CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2018-2022

December 2017

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EXECUTIVE SUMMARY

The Five-Year Forecast estimates future revenues and expenditures for the General Fund and those funds subsidized by the General Fund for the current fiscal year 2018 through fiscal year 2022. The purpose of this forecast is to identify key trends in revenues and expenditures and to provide information about the financial landscape anticipated over the next few years. This report is divided into seven sections: an Executive Summary, Economic Outlook, Revenue Outlook, Expenditure Outlook, Alternative Scenarios, Revenue History, and Accuracy of the Revenue Estimates. The information contained in this forecast is based on data available through December 2017. 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/19 budget is developed, revenue and expenditure projections will be updated based on more current information.

Revenues

The revenue projections are based on revenue received through October 2017 and forecasts of economic activity for Albuquerque and New Mexico. The local forecasts were prepared by the Bureau of Business and Economic Research at the University of New Mexico and national economic forecasts from IHS Global Insight. The City's Forecasting Advisory Committee, made up of experts from within and outside government, reviewed the forecasts and revenue projections prepared by City staff.

The 5-year outlook for revenue growth is muted. Overall, the General Fund revenue growth averages 2.4%, after reductions in GRT for hold harmless, tax increment districts, manufacturing inputs, and others.

For FY/18, total revenue growth is now projected at 1.9% which is $10.2 million below the original FY/18 budget. The $10.2 million decline is compounded because of the shortfall in recurring revenue reflected in the final numbers for FY/17 – meaning the beginning base for FY/18 is now lower than expected.

The GRT receipts, which comprise 64% of all General Fund revenues, have been highly volatile this year with the first three months growing at only 1.8%. The fourth month, as compared to that same month one year ago, was a large negative - due to a very large anomalous distribution in FY/17. While this anomaly should correct itself next month, the lower trend continues. The underlying GRT growth in FY/18 is now estimated at 1.7%, after deductions; down from the 3.0% estimate in the budget.

The reduction in the State GRT distribution for food and medical hold harmless began its 15 year phase-out in FY/16. The first year of the reduction cost the City $2.2 million. To account for the one-time nature of this revenue, $2.2 million of the FY/15 GRT revenue was designated as non-recurring so that no long-term commitments were made against those dollars. That same principle is applied in all years of this forecast as the phase-out compounds. The reduction in expected annual revenue is about $2.3 million or 0.6% per year of total GRT. The cumulative lost revenue increases from $6 million in FY/18 to $15.8 million in FY/22.

Additionally, there are other expected reductions affecting growth in GRT. Tax Increment Development Districts (TIDDS), particularly the expansion of Winrock will divert GRT revenues from the General Fund. The phase-in of the manufacturing consumable GRT deductions is now fully incorporated in the GRT estimates. The effect of these deductions increases in the out years when it is expected that the Winrock TIDD will have a substantial impact including more retail, eating and drinking establishments and a hotel.

On the upside, building permit revenues have started to increase. In FY/17, revenues from permitting exceeded the budget estimate and the first three months of FY/18 continue to show strong growth, particularly in commercial construction. The

FY/18 budget anticipated 10% growth; the first quarter of permit revenue increased by 28%. The budget is left at 10% growth but on a higher base. The average growth for FY/18-FY/22 is 7.5%.

Property taxes were above the FY/17 estimate, and adjusted up in FY/18 though yield control continues to limit the revenue. Growth is held below 2% for the forecast period. Franchise fees were below estimate for FY/17, primarily due to a reduction in PNM fuel charges. Additionally low natural gas prices is limiting the natural gas franchise revenue.

