM Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). IHS prepares an optimistic and a pessimistic scenario which form the basis for the City scenarios. BBER uses the results from the IHS alternatives to estimate the impact to Albuquerque and New Mexico. Previous sections were based on the baseline scenario, which is assigned a probability of 50%.

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

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

the gain in revenue. Likewise, in the pessimistic scenario expenses may grow more slowly, offsetting some of the losses in revenue.

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

| Available Fund Balance by Scenario<br>(\$000's) |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
|   | FY/23     | FY/24     | FY/25     | FY/26     |
| Baseline  | (76,885)  | (237,764) | (408,634) | (592,853) |
| Optimistic                                      | (55,362)  | (204,237) | (362,695) | (534,725) |
| Pessimistic                                     | (103,369) | (282,213) | (462,592) | (656,590) |

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

In the optimistic scenario, Albuquerque employment grows slightly faster than the baseline in FY/22 before dipping just slightly lower than the baseline in FY/23. For the remainder of the forecast it remains slightly above the baseline. Total employment in the optimistic scenario increases by about 908 more jobs by FY/26. Construction employment growth is also above the baseline, with 504 more jobs by FY/26. Residential housing permits fluctuate throughout the forecast period, declining in FY/22, rising sharply in FY/23, only to decline again in FY/24. The unemployment rate stays slightly lower in the optimistic scenario from

FY/22 to FY/24, then is in line with the baseline for the rest of the forecast. The moderately improved economic indicators in this scenario result is modestly improved expected GRT growth; however, throughout the pandemic, economic forecasts have predicted less variance between the optimistic and baseline scenarios than in the past. In FY/23, GRT is \$5.7 million above the baseline and total revenues are nearly \$8.1 million above the baseline. In addition to changes in GRT, there are increases in other taxes, building permits and charges for services.

**Note: Even in the optimistic scenario, growth in revenue does not equal growth in expenditures and available fund balance is negative in the last four years of the forecast. The available fund balance in this scenario is negative \$55.4 million in FY/23 and compounds to a negative \$534.7 million in FY/26.**

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

### OPTIMISTIC SCENARIO INFLATION FACTORS

| <b>GLOBAL INSIGHT OPTIMISTIC SCENARIO</b> |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
|   | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> |
| All Items                                 | 4.8%        | 2.3%        | 2.2%        | 2.3%        | 2.4%        |
| Employment Cost Index=Wages & Salary      | 4.2%        | 4.6%        | 4.1%        | 4.0%        | 4.1%        |
| Medical Care                              | 2.3%        | 3.1%        | 3.2%        | 3.1%        | 2.9%        |
| Core CPI                                  | 4.2%        | 3.0%        | 2.6%        | 2.5%        | 2.5%        |
| New Cars                                  | 9.3%        | 1.8%        | -5.4%       | -2.2%       | -0.5%       |
| Transportation                            | 7.3%        | 3.4%        | 2.9%        | 2.7%        | 2.4%        |
| Natural Gas                               | 18.5%       | -1.9%       | -3.7%       | 0.6%        | 2.9%        |
| Gasoline & Oil                            | 20.4%       | -6.2%       | -1.7%       | -0.2%       | 0.7%        |
| Electricity Chained Price Index           | 3.9%        | 1.7%        | 1.2%        | 1.9%        | 2.2%        |
| Govt Consumption Noncompensation          | 4.1%        | 3.4%        | 3.3%        | 3.2%        | 3.1%        |
| Tires/Tubes/Accessories/Parts             | 6.0%        | 1.0%        | -4.6%       | -0.5%       | 0.1%        |

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

|                      | Unaudited      |                | Budget         |                |                |                |                | Five Year Forecast |             |             |             |             | Growth |       |       |       |       |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|-------------|-------------|-------------|-------------|--------|-------|-------|-------|-------|
|                      | FY/21          | FY/22          | FY/22          | FY/23          | FY/24          | FY/25          | FY/26          | FY/22              | FY/23       | FY/24       | FY/25       | FY/26       | FY/22  | FY/23 | FY/24 | FY/25 | FY/26 |
| Total Gross Receipts | 428,039        | 421,899        | 452,357        | 468,751        | 480,726        | 489,583        | 501,225        | 5.7%               | 3.6%        | 2.6%        | 1.8%        | 2.4%        |        |       |       |       |       |
| Taxes                | 128,437        | 128,356        | 132,368        | 136,084        | 139,252        | 143,553        | 147,313        | 3.1%               | 2.8%        | 2.3%        | 3.1%        | 2.6%        |        |       |       |       |       |
| Shared               | 4,929          | 5,228          | 5,228          | 5,071          | 5,086          | 5,097          | 5,107          | 6.1%               | -3.0%       | 0.3%        | 0.2%        | 0.2%        |        |       |       |       |       |
| Permits              | 11,213         | 13,944         | 13,770         | 13,843         | 14,677         | 14,984         | 15,476         | 22.8%              | 0.5%        | 6.0%        | 2.1%        | 3.3%        |        |       |       |       |       |
| Charges for Services | 23,294         | 25,010         | 27,669         | 28,776         | 29,352         | 29,410         | 29,469         | 18.8%              | 4.0%        | 2.0%        | 0.2%        | 0.2%        |        |       |       |       |       |
| Intra City           | 20,422         | 22,819         | 22,819         | 23,760         | 23,668         | 24,624         | 24,537         | 11.7%              | 4.1%        | -0.4%       | 4.0%        | -0.4%       |        |       |       |       |       |
| Misc                 | 5,183          | 6,812          | 19,659         | 7,404          | 7,512          | 7,662          | 7,847          | 279.3%             | -62.3%      | 1.5%        | 2.0%        | 2.4%        |        |       |       |       |       |
| CIP Funded           | 9,414          | 10,983         | 10,983         | 11,489         | 11,435         | 11,950         | 11,901         | 16.7%              | 4.6%        | -0.5%       | 4.5%        | -0.4%       |        |       |       |       |       |
| <b>Total Revenue</b> | <b>630,931</b> | <b>635,051</b> | <b>684,853</b> | <b>695,179</b> | <b>711,708</b> | <b>726,863</b> | <b>742,874</b> | <b>8.5%</b>        | <b>1.5%</b> | <b>2.4%</b> | <b>2.1%</b> | <b>2.2%</b> |        |       |       |       |       |

## OPTIMISTIC SCENARIO

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

| (\$000's)                             | UNAUDITED<br>ACTUAL<br>FY/21 | REVISED<br>BUDGET<br>FY/22 | FORECASTS              |                         |                         |                         |
|---------------------------------------|------------------------------|----------------------------|------------------------|-------------------------|-------------------------|-------------------------|
|                                       |                              |                            | FY/23                  | FY/24                   | FY/25                   | FY/26                   |
| <b>RESOURCES:</b>                     |                              |                            |                        |                         |                         |                         |
| Recurring Revenue                     | 628,570                      | 669,641                    | 692,127                | 708,496                 | 723,518                 | 739,544                 |
| % Change Recurring Revenue            |                              | 6.5%                       | 3.4%                   | 2.4%                    | 2.1%                    | 2.2%                    |
| Total Non-recurring                   | <u>2,361</u>                 | <u>15,212</u>              | <u>3,052</u>           | <u>3,212</u>            | <u>3,345</u>            | <u>3,330</u>            |
| <b>TOTAL REVENUES</b>                 | <b>630,931</b>               | <b>684,853</b>             | <b>695,179</b>         | <b>711,708</b>          | <b>726,863</b>          | <b>742,874</b>          |
| % Change Total Revenue                |                              | 8.5%                       | 1.5%                   | 2.4%                    | 2.1%                    | 2.2%                    |
| BEGINNING FUND BALANCE                | <u>137,526</u>               | <u>196,871</u>             | <u>136,485</u>         | <u>13,661</u>           | <u>(131,939)</u>        | <u>(288,242)</u>        |
| <b>TOTAL RESOURCES</b>                | <b><u>768,457</u></b>        | <b><u>881,724</u></b>      | <b><u>831,664</u></b>  | <b><u>725,368</u></b>   | <b><u>594,924</u></b>   | <b><u>454,632</u></b>   |
| <b>EXPENDITURES/APPROPRIATIONS:</b>   |                              |                            |                        |                         |                         |                         |
| Recurring Expenditures/Appropriations | 535,500                      | 678,394                    | 805,191                | 842,807                 | 870,353                 | 899,650                 |
| % Change Recurring Appropriation      |                              | 26.7%                      | 18.7%                  | 4.7%                    | 3.3%                    | 3.4%                    |
| Non-recurring Exp/App:                |                              |                            |                        |                         |                         |                         |
| One-time Items                        | <u>36,086</u>                | <u>66,845</u>              | <u>12,813</u>          | <u>14,500</u>           | <u>12,813</u>           | <u>12,813</u>           |
| <b>TOTAL EXPEND/APPROP</b>            | <b><u>571,586</u></b>        | <b><u>745,239</u></b>      | <b><u>818,004</u></b>  | <b><u>857,308</u></b>   | <b><u>883,166</u></b>   | <b><u>912,462</u></b>   |
| <b>UNADJUSTED FUND BALANCE</b>        | <b><u>196,871</u></b>        | <b><u>136,485</u></b>      | <b><u>13,661</u></b>   | <b><u>(131,939)</u></b> | <b><u>(288,242)</u></b> | <b><u>(457,830)</u></b> |
| <b>ADJUSTMENTS:</b>                   |                              |                            |                        |                         |                         |                         |
| Encumbrances                          | (16,560)                     | 0                          | 0                      | 0                       | 0                       | 0                       |
| Unrealized Gains on Investments       | (749)                        | (749)                      | (749)                  | (749)                   | (749)                   | (749)                   |
| Other Accounting Adjustments          | <u>(107)</u>                 | <u>(107)</u>               | <u>(107)</u>           | <u>(107)</u>            | <u>(107)</u>            | <u>(107)</u>            |
| <b>TOTAL ADJUSTMENTS</b>              | <b><u>(17,416)</u></b>       | <b><u>(856)</u></b>        | <b><u>(856)</u></b>    | <b><u>(856)</u></b>     | <b><u>(856)</u></b>     | <b><u>(856)</u></b>     |
| <b>ADJUSTED FUND BALANCE</b>          | <b><u>179,455</u></b>        | <b><u>135,629</u></b>      | <b><u>12,805</u></b>   | <b><u>(132,795)</u></b> | <b><u>(289,098)</u></b> | <b><u>(458,686)</u></b> |
| <b>RESERVES:</b>                      |                              |                            |                        |                         |                         |                         |
| 1/12th Operating Reserve              | 48,595                       | 59,543                     | 68,167                 | 71,442                  | 73,597                  | 76,039                  |
| Reserve for the Cost of Labor         | 0                            | 0                          | 0                      | 0                       | 0                       | 0                       |
| Increase to Reserve                   | 0                            | 0                          | 0                      | 0                       | 0                       | 0                       |
| Runoff Election                       | 0                            | 1,500                      | 0                      | 0                       | 0                       | 0                       |
| Misc                                  | <u>0</u>                     | <u>0</u>                   | <u>0</u>               | <u>0</u>                | <u>0</u>                | <u>0</u>                |
| <b>TOTAL RESERVES</b>                 | <b>48,595</b>                | <b>61,043</b>              | <b>68,167</b>          | <b>71,442</b>           | <b>73,597</b>           | <b>76,039</b>           |
| <b>AVAILABLE FUND BALANCE</b>         | <b><u>130,860</u></b>        | <b><u>74,586</u></b>       | <b><u>(55,362)</u></b> | <b><u>(204,237)</u></b> | <b><u>(362,695)</u></b> | <b><u>(534,725)</u></b> |
| 1/12th Operating Reserve              | 47,632                       | 62,103                     | 68,167                 | 71,442                  | 73,597                  | 76,039                  |
| Recurring Surplus/(Deficit)           | 93,070                       | (8,753)                    | (113,064)              | (134,311)               | (146,835)               | (160,106)               |

## PESSIMISTIC SCENARIO

This scenario is based on the IHS pessimistic alternative and is assigned a probability of 30%. In this scenario, the spread of COVID-19 variants results in extra caution by consumers and more pronounced and longer-lasting impacts to world GDP. In Albuquerque, the unemployment rate is slightly higher at 6.1% in FY/22, and 5.4% in FY/23, then staying about 0.1% below the baseline for the rest of the forecast period. Employment growth remains below the baseline, but contained at less than 0.5% below for the entire forecast. Total City employment is 2,800 jobs below the baseline by FY/26, with construction employment 836 jobs below the baseline. Residential housing fluctuates just as dramatically in the pessimistic forecast; however, the declines are somewhat larger and the gains somewhat subdued.

The slowdown in employment and construction have a negative impact on GRT and other

revenues. Revenue growth slows, with GRT reaching \$8.6 million below the baseline in FY/23, and falling to \$21.3 million below the baseline by FY/26. Base GRT revenue growth is 0.5% below the baseline in FY/22 and 1.5% below the baseline in FY/23. Total revenue is \$13.3 million below the baseline in FY/22 and nearly \$15.9 million below the baseline in FY/23. In addition to declines in GRT there are substantial impacts on other taxes, building permits, and charges for services.

**Note: Revenues grow slower than expenses and available fund balance is negative \$103.4 million in FY/23. Assuming the initial deficit is not addressed, the recurring deficit compounds to a negative \$656.6 million by FY/26.**

### Pessimistic Scenario Inflation Factors

| <b>GLOBAL INSIGHT PESSIMISTIC SCENARIO</b> |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
|  | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> |
| All Items                                  | 4.3%        | 1.1%        | 1.0%        | 1.4%        | 1.8%        |
| Employment Cost Index=Wages & Salary       | 4.0%        | 3.7%        | 2.7%        | 2.4%        | 2.5%        |
| Medical Care                               | 1.8%        | 1.4%        | 1.6%        | 1.9%        | 2.2%        |
| Core CPI                                   | 3.8%        | 1.6%        | 1.3%        | 1.6%        | 1.9%        |
| New Cars                                   | 8.8%        | 0.4%        | -6.9%       | -3.4%       | -1.4%       |
| Transportation                             | 6.7%        | 1.9%        | 1.5%        | 1.7%        | 1.8%        |
| Natural Gas                                | 17.4%       | -3.1%       | -4.8%       | -0.2%       | 2.5%        |
| Gasoline & Oil                             | 17.5%       | -6.9%       | -1.3%       | -0.3%       | 0.6%        |
| Electricity Chained Price Index            | 3.2%        | 0.3%        | -0.2%       | 0.9%        | 1.7%        |
| Govt Consumption Noncompensation           | 3.9%        | 2.7%        | 2.6%        | 2.7%        | 2.9%        |
| Tires/Tubes/Accessories/Parts              | 5.5%        | -0.3%       | -6.0%       | -1.5%       | -0.5%       |

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

|                      | Unaudited      | Budget         | Five Year Forecast |                |                |                |                | Growth |        |        |       |        |
|----------------------|----------------|----------------|--------------------|----------------|----------------|----------------|----------------|--------|--------|--------|-------|--------|
|                      |                |                | FY/21              | FY/22          | FY/22          | FY/23          | FY/24          | FY/25  | FY/26  | FY/22  | FY/23 | FY/24  |
| Total Gross Receipts | 428,039        | 421,899        | 444,521            | 454,377        | 459,970        | 463,585        | 472,014        | 3.9%   | 2.2%   | 1.2%   | 0.8%  | 1.8%   |
| Taxes                | 128,437        | 128,356        | 131,506            | 134,960        | 137,811        | 141,858        | 145,443        | 2.4%   | 2.6%   | 2.1%   | 2.9%  | 2.5%   |
| Shared               | 4,929          | 5,228          | 5,228              | 5,071          | 5,086          | 5,097          | 5,107          | 6.1%   | -3.0%  | 0.3%   | 0.2%  | 0.2%   |
| Permits              | 11,213         | 13,944         | 11,756             | 11,470         | 12,087         | 12,375         | 12,872         | 4.8%   | -2.4%  | 5.4%   | 2.4%  | 4.0%   |
| Charges for Services | 23,294         | 25,010         | 24,000             | 24,960         | 25,459         | 25,510         | 25,561         | 3.0%   | 4.0%   | 2.0%   | 0.2%  | 0.2%   |
| Intra City           | 20,422         | 22,819         | 20,324             | 24,541         | 20,807         | 25,064         | 21,246         | -0.5%  | 20.7%  | -15.2% | 20.5% | -15.2% |
| Misc                 | 5,183          | 6,812          | 16,687             | 4,384          | 4,414          | 4,448          | 4,495          | 222.0% | -73.7% | 0.7%   | 0.8%  | 1.1%   |
| CIP Funded           | 9,414          | 10,983         | 9,414              | 11,388         | 9,673          | 11,662         | 9,910          | 0.0%   | 21.0%  | -15.1% | 20.6% | -15.0% |
| <b>Total Revenue</b> | <b>630,931</b> | <b>635,051</b> | <b>663,436</b>     | <b>671,152</b> | <b>675,307</b> | <b>689,599</b> | <b>696,649</b> | 5.2%   | 1.2%   | 0.6%   | 2.1%  | 1.0%   |