Fiscal Year 2018 Budget Outlook

For FY/18, the original General Fund appropriation was $530.2 million which included $7.9 million of one-time appropriations. The revised budget of $538.8 million reflects mid-year appropriations approved by the City Council. The revision includes $1.5 million for re-appropriated encumbrances – commitments on contracts entered into but not fully expended from the prior year, and $2.3 million for a re-payment to HUD for ineligible grant expenses. The assumption for this forecast is that departments spend their full appropriations by year-end. The revised revenue estimate for FY/18 is $520.8 million, about $10.2 million below the original budget estimate - all of which is recurring. The combination of lower than expected revenue and departments spending all of their appropriated dollars, leaves the City facing a $5.9 million deficit this year. That number would be higher had the Council not added $2.7 million to reserves in recently passed legislation. The projected deficit will have to be dealt with in the coming months, most likely by holding back on hiring and discretionary expenses.

Fiscal Year 2019 Budget Outlook

The forecast for FY/19 includes all of the known expenses using the best information available at this time. The net effect is a forecasted budget of $563.7 million. This would be a $24.8 million or a 4.6% increase over the revised FY/18 Budget. Increases include $7.2 million for operating new capital projects coming-on-line, $6.2 million for medical benefits, $3.2 million for a 1% across-the-board pay increase for city employees, $3.6 million in APD representing a growth class of 40 cadets, $600 thousand more for the Special Investigation Division of APD, $2.8 million to fund the National Senior Games, $4 million for replacement of vehicles citywide, $1.75 million for debt service on a new 800 Mhz police radio system, $221 thousand for adjustments to minimum wage, and $343 thousand for new positions assuming the creation of the Asset Management Department. Most other cost increases are driven by inflation.

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 allocation for non-recurring uses. Fiscal year 2019 includes $11.2 million in non-recurring expenses while only $2.8 million is available in non-recurring resources. This is especially evident in APD where non-recurring expenses for DOJ Compliance, the Property Crime Reduction Program, and additional PSA's are assumed to continue. 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 of the forecast and grown by inflation, further contributing 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 reduction in the cost of risk allocated to the departments is reflected in this forecast. For instance, tort is down nearly $4 million for the General Fund in FY/19 as compared to FY/18. However, the

Risk Recovery Program, which was not fully funded in FY/18, nearly offsets this reduction as it is up over $3 million in FY/19.

The revenue estimates may change over the next few months depending on the outcome of the next few 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/19. Some expenses will have to be fully funded; however, some 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. Assuming the FY/18 deficit of $5.9 million is not dealt with and carries forward, the available fund balance for FY/19 is forecasted to be a negative $39.9 million. The bulk of that deficit, $23.9 million, is recurring.

Fiscal Years 2020 – 2022 Budget Outlook

Most of the underlying assumptions in FY/19 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 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. They reflect annual increases averaging 8.4%. Other costs were estimated by the respective departments or by OMB such as the funding of the Senior Games in FY/19 or the purchase of Bernalillo County's half of the City County Building in FY/20.