**PESSIMISTIC SCENARIO**

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

| (\$000's)                             | UNAUDITED<br>ACTUAL<br>FY/21 | REVISED<br>BUDGET<br>FY/22 | FORECASTS             |                       |                       |                       |
|---------------------------------------|------------------------------|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                       |                              |                            | FY/23                 | FY/24                 | FY/25                 | FY/26                 |
| <b>RESOURCES:</b>                     |                              |                            |                       |                       |                       |                       |
| Recurring Revenue                     | 628,570                      | 647,948                    | 667,918               | 672,024               | 686,269               | 693,434               |
| % Change Recurring Revenue            |                              | 3.1%                       | 3.1%                  | 0.6%                  | 2.1%                  | 1.0%                  |
| Total Non-recurring                   | <u>2,361</u>                 | <u>15,488</u>              | <u>3,234</u>          | <u>3,283</u>          | <u>3,329</u>          | <u>3,215</u>          |
| <b>TOTAL REVENUES</b>                 | <b>630,931</b>               | <b>663,436</b>             | <b>671,152</b>        | <b>675,307</b>        | <b>689,599</b>        | <b>696,649</b>        |
| % Change Total Revenue                |                              | 5.2%                       | 1.2%                  | 0.6%                  | 2.1%                  | 1.0%                  |
| BEGINNING FUND BALANCE                | <u>137,526</u>               | <u>196,871</u>             | <u>115,068</u>        | <u>(34,149)</u>       | <u>(210,394)</u>      | <u>(389,356)</u>      |
| <b>TOTAL RESOURCES</b>                | <b><u>768,457</u></b>        | <b><u>860,307</u></b>      | <b><u>786,220</u></b> | <b><u>641,157</u></b> | <b><u>479,205</u></b> | <b><u>307,293</u></b> |
| <b>EXPENDITURES/APPROPRIATIONS:</b>   |                              |                            |                       |                       |                       |                       |
| Recurring Expenditures/Appropriations | 535,500                      | 678,394                    | 807,557               | 837,073               | 855,748               | 876,135               |
| % Change Recurring Appropriation      |                              | 26.7%                      | 19.0%                 | 3.7%                  | 2.2%                  | 2.4%                  |
| Non-recurring Exp/App:                |                              |                            |                       |                       |                       |                       |
| One-time Items                        | <u>36,086</u>                | <u>66,845</u>              | <u>12,813</u>         | <u>14,479</u>         | <u>12,813</u>         | <u>12,813</u>         |
| <b>TOTAL EXPEND/APPROP</b>            | <b><u>571,586</u></b>        | <b><u>745,239</u></b>      | <b><u>820,370</u></b> | <b><u>851,551</u></b> | <b><u>868,561</u></b> | <b><u>888,948</u></b> |
| UNADJUSTED FUND BALANCE               | <u>196,871</u>               | <u>115,068</u>             | <u>(34,149)</u>       | <u>(210,394)</u>      | <u>(389,356)</u>      | <u>(581,655)</u>      |
| <b>ADJUSTMENTS:</b>                   |                              |                            |                       |                       |                       |                       |
| Encumbrances                          | (16,560)                     | 0                          | 0                     | 0                     | 0                     | 0                     |
| Unrealized Gains on Investments       | (749)                        | (749)                      | (749)                 | (749)                 | (749)                 | (749)                 |
| Other Accounting Adjustments          | <u>(107)</u>                 | <u>(107)</u>               | <u>(107)</u>          | <u>(107)</u>          | <u>(107)</u>          | <u>(107)</u>          |
| <b>TOTAL ADJUSTMENTS</b>              | <b><u>(17,416)</u></b>       | <b><u>(856)</u></b>        | <b><u>(856)</u></b>   | <b><u>(856)</u></b>   | <b><u>(856)</u></b>   | <b><u>(856)</u></b>   |
| ADJUSTED FUND BALANCE                 | <u>179,455</u>               | <u>114,212</u>             | <u>(35,005)</u>       | <u>(211,250)</u>      | <u>(390,212)</u>      | <u>(582,511)</u>      |
| <b>RESERVES:</b>                      |                              |                            |                       |                       |                       |                       |
| 1/12th Operating Reserve              | 48,595                       | 59,543                     | 68,364                | 70,963                | 72,380                | 74,079                |
| Reserve for the Cost of Labor         | 0                            | 0                          | 0                     | 0                     | 0                     | 0                     |
| Increase to Reserve                   | 0                            | 0                          | 0                     | 0                     | 0                     | 0                     |
| Runoff Election                       | 0                            | 1,500                      | 0                     | 0                     | 0                     | 0                     |
| Misc                                  | <u>0</u>                     | <u>0</u>                   | <u>0</u>              | <u>0</u>              | <u>0</u>              | <u>0</u>              |
| <b>TOTAL RESERVES</b>                 | <b>48,595</b>                | <b>61,043</b>              | <b>68,364</b>         | <b>70,963</b>         | <b>72,380</b>         | <b>74,079</b>         |
| AVAILABLE FUND BALANCE                | <u>130,860</u>               | <u>53,169</u>              | <u>(103,369)</u>      | <u>(282,213)</u>      | <u>(462,592)</u>      | <u>(656,590)</u>      |
| 1/12th Operating Reserve              | 47,632                       | 62,103                     | 68,364                | 70,963                | 72,380                | 74,079                |
| Recurring Surplus/(Deficit)           | 93,070                       | (30,446)                   | (139,639)             | (165,049)             | (169,479)             | (182,700)             |

COMPARISON OF SCENARIOS

| Comparison of Scenarios—National and Local Variables |            |          |             |            |             |   |
|--|------------|----------|-------------|------------|-------------|---|
| Indicator/FY   | SCENARIO   |          |             | Difference |             |   |
|  | Optimistic | Baseline | Pessimistic | Optimistic | Pessimistic |   |
| <b>GRT- (State Shared 1.225%)</b>                    |            |          |             |            |             |   |
| 2022   | 9.1%       | 7.7%     | 7.2%        | 1.4%       | -0.5%       |   |
| 2023   | 3.6%       | 3.7%     | 2.2%        | -0.1%      | -1.5%       |   |
| 2024   | 2.6%       | 2.5%     | 1.2%        | 0.1%       | -1.3%       |   |
| 2025   | 1.9%       | 1.6%     | 0.8%        | 0.3%       | -0.8%       |   |
| 2026   | 2.4%       | 2.3%     | 1.8%        | 0.1%       | -0.5%       |   |
| <b>Employment -Albuquerque MSA</b>                   |            |          |             |            |             |   |
| 2022   | 3.8%       | 3.7%     | 3.4%        | 0.1%       | -0.3%       | L |
| 2023   | 2.6%       | 2.7%     | 2.5%        | -0.1%      | -0.2%       | O |
| 2024   | 2.1%       | 2.0%     | 2.0%        | 0.1%       | 0.0%        | C |
| 2025   | 1.7%       | 1.6%     | 1.4%        | 0.1%       | -0.2%       | A |
| 2026   | 1.7%       | 1.6%     | 1.7%        | 0.1%       | 0.0%        | L |
| <b>Unemployment Rate -Albuquerque MSA</b>            |            |          |             |            |             |   |
| 2022   | 5.9%       | 6.0%     | 6.1%        | -0.1%      | 0.1%        |   |
| 2023   | 4.8%       | 4.9%     | 5.4%        | -0.2%      | 0.5%        |   |
| 2024   | 4.4%       | 4.5%     | 5.0%        | -0.1%      | 0.4%        |   |
| 2025   | 4.5%       | 4.5%     | 4.9%        | -0.1%      | 0.4%        |   |
| 2026   | 4.6%       | 4.6%     | 4.9%        | -0.1%      | 0.3%        |   |
| <b>GRT Construction</b>                              |            |          |             |            |             |   |
| 2022   | 11.0%      | 11.0%    | 9.5%        | 0.0%       | -1.5%       |   |
| 2023   | 5.4%       | 4.2%     | 1.7%        | 1.2%       | -2.5%       | I |
| 2024   | 5.6%       | 5.0%     | 3.2%        | 0.6%       | -1.8%       | N |
| 2025   | 4.6%       | 4.1%     | 3.1%        | 0.5%       | -1.0%       | D |
| 2026   | 4.9%       | 4.5%     | 4.0%        | 0.4%       | -0.5%       | I |
| <b>MSA Construction Employment</b>                   |            |          |             |            |             |   |
| 2022   | 5.4%       | 5.1%     | 4.4%        | 0.3%       | -0.8%       | A |
| 2023   | 3.3%       | 2.7%     | 1.4%        | 0.6%       | -1.3%       | T |
| 2024   | 2.1%       | 1.6%     | 1.1%        | 0.4%       | -0.5%       | O |
| 2025   | 2.0%       | 1.7%     | 1.3%        | 0.3%       | -0.4%       | R |
| 2026   | 1.9%       | 1.7%     | 1.5%        | 0.2%       | -0.2%       | S |
| <b>Residential Housing Permits-Inside City</b>       |            |          |             |            |             |   |
| 2022   | 1,736      | 5,264    | 1,572       | (3,529)    | (3,693)     |   |
| 2023   | 1,591      | (9,819)  | 1,405       | 11,410     | 11,225      |   |
| 2024   | 1,761      | 11,678   | 1,544       | (9,918)    | (10,135)    |   |
| 2025   | 1,770      | (144)    | 1,581       | 1,914      | 1,725       |   |
| 2026   | 1,835      | 2,934    | 1,671       | (1,099)    | (1,263)     |   |
| <b>Real GDP</b>                                      |            |          |             |            |             |   |
| 2022   | 5.7%       | 4.5%     | 3.4%        | 1.2%       | -1.1%       |   |
| 2023   | 4.8%       | 3.7%     | 3.2%        | 1.1%       | -0.5%       |   |
| 2024   | 2.9%       | 2.6%     | 2.9%        | 0.3%       | 0.3%        |   |
| 2025   | 2.5%       | 2.6%     | 2.8%        | -0.1%      | 0.2%        |   |
| 2026   | 2.0%       | 2.5%     | 2.5%        | -0.5%      | 0.1%        |   |
| <b>Unemployment Rate</b>                             |            |          |             |            |             |   |
| 2022   | 4.3%       | 4.6%     | 5.0%        | -0.3%      | 0.4%        |   |
| 2023   | 3.6%       | 3.7%     | 4.5%        | -0.2%      | 0.8%        | N |
| 2024   | 3.5%       | 3.6%     | 4.2%        | -0.1%      | 0.6%        | A |
| 2025   | 3.5%       | 3.6%     | 4.1%        | -0.1%      | 0.5%        | T |
| 2026   | 3.7%       | 3.8%     | 4.1%        | -0.1%      | 0.3%        | I |
| <b>CPI-Urban Consumers</b>                           |            |          |             |            |             |   |
| 2022   | 4.8%       | 4.6%     | 4.3%        | 0.2%       | -0.3%       | O |
| 2023   | 2.3%       | 2.0%     | 1.1%        | 0.3%       | -1.0%       | N |
| 2024   | 2.2%       | 2.1%     | 1.0%        | 0.1%       | -1.1%       | A |
| 2025   | 2.3%       | 2.2%     | 1.4%        | 0.1%       | -0.8%       | L |
| 2026   | 2.4%       | 2.3%     | 1.8%        | 0.1%       | -0.5%       |   |
| <b>Interest Rates-Federal Funds Rate</b>             |            |          |             |            |             |   |
| 2022   | 0.2%       | 0.1%     | 0.1%        | 0.1%       | 0.0%        | I |
| 2023   | 0.4%       | 0.2%     | 0.1%        | 0.3%       | -0.1%       | N |
| 2024   | 0.9%       | 0.6%     | 0.1%        | 0.2%       | -0.5%       | D |
| 2025   | 1.6%       | 1.3%     | 0.1%        | 0.2%       | -1.2%       | I |
| 2026   | 2.2%       | 2.0%     | 0.2%        | 0.2%       | -1.8%       | C |
| <b>Interest Rates-Ten Year Treasury Bonds</b>        |            |          |             |            |             |   |
| 2022   | 1.6%       | 1.5%     | 1.5%        | 0.1%       | -0.1%       | A |
| 2023   | 2.2%       | 2.1%     | 1.8%        | 0.1%       | -0.3%       | T |
| 2024   | 2.6%       | 2.4%     | 2.0%        | 0.1%       | -0.4%       | O |
| 2025   | 2.8%       | 2.7%     | 2.3%        | 0.1%       | -0.4%       | R |
| 2026   | 3.0%       | 2.9%     | 2.5%        | 0.1%       | -0.4%       | S |
| <b>West Texas Intermediate \$/Barrel</b>             |            |          |             |            |             |   |
| 2022   | 70.8       | 69.5     | 68.0        | 1.3        | (1.5)       |   |
| 2023   | 65.4       | 63.7     | 62.0        | 1.7        | (1.7)       |   |
| 2024   | 64.0       | 62.6     | 61.0        | 1.4        | (1.6)       |   |
| 2025   | 63.8       | 62.4     | 60.9        | 1.4        | (1.5)       |   |
| 2026   | 64.4       | 63.0     | 61.5        | 1.4        | (1.5)       |   |

COMPARISON OF SCENARIOS

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**REVENUE COMPARISON**

(In Thousands of Dollars)

|                      | Pessimistic - Baseline |              |              |              |              | Optimistic - Baseline |             |             |             |             |
|----------------------|------------------------|--------------|--------------|--------------|--------------|-----------------------|-------------|-------------|-------------|-------------|
|                      | FY/22                  | FY/23        | FY/24        | FY/25        | FY/26        | FY/22                 | FY/23       | FY/24       | FY/25       | FY/26       |
| Total Gross Receipts | (2,000)                | (8,629)      | (14,762)     | (18,858)     | (21,323)     | 5,836                 | 5,745       | 5,994       | 7,141       | 7,888       |
| Other Taxes          | (586)                  | (781)        | (1,058)      | (1,281)      | (1,427)      | 276                   | 343         | 382         | 414         | 443         |
| State Shared         | -                      | (173)        | (173)        | (173)        | (174)        | -                     | (173)       | (173)       | (173)       | (174)       |
| Permits              | (945)                  | (1,130)      | (1,331)      | (1,275)      | (1,190)      | 1,069                 | 1,242       | 1,259       | 1,334       | 1,415       |
| Charges for Services | (2,788)                | (2,900)      | (2,958)      | (2,964)      | (2,970)      | 881                   | 916         | 935         | 936         | 938         |
| Intra City           | (2,495)                | 800          | (2,832)      | 496          | (3,216)      | -                     | 20          | 28          | 56          | 75          |
| Misc                 | (2,972)                | (2,979)      | (2,985)      | (2,995)      | (2,999)      | -                     | 41          | 113         | 219         | 353         |
| CIP Funded           | (1,569)                | (90)         | (1,747)      | (258)        | (1,950)      | -                     | 11          | 15          | 31          | 41          |
| Total Revenue        | (13,354)               | (15,882)     | (27,847)     | (27,307)     | (35,247)     | 8,063                 | 8,145       | 8,554       | 9,958       | 10,978      |
| Recurring Growth     | <b>-2.0%</b>           | <b>-2.3%</b> | <b>-4.0%</b> | <b>-3.8%</b> | <b>-4.8%</b> | <b>1.2%</b>           | <b>1.2%</b> | <b>1.2%</b> | <b>1.4%</b> | <b>1.5%</b> |

## COMPARISON OF SCENARIOS

| US Macro Forecast Snapshot         |  |  |  |
|------------------------------------|--|--|--|
|                                    | Baseline (50%)   | Pessimistic (30%)  | Optimistic (20%)   |
| <b>GDP growth</b>                  | Real GDP rises 5.4% in 2021 as annualized growth slows from 6.6% in the second quarter to 5.1% by the fourth. Growth slows to 4.3% in 2022 and 2.8% in 2023.   | Real GDP rises 5.1% in 2021 as return of pandemic-related hesitancy inhibits vigor of the rebound. Growth slows to 2.9% in 2022 and 3.0% in 2023.  | Real GDP surges 5.8% in 2021 and 2022. Growth moderates to 3.5% in 2023.   |
| <b>Consumer spending</b>           | Spending jumps 7.8% in 2021 thanks to surges of more than 11% at annual rates in the first and second quarters. Growth slows to 3.4% in 2022 and 2.4% in 2023.   | Spread of variants prompts extra caution by consumers versus baseline. Spending declines slightly in third quarter but rises 7.4% in 2021, before slipping to 1.9% in 2022 and 2.7% in 2023. | Surges 8.2% in 2021 and rises 5.2% in 2022, easing to 3.2% growth in 2023.   |
| <b>Business fixed investment</b>   | Jumps 7.5% in 2021 and remains strong at 6.1% growth in 2022 and 4.8% in 2023.   | Grows 6.7% in 2021, 3.7% in 2022, and 4.9% in 2023.  | Rises 8.1% in 2021, 9.1% in 2022, and 6.5% in 2023.  |
| <b>Housing</b>                     | Housing starts rise from 1.40 million in 2020 to 1.58 million in 2021 before slipping to 1.43 million in 2022 and 1.33 million in 2023.  | Housing starts rise from 1.40 million in 2020 to 1.54 million in 2021 but fall to 1.32 million in 2022 and 1.25 million in 2023.   | Housing starts grow from 1.40 million in 2020 to 1.59 million in 2021 before settling back to 1.47 million in 2022 and 1.37 million in 2023. |
| <b>Exports</b>                     | Recover 4.3% in 2021 and 7.3% in 2022, surpassing prior peak in the first quarter of 2023 as the pandemic inhibits global trade. Exports rise 7.5% in 2023.  | Grows 4.3% in 2021, 6.7% in 2022, and 7.6% in 2023.  | Rise 4.4% in 2021, 8.4% in 2022, and 7.6% in 2023.   |
| <b>Fiscal policy</b>               | \$1.9 trillion ARP included. Income support drops from \$2.7 trillion (annualized) in first half of 2021 to \$0.7 trillion in second half. Forecast also includes the proposed infrastructure package. | Same fiscal assumptions as in baseline.  | Consumers spend stimulus income to a greater degree than in the baseline.  |
| <b>Monetary policy</b>             | Fed keeps the funds rate at the zero bound through March 2023; current pace of asset purchases maintained through 2021 before tapering over 2022.  | Fed keeps the federal funds rate at the zero bound till mid-2026; aggressive "quantitative easing" and liquidity enhancement measures.   | Fed raises the federal funds rate at the start of 2022 in response to sustained inflation well above 2%.                                     |
| <b>Credit conditions</b>           | Rapidly ease in 2021 before stabilizing at a gentle pace of easing in 2022-2023.   | Remain slightly tighter than in baseline.  | Slightly looser than in baseline.  |
| <b>Productivity growth</b>         | Slips from 2.4% in 2020 to 1.6% in 2021 with labor markets tight, slowing to 0.9% in 2022 and 1.4% in 2023.  | Decreases down to 1.4% in 2021 and slows to 0.2% in 2022 before picking up to 1.7% in 2023.  | Falls to 1.8% in 2021 before rising again to 2.1% in 2022, 2.4% in 2023.   |
| <b>Consumer confidence</b>         | Retrenches slightly in Q3 of 2021 before resuming a steady rise that takes it to pre-pandemic levels by late 2025.   | 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 rises from \$42/barrel in 2020 to \$70 in 2021 and \$69 in 2022 and 2023.   | Brent crude oil averages \$69 in 2021, \$67 in 2022, and \$65 in 2023.   | Brent crude oil averages \$70 in 2021 and 2022, slipping to \$67 in 2023.  |
| <b>Stock markets</b>               | The year-end value of the S&P 500 rose 16.3% in 2020. It rises 17.5% in 2021, 0.3% in 2022, and 2.5% in 2023.  | The year-end value of the S&P 500 rises 13.2% in 2021, then contracts 1.5% in 2022 before picking up 1.6% in 2023.   | The year-end value of the S&P 500 surges 21.7% in 2021, with smaller gains of 5.1% in 2022 and 0.7% in 2023.                                 |
| <b>Inflation (PCE)</b>             | Core personal consumption (PCE) price inflation rises from 1.4% in 2020 to 3.2% in 2021 as supply chains are stretched, but ticks down to 3.1% in 2022 and 2.3% in 2023.                               | Core PCE price inflation rises to 3.1% in 2021 but slows to 2.4% in 2022 and 1.1% in 2023.   | Core PCE price inflation rises to 3.2% in 2021 and 3.3% in 2022, slowing to 2.5% in 2023 after interest rate increases begin.                |
| <b>Foreign growth</b>              | Eurozone GDP rises 5.0% in 2021 and 4.2% in 2022 after a 6.4% drop in 2020, while China's growth rises from 2.3% to 8.4% in 2021 and slows to 5.8% in 2022.  | Global economy continues to suffer COVID-19-related setbacks.  | Global economy recovers more quickly than in baseline.   |
| <b>US dollar</b>                   | The broad dollar appreciates gently through 2026 but does not regain pandemic-era highs.   | Falls slightly from 2022 through 2024 before increasing slowly through 2026 and declining again thereafter.  | The broad dollar strengthens slightly more than in the baseline.   |

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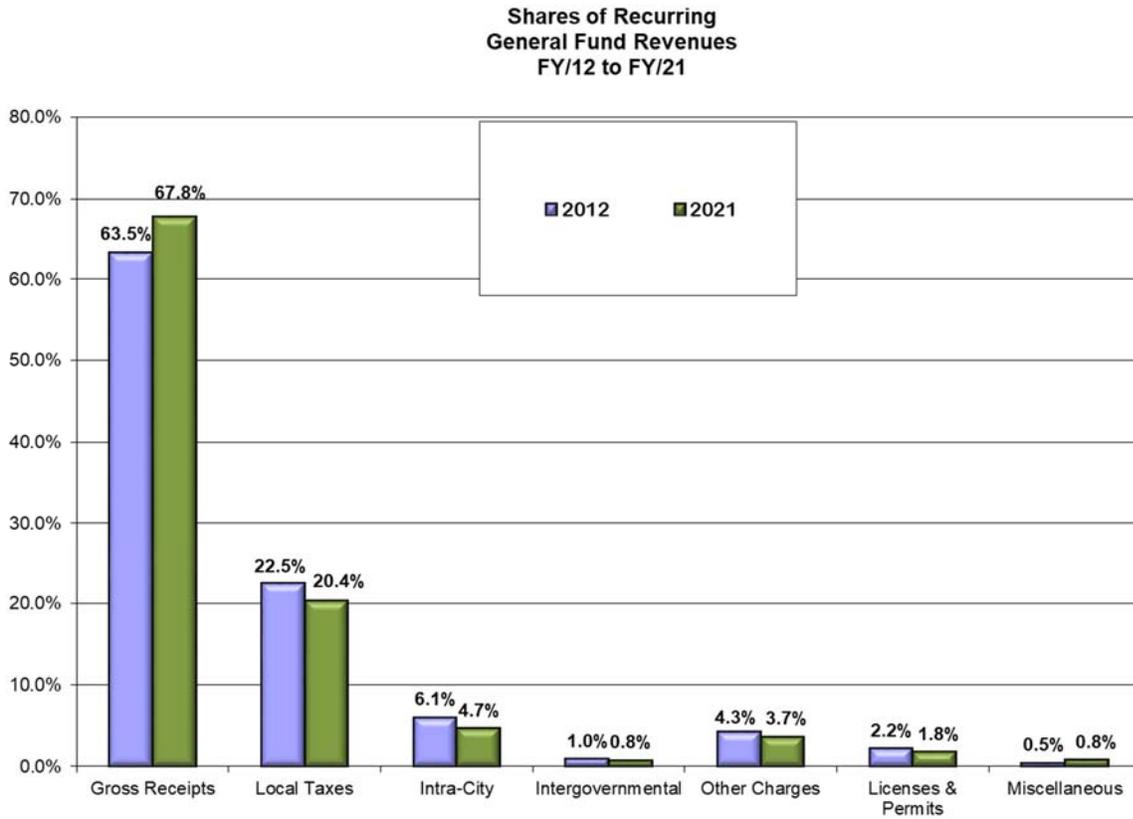
## **REVENUE HISTORY**



## GENERAL FUND REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/12 to FY/21 is presented below. These numbers reflect a two-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. Total receipts from FY/12 to FY/21 increased 35.5% or a compound annual rate of 3.4%. Recurring revenues for the same period showed annual growth of 3.5%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/12 and FY/21. The City's General Fund has become more reliant on Gross Receipts Taxes and less on local taxes (franchises and property tax). Licenses and permits declined to 1.8%. Charges for services became somewhat lower and miscellaneous revenues became a fraction higher.



The following sections present changes that occurred from FY/12 to FY/21, as well as detailed historical perspective, by category.

# GENERAL FUND REVENUE HISTORY

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

| REVENUE SOURCE         | FY/12   | FY/13   | FY/14   | FY/15   | FY/16   | FY/17   | FY/18   | FY/19   | FY/20   | FY/21   | GROWTH<br>FY/12 TO 21 | COMPOUND<br>ANNUAL<br>RATE |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------------|----------------------------|
| GROSS RECEIPTS TAX     | 256,661 | 259,787 | 265,745 | 276,573 | 280,550 | 284,466 | 296,408 | 348,621 | 363,444 | 371,051 | 44.6%                 | 4.2%                       |
| GRT PUBLIC SAFETY      | 34,981  | 35,436  | 36,239  | 37,606  | 38,236  | 38,720  | 40,283  | 40,500  | 42,268  | 43,561  | 24.5%                 | 2.5%                       |
| INTERNET SALES         |         |         |         |         |         |         |         |         | 6,012   | 12,025  |                       |                            |
| LOCAL COMPENSATING TAX | 1,690   | 1,485   | 1,570   | 2,361   | 1,325   | 1,269   | 1,557   | 1,542   | 1,766   | 1,403   | -17.0%                | -2.0%                      |
| TOTAL GRT              | 293,331 | 296,708 | 303,554 | 316,540 | 320,111 | 324,456 | 338,248 | 390,663 | 413,490 | 428,039 | 45.9%                 | 4.3%                       |
| OTHER LOCAL TAXES      | 104,779 | 104,957 | 105,273 | 107,542 | 108,010 | 111,203 | 111,584 | 114,743 | 117,852 | 128,437 | 22.6%                 | 2.3%                       |
| LICENSES AND PERMITS   | 10,370  | 11,343  | 11,705  | 11,307  | 11,899  | 13,049  | 11,545  | 13,634  | 13,866  | 11,213  | 8.1%                  | 0.9%                       |
| INTER-GOVERNMENTAL AID | 4,837   | 4,750   | 4,808   | 4,327   | 4,739   | 4,887   | 4,753   | 5,219   | 5,010   | 4,929   | 1.9%                  | 0.2%                       |
| INTRA-CITY CHARGES (1) | 29,941  | 26,897  | 28,054  | 27,630  | 29,577  | 30,734  | 30,426  | 29,524  | 28,963  | 29,836  | -0.4%                 | 0.0%                       |
| OTHER SERVICE CHARGES  | 19,758  | 20,599  | 22,301  | 20,841  | 21,537  | 22,924  | 24,161  | 22,669  | 20,030  | 23,294  | 17.9%                 | 1.8%                       |
| MISCELLANEOUS          | 2,783   | 2,998   | 2,235   | 1,568   | 4,002   | 3,925   | 3,437   | 4,004   | 4,529   | 5,183   | 86.2%                 | 7.2%                       |
| TOTAL REVENUES         | 465,799 | 468,252 | 477,930 | 489,756 | 499,875 | 511,179 | 524,154 | 580,457 | 603,739 | 630,931 | 35.5%                 | 3.4%                       |
| LESS NON-RECURRING     | 3,724   | 2,330   | 3,199   | 4,836   | 4,210   | 4,915   | 8,768   | 2,965   | 9,416   | 2,361   | -36.6%                | -4.9%                      |
| RECURRING REVENUES     | 462,075 | 465,922 | 474,731 | 484,920 | 495,665 | 506,264 | 515,386 | 577,492 | 594,323 | 628,570 | 36.0%                 | 3.5%                       |

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 22.5% in FY/12 to 20.4% in FY/21. Overall, property tax revenues increased at an annual compound rate of 2.1%. There were no shifts in the tax that affected growth in this period. Residential growth continued to compensate for sluggish growth for non-residential.

Commercial property had shown slight new growth following the decline in existing values that persisted during the 2008 recession. Since commercial property values can be based on the income the property can earn, a struggling economy can be a drag on earning capabilities. New non-residential property tax values increased at an average annual rate of 2.3% from FY/12 to FY/21, and at \$3.1 billion, remain below the 2010 high of \$3.7 billion. However, residential property valuations grew at 11.5% compound annual growth, surpassing

the 2010 high of \$8.6 billion at nearly \$11.7 billion.

Historical slumps were due to several factors. Residential property values declined with the 2008 recession; new residential construction had been slow; and the Bernalillo County Assessor adjusted property values downward to avoid "tax lightning." Tax lightning occurred when county assessors reassessed homes to the "current and correct value" in the year after they were sold, often spiking a new homeowner's tax bill. Following a court case in 2009, the County Assessor limited assessments on these re-sold homes to a 3% annual increase, substantially reducing the residential tax base. This case was successfully appealed in 2012 and property values can now increase with their sale. However, declines in home values that followed the 2008 recession continued to limit the increases. In FY/12, residential rates were at a maximum and the yield control mechanisms would no longer increase rates. With low rates of inflation, yield control reduced rates from 6.544 mills in FY/12 to 6.241 in FY/18, a reduction of

## GENERAL FUND REVENUE HISTORY

5% in the rates. Notably, the current economic crises spurred by the Covid-19 pandemic has not negatively impacted home prices; rather, record low mortgage rates has fueled demand and exceeding low inventory has increased home prices dramatically. The 12-month average median sales price for a single-family detached home increased 16.9% in calendar year 2021.

The compound annual rate for total franchise revenues increased to 2.9% from FY/12 to FY/21, with positive growth for the gas, water and electricity utilities only. For FY/21, growth was 71.9% due to an increase in the franchise fee from 2% to 3% as well as modest growth in revenues despite the health crisis. The gas franchise also grew at just over 26% for the year, also showing modest growth and somewhat of a rebound from a slower FY/20. Telecom was another franchise that struggled more during the deepest part of the pandemic and then rebounded in FY/21 with growth of 33.2% for the year. PILOT had annual compound growth of 2.5% and was nearly flat in FY/21. Historically, slow population growth and household formation contributes to sluggish growth in the franchises, as well as mild winters and modest rate increases, all of which impacted FY/21 to varying degrees.

### Licensing and Permits

The share for this category declined to 1.8% for FY/21. 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 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 strength due to pre-pandemic strength and City policy that determined that construction was an essential business. From FY/12, building permits have increased at an average compound annual rate of 5.6%, and increased 6% in FY/21. Despite the growth in building permits, as of FY/21 revenue was

still only 71% of the FY/06 high. However, other licenses and fees declined at a compound annual rate of 7.6% since FY/12, and declined 56% in FY/21 alone. This reflects a substantial change from previous years when there was increased use of barricading permits on roads and charging the Albuquerque Bernalillo County Water Utility Authority for the permits.

### Intergovernmental Aid

Revenues from other governments not including GRT shared distributions accounted for 1.0% of General Fund recurring receipts in FY/12 and 0.8% in FY/21, unchanged from the previous year. Revenues increased at a compound annual rate of just 0.5% during this period due to losses of several shared revenue sources in the past. The only recurring revenues are the municipal gasoline tax, state shared vehicle taxes and county shared revenues. In FY/21, state shared motor vehicle and municipal road gas taxes increased modestly while county shared revenues declined somewhat. The State stopped the cigarette tax revenues distribution in FY/11, an annual loss of approximately \$400 thousand. In FY/12, the General Fund lost the state-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and the State legislature reassigned this distribution to the County beginning in FY/12. In past years, there were grants that were generally reimbursements for one-time expenses; however, these are now captured in charges for services. In FY/14, \$108 thousand of revenue received from Bernalillo County to manage household hazardous waste was moved from the General Fund to the Solid Waste Enterprise fund.

### Intra-City Revenues

These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other inter-fund transfers, excluding PILOT. In FY/12 these accounted for 6.1% of recurring revenues and 4.7% in FY/21.

## GENERAL FUND REVENUE HISTORY

Revenues for CIP-funded positions increased substantially in FY/10 and FY/11 as both the Parks and Recreation Department and the Department of Municipal Development made more use of CIP-funded positions. These positions are associated with capital projects for construction of parks, roads, storm sewer, and other construction projects in the CIP program. Some of this was offset by a reduction in CIP-funded positions at the BioPark in FY/13. In FY/17, the BioPark, due to the capital GRT tax for BioPark projects, added a position for managing the project. CIP-funded positions decreased 6.6% in FY/21 following an influx of expected capital expenditures during FY/21.

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.

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/21 most fluctuations are largely the result of rising and falling demand for engineering inspections conducted by the Municipal Development Department.

Indirect overhead (IDOH) revenues in FY/12 were \$13.5 million, increasing to approximately \$16.7 million in FY/21. This increase is mostly due to changes to the indirect plan. Some of this is offset by reclassifying the IDOH from the Water Utility Authority to charges for services and rental agreements since the entity is independent and no longer accounted for as a component unit of the City. In FY/21 this revenue grew by about 1.9%, consistent with historical averages.

### Other Charges (Charges for Services)

Revenues from other charges accounted for 4.3% of General Fund recurring revenues in FY/12 and dipped from 3.9% in FY/19 to 3.4% in FY/20. These revenues include entrance fees to City venues and charges to other funds and outside entities. Engineering fees and other construction related charges increased substantially prior to the 2008 recession and then fell as construction faltered. Revenues from charges for legal services, primarily from the Risk Management Fund, increased due to a rate increase in FY/10, in large part. This revenue in large part is dependent on the number of staff in the Legal Department and how much outside counsel for risk management cases they need to employ. In FY/12, the alarm ordinance amount increased to over one million dollars as all of the revenues- both fines and fees are now collected in the General Fund. In FY/11 the Metropolitan Court also began paying the City approximately \$600 thousand for police

## GENERAL FUND REVENUE HISTORY

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 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 to in part to construction and delayed exhibit openings, revenues for the BioPark exceeded \$4 million.

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

### Miscellaneous

This category has only a small share of recurring revenue and increased slightly from 0.5% in FY/12 to 0.8% in FY/20. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings had fallen dramatically, from \$3.3 million in FY/08 to \$213 thousand in FY/14. In FY/16, interest earnings increased to \$1.1 million, but over half of this is due to the inclusion of unrealized gains. Due to an adjustment to capture unrealized losses, the General Fund posted negative interest earnings in FY/17 and FY/18. In FY/19, the General Fund posted a positive interest earnings of \$871 thousand. For FY/21, 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. In FY/21, interest earnings were still higher than historical averages but 35.6% lower than the previous year.

Other sources of revenue include rental of City property and fines. Rentals have remained relatively stable, with increases at about the rate of inflation. Fines are primarily air quality fines related to dust control and have averaged close to \$200 thousand in recent years. In FY/14, there was one-time revenue of \$381 thousand associated with the photo-enforcement program; this was from a collection program to collect unpaid fines associated with the now closed program. In FY/15, there was a large \$1.5 million reduction for a one-time accounting adjustment. For FY/21 there was the addition of new rental income associated with the acquisition of the Gibson Medical Center.

### Gross Receipts Tax

GRT remains the major contributor to the General Fund, making up 67.8% of recurring revenues in FY/21. Non-recurring GRT revenue was about \$2.4 million in FY/21 due to the phase out of food and medical hold harmless distributions. In FY/05, the City imposed a new ¼-cent tax for public safety. On January 1, 2000 the ¼ cent transportation tax was imposed; this replaced the ¼ cent quality of life tax that expired June 30, 1999. In January 2007 and July 2008 the ¼ cent tax basic services increment was removed in two ½ cent increments. The Transportation tax expired in 2019 and was reinstated by voters on November 11, 2019, without a sunset.

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

## GENERAL FUND REVENUE HISTORY

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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 \$59.4 million in FY/21. 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. FY/21 was

the last year for the compensating tax which have ceased in FY/22 as local increments are applied to internet sales.

Total Gross Receipts Tax revenues, including shared compensating tax, in the General Fund increased at a compound annual rate of 4.3% from FY/12 to FY/21. 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 internet sales in FY/20 and FY/21. However, to more clearly determine growth in the tax base and ignore changes in tax rates, state shared internet revenue, and other technical changes, it is best to look at the one-percent state shared distribution. The one-percent distribution showed a compound annual growth of 2.2% from FY/12 to FY/21, with 1.7% growth for FY/21 despite the ongoing pandemic.

## GENERAL FUND REVENUE HISTORY

| DETAIL ON GROSS RECEIPTS:                   | FY/12 <sup>(6)</sup> | FY/13          | FY/14          | FY/15          | FY/16          | FY/17          | FY/18          | FY/19          | FY/20 <sup>(5)</sup> | FY/21          | FY'S 12-21<br>PERCENT<br>CHANGE | COMPOUND<br>ANNUAL<br>RATE |
|---|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|----------------|---------------------------------|----------------------------|
| <b>GENERAL FUND:</b>                        |                      |                |                |                |                |                |                |                |                      |                |                                 |                            |
| MUNICIPAL IMPOSED 1/2 CENT                  | 72,081               | 73,006         | 74,661         | 77,481         | 78,796         | 79,817         | 83,052         | 83,534         | 86,203               | 87,121         | 20.9%                           | 2.1%                       |
| PUBLIC SAFETY 1/4 CENT(3)                   | 34,981               | 35,436         | 36,239         | 37,606         | 38,236         | 38,720         | 40,283         | 40,500         | 42,268               | 43,561         | 24.5%                           | 2.5%                       |
| INFRASTRUCTURE 1/16 CENT (2)                | 8,576                | 8,685          | 8,895          | 9,237          | 9,387          | 9,523          | 9,913          | 9,986          | 10,305               | 10,752         | 25.4%                           | 2.5%                       |
| HOLD HARMLESS 3/8 CENT                      |                      |                |                |                |                |                |                | 49,992         | 51,675               | 59,389         |                                 |                            |
|   | 115,637              | 117,127        | 119,795        | 124,324        | 126,419        | 128,061        | 133,248        | 184,011        | 190,451              | 200,823        | 73.7%                           | 6.3%                       |
| <b>STATE SHARED RECEIPTS:</b>               |                      |                |                |                |                |                |                |                |                      |                |                                 |                            |
| 1% DISTRIBUTION                             | 141,780              | 143,688        | 147,162        | 152,725        | 155,223        | 157,529        | 163,962        | 165,276        | 173,305              | 172,772        | 21.9%                           | 2.2%                       |
| 225% DISTRIBUTION                           | 31,906               | 32,336         | 33,117         | 34,366         | 34,931         | 35,450         | 36,898         | 37,194         | 39,001               | 38,881         | 21.9%                           | 2.2%                       |
| MUNICIPAL SHARE INTERNET SALES TAX          |                      |                |                |                |                |                |                |                | 6,012                | 12,025         |                                 |                            |
| MUNICIPAL SHARE COMPENSATING TAX            | 1,690                | 1,485          | 1,570          | 2,361          | 1,326          | 1,381          | 1,557          | 1,542          | 1,766                | 1,403          | -17.0%                          | -2.0%                      |
|   | 175,375              | 177,509        | 181,849        | 189,452        | 191,480        | 194,361        | 202,417        | 204,012        | 220,084              | 225,080        | 28.3%                           | 2.8%                       |
| <b>TOTAL TAX RECEIPTS</b>                   | <b>291,013</b>       | <b>294,636</b> | <b>301,644</b> | <b>313,776</b> | <b>317,899</b> | <b>322,422</b> | <b>335,665</b> | <b>388,023</b> | <b>410,535</b>       | <b>425,903</b> | <b>46.4%</b>                    | <b>4.3%</b>                |
| <b>PENALTY &amp; INTEREST</b>               | <b>2,318</b>         | <b>2,072</b>   | <b>1,910</b>   | <b>2,765</b>   | <b>2,212</b>   | <b>2,078</b>   | <b>2,583</b>   | <b>2,640</b>   | <b>2,955</b>         | <b>2,136</b>   | <b>-7.9%</b>                    | <b>-0.9%</b>               |
| <b>TOTAL GENERAL FUND DISTRIBUTION(6)</b>   | <b>293,331</b>       | <b>296,708</b> | <b>303,554</b> | <b>316,540</b> | <b>320,111</b> | <b>324,500</b> | <b>338,248</b> | <b>390,663</b> | <b>413,490</b>       | <b>428,039</b> | <b>45.9%</b>                    | <b>4.3%</b>                |
| <b>MUNICIPAL IMPOSED 1/4 CENT</b>           |                      |                |                |                |                |                |                |                |                      |                |                                 |                            |
| TRANSPORTATION2000 (4)                      |                      |                |                |                |                |                |                |                |                      |                |                                 |                            |
| TRANSPORTATION2010 (4)                      | 34,349               | 34,815         | 35,585         | 36,777         | 37,616         | 38,154         | 39,720         | 40,011         | 41,603               | 43,026         | 25.3%                           | 2.5%                       |
|   | 34,349               | 34,815         | 35,585         | 36,777         | 37,616         | 38,154         | 39,720         | 40,011         | 41,603               | 43,026         | 25.3%                           | 2.5%                       |
| <b>CAPITAL PURPOSES IMPOSED 1/8 CENT</b>    |                      |                |                |                |                |                |                |                |                      |                |                                 |                            |
| BIO PARK PROJECTS TAX(7)                    |                      |                |                |                |                | 15,579         | 17,773         | 19,970         | 18,683               | 19,808         |                                 |                            |
| <b>TOTAL GROSS RECEIPTS TAX REVENUES(1)</b> | <b>327,680</b>       | <b>331,524</b> | <b>339,138</b> | <b>353,318</b> | <b>357,728</b> | <b>378,233</b> | <b>395,741</b> | <b>450,644</b> | <b>473,775</b>       | <b>490,874</b> | <b>49.8%</b>                    | <b>4.6%</b>                |

(1) After adjustments in compliance with GASB.

(2) The Municipal Infrastructure Gross Receipts Tax went into effect July 1, 1992, with the first distribution in September.

(3) Went into effect July 2004, 11 months received in FY/05

(4) 1/4 Cent Transportation Infrastructure Tax was renewed by voters on November 5, 2019 and will not sunset

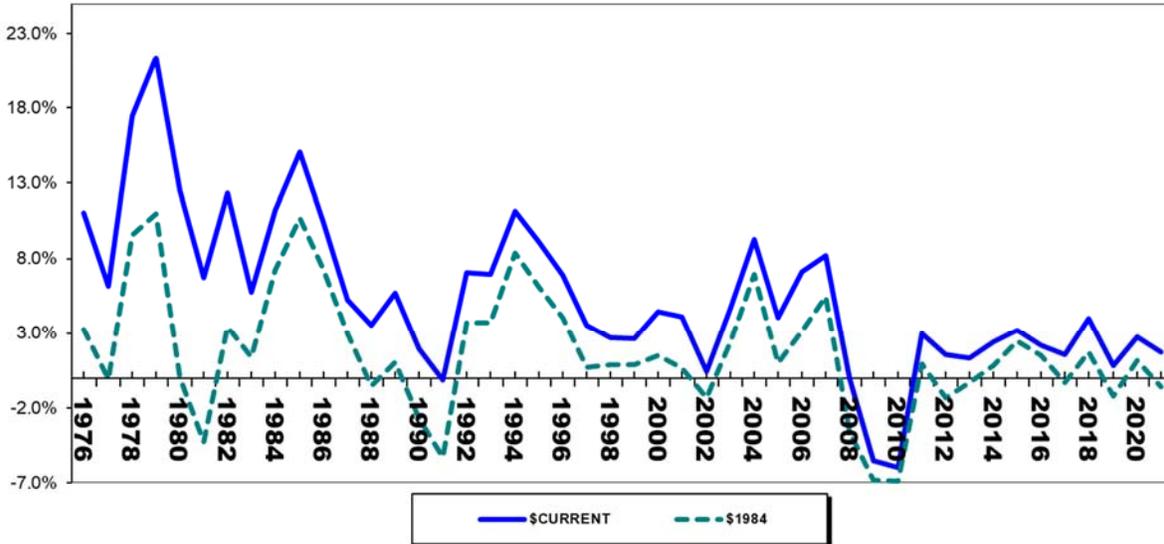
(5) An administrative fee of 3.25% was added to the food and medical hold harmless portion of all the GRT distributions in FY/12 and removed in FY/20.

(6) Reductions in the food and medical hold harmless distributions are counted as one-time revenue.

(7) The tax is to be used only for BioPark capital projects. It sunsets on June 30, 2031.

## GENERAL FUND REVENUE HISTORY

### GROWTH IN THE GRT 1% DISTRIBUTION % CHANGE OVER PRIOR YEAR, FY'S 1976-2021



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 corresponds to recessions. Since the 2008 recession in real terms, only FY/11, FY/14, FY/15, FY/16, FY/18, and FY/20 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.

#### Changes to Gross Receipts Tax Base

Between FY/99 and FY/16 the state legislature exempted or allowed deductions from the Gross Receipts Tax base that affect Albuquerque for:

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

## GENERAL FUND REVENUE HISTORY

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

The State holds the City harmless on the deduction for food and certain medical services. The City receives a distribution from the State as if the deduction was not in place. Revenue to the State to offset this was generated by increasing all municipalities' taxes by 0.5%; however, this distribution is being phased out over 15 years beginning in FY/16. The deduction for manufacturing inputs was phased over five years beginning with a half year in FY/13.



## **ACCURACY OF THE REVENUE ESTIMATES**



## 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 16 months out. In the fall/winter, the current-year revenue estimate is revised as part of the Five-Year Forecast, looking 6-months out for the year ending June 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>, which is 4-months out.

The first set of columns report the accuracy of the 4-month revised estimates. The second set of columns report the error of the 6-month revised estimates prepared as part of the Five-Year Forecast, finalized in December. The final set of columns report the differences between the actual results and the original budget estimates prepared in February and March of the prior year. In each case, the figures are

presented for the GRT, total recurring receipts, and non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are fully reimbursed with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/21.

For FY/21, the 6-month estimate at the Five-Year Forecast was during the height of the COVID-19 health crisis when the financial impacts of the pandemic were highly uncertain; consequently, early estimates were intentionally conservative. Revenues were cautiously revised upward at the six month and fourth month estimates.

FY/21 unaudited actuals reflect GRT revenues at nearly 6% over expectations, with recurring revenues less CIP at 3.7% above the estimate. This is due in part to significant federal and State support as well as sound administrative decisions such as allowing the City's vibrant construction industry to continue working safely when other business sectors were required to close.

## ACCURACY OF THE REVENUE ESTIMATES

### ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

*ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)*

*(in \$000s)*

|   | MARCH REVISION<br>4 MONTH ESTIMATE |         | FIVE YEAR FORECAST<br>6 MONTH ESTIMATE |         | APPROVED BUDGET<br>16 MONTH ESTIMATE |         |
|---|------------------------------------|---------|--|---------|--------------------------------------|---------|
|   | AMOUNT                             | PERCENT | AMOUNT                                 | PERCENT | AMOUNT                               | PERCENT |
| <b>FISCAL YEAR 2021 (Unaudited Results)</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%   |
| <b>*GRT reflects only recurring GRT</b>     |                                    |         |  |         |                                      |         |
| <b>FISCAL YEAR 2013</b>                     |                                    |         |  |         |                                      |         |
| Gross Receipts Tax                          | 2,664                              | 0.9%    | 2,664                                  | 0.9%    | (5,615)                              | -1.9%   |
| Recurring Revenues Less CIP                 | 4,264                              | 0.9%    | 4,412                                  | 1.0%    | (1,393)                              | -0.3%   |
| Non-Recurring                               | -                                  | 0.0%    | 1,145                                  | 49.1%   | 1,255                                | 53.9%   |
| <b>FISCAL YEAR 2012</b>                     |                                    |         |  |         |                                      |         |
| Gross Receipts Tax                          | (1,753)                            | -0.6%   | (1,753)                                | -0.6%   | (1,386)                              | -0.5%   |
| Recurring Revenues Less CIP                 | (983)                              | -0.2%   | 1,551                                  | 0.3%    | 1,044                                | 0.2%    |
| Non-Recurring                               | -                                  | 0.0%    | 2,539                                  | 68.2%   | 2,652                                | 71.2%   |
| <b>FISCAL YEAR 2011</b>                     |                                    |         |  |         |                                      |         |
| Gross Receipts Tax                          | 477                                | 0.4%    | 1,931                                  | 1.7%    | 1,037                                | 0.9%    |
| Recurring Revenues Less CIP                 | 880                                | 0.2%    | 2,855                                  | 0.6%    | (1,907)                              | -0.4%   |
| Non-Recurring                               | -                                  | 0.0%    | (731)                                  | -24.1%  | 313                                  | 10.3%   |

ACCURACY OF THE REVENUE ESTIMATES

| ACTUAL AND ESTIMATED REVENUE IN FY/21 |                        |                           |            |         |           |            |         |                          |            |         |                            |            |         |
|---------------------------------------|------------------------|---------------------------|------------|---------|-----------|------------|---------|--------------------------|------------|---------|----------------------------|------------|---------|
| All figures in \$1,000's              |                        |                           |            |         |           |            |         |                          |            |         |                            |            |         |
| REVENUE SOURCES:                      | UNAUDITED ACTUAL FY/21 | 2nd Revision (March 2021) |            |         | ESTIMATES |            |         | 1st Revision (Dec. 2020) |            |         | Approved Budget (May 2021) |            |         |
|                                       |                        | Estimate                  | Difference | Percent | Estimate  | Difference | Percent | Estimate                 | Difference | Percent | Estimate                   | Difference | Percent |
| Total GRT                             | 428,039                | 402,765                   | 25,275     | 5.9%    | 402,765   | 25,275     | 5.9%    | 402,765                  | 25,275     | 5.9%    | 387,226                    | 40,814     | 9.5%    |
| Property Tax                          | 92,333                 | 92,055                    | 279        | 0.3%    | 92,234    | 100        | 0.1%    | 92,234                   | 100        | 0.1%    | 91,527                     | 807        | 0.9%    |
| Franchise Tax-Telephone               | 1,046                  | 1,232                     | (186)      | -17.8%  | 1,232     | (186)      | -17.8%  | 1,232                    | (186)      | -17.8%  | 1,290                      | (244)      | -23.3%  |
| Franchise Tax-Electric                | 16,102                 | 14,051                    | 2,051      | 12.7%   | 14,050    | 2,052      | 12.7%   | 14,050                   | 2,052      | 12.7%   | 12,594                     | 3,508      | 21.8%   |
| Franchise Tax-Gas                     | 4,286                  | 3,341                     | 945        | 22.0%   | 3,341     | 945        | 22.0%   | 3,341                    | 945        | 22.0%   | 3,343                      | 943        | 22.0%   |
| Franchise Tax-Cable TV ABQ            | 4,105                  | 3,952                     | 153        | 3.7%    | 3,952     | 153        | 3.7%    | 3,952                    | 153        | 3.7%    | 3,924                      | 181        | 4.4%    |
| Franchise Tax - Water Auth            | 8,011                  | 7,917                     | 94         | 1.2%    | 7,917     | 94         | 1.2%    | 7,917                    | 94         | 1.2%    | 7,844                      | 167        | 2.1%    |
| Franchise Tax-Telecom                 | 366                    | 266                       | 100        | 27.2%   | 266       | 100        | 27.2%   | 266                      | 100        | 27.2%   | 225                        | 141        | 38.4%   |
| Other Intergovernmental Assistance    | 4,929                  | 4,846                     | 83         | 1.7%    | 5,035     | (106)      | -2.1%   | 5,035                    | (106)      | -2.1%   | 5,247                      | (318)      | -6.4%   |
| Building Permit Revenue               | 8,740                  | 7,836                     | 904        | 10.3%   | 7,836     | 904        | 10.3%   | 7,836                    | 904        | 10.3%   | 7,336                      | 1,404      | 16.1%   |
| Permit Revenue                        | 2,473                  | 4,068                     | (1,595)    | -64.5%  | 5,348     | (2,875)    | -116.2% | 5,344                    | (2,875)    | -116.2% | 5,344                      | (2,871)    | -116.1% |
| Service Charges                       | 23,294                 | 20,593                    | 2,701      | 11.6%   | 20,166    | 3,128      | 13.4%   | 20,166                   | 3,128      | 13.4%   | 24,932                     | (1,638)    | -7.0%   |
| Fines & Penalties                     | 501                    | 420                       | 81         | 16.2%   | 139       | 362        | 72.3%   | 139                      | 362        | 72.3%   | 100                        | 401        | 80.0%   |
| Earnings on Investments               | 1,406                  | 2,183                     | (777)      | -55.3%  | 872       | 534        | 38.0%   | 872                      | 534        | 38.0%   | 872                        | 534        | 38.0%   |
| Miscellaneous                         | 3,276                  | 2,707                     | 569        | 17.4%   | 2,350     | 926        | 28.3%   | 2,350                    | 926        | 28.3%   | 3,433                      | (157)      | -4.8%   |
| Transfers From Other Funds            | 3,524                  | 2,240                     | 1,284      | 36.4%   | 2,401     | 1,123      | 31.9%   | 2,401                    | 1,123      | 31.9%   | 2,401                      | 1,123      | 31.9%   |
| Payments In Lieu of Taxes             | 2,188                  | 2,234                     | (46)       | -2.1%   | 2,234     | (46)       | -2.1%   | 2,234                    | (46)       | -2.1%   | 2,234                      | (46)       | -2.1%   |
| IDOH                                  | 16,687                 | 18,888                    | (2,201)    | -13.2%  | 18,888    | (2,201)    | -13.2%  | 18,888                   | (2,201)    | -13.2%  | 18,888                     | (2,201)    | -13.2%  |
| Services Charges-Internal             | 211                    | 209                       | 2          | 0.8%    | 209       | 2          | 0.8%    | 209                      | 2          | 0.8%    | 209                        | 2          | 0.8%    |
| Transfers For CIP Positions           | 9,414                  | 10,983                    | (1,569)    | -16.7%  | 10,983    | (1,569)    | -16.7%  | 10,983                   | (1,569)    | -16.7%  | 10,983                     | (1,569)    | -16.7%  |
| TOTAL REVENUE                         | 630,931                | 602,785                   | 28,146     | 4.5%    | 602,217   | 28,714     | 4.6%    | 602,217                  | 28,714     | 4.6%    | 589,951                    | 40,980     | 6.5%    |
| LESS: NON-RECUR                       | 9,416                  | 2,361                     | 7,056      | 74.9%   | 1,424     | 7,992      | 84.9%   | 1,424                    | 7,992      | 84.9%   | 2,361                      | 7,055      | 74.9%   |
| RECURRING REVENUE                     | 621,515                | 600,425                   | 21,091     | 3.4%    | 600,793   | 20,722     | 3.3%    | 600,793                  | 20,722     | 3.3%    | 587,590                    | 33,925     | 5.5%    |