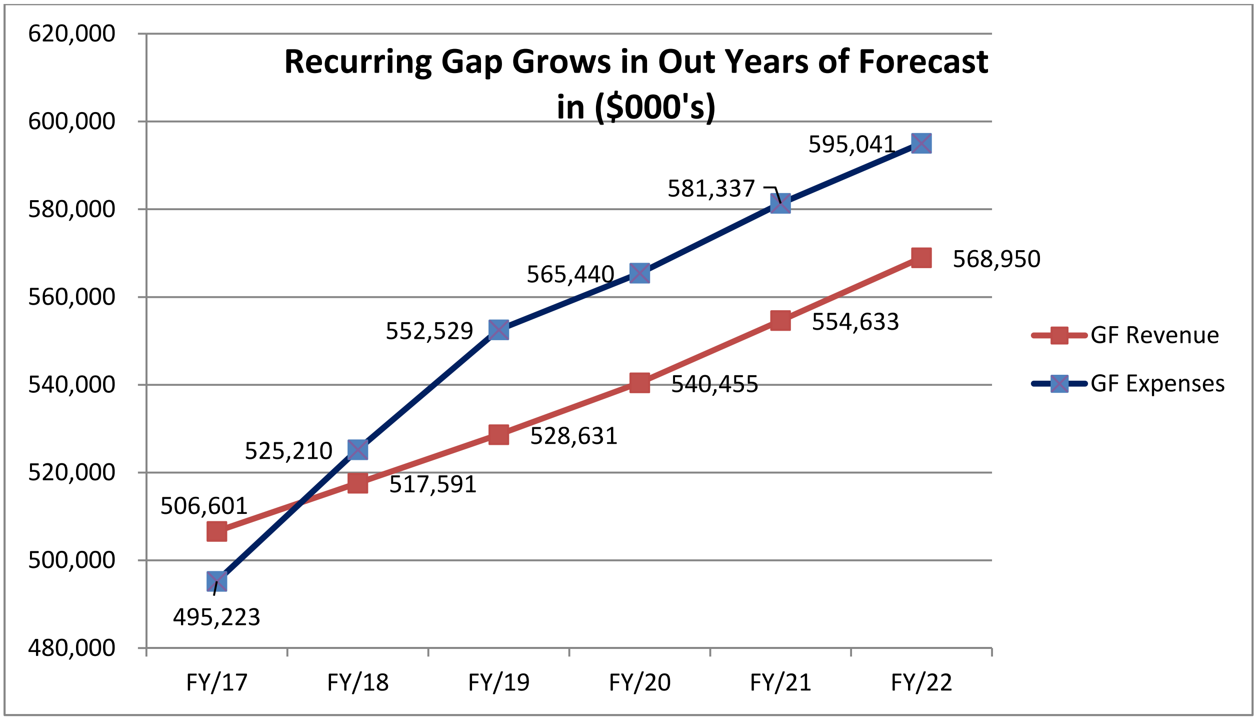
Beginning in FY/12, the City began adding $200 thousand to the operating reserve as a measure of fiscal prudence. A total of $1.2 million had built up; however those monies were appropriated by the Council in FY/18. In order to comply with the current City Administrative Instruction, this forecast includes a new start of $200 thousand beginning in FY/19. That extra reserve is continued through the term of this forecast, bringing it to $800 thousand by FY/22. This additional reserve is beyond the 1/12TH minimum required under City policy.

The out years of this forecast reflect a fund balance deficit that compounds with each year the budget is not brought into balance, an unlikely outcome given the City's commitment to submit a structurally balanced annual budget to the State. That said, the first year, FY/19, reflects a deficit of $39.9 million which compounds by FY/22 to $154.9 million.

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

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

($000's)	UNAUDITED ACTUAL FY/17	REVISED BUDGET FY/18	FORECASTS FY/19	FY/20	FY/21	FY/22
RESOURCES:						
Recurring Revenue	506,601	517,591	528,631	540,455	554,633	568,950
% Change Recurring Revenue		2.2%	2.1%	2.2%	2.6%	2.6%
Total Non-recurring	4,577	3,171	2,820	2,377	2,482	2,590
TOTAL REVENUES	511,178	520,762	531,451	542,832	557,115	571,540
% Change Total Revenue		1.9%	2.1%	2.1%	2.6%	2.6%
BEGINNING FUND BALANCE	59,953	57,170	39,119	6,885	(32,032)	(67,451)
TOTAL RESOURCES	571,131	577,932	570,570	549,717	525,083	504,089
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	495,223	525,210	552,529	565,440	581,337	595,041
% Change Recurring Appropriation		6.1%	5.2%	2.3%	2.8%	2.4%
Non-recurring Exp/App:						
One-time Items	18,738	13,603	11,157	16,309	11,197	12,899
TOTAL EXPEND/APPROP	513,961	538,813	563,686	581,749	592,534	607,940
UNADJUSTED FUND BALANCE	57,170	39,119	6,885	(32,032)	(67,451)	(103,851)
ADJUSTMENTS:						
Encumbrances	(2,207)	0	0	0	0	0
Unrealized Gains on Investments	415	415	415	415	415	415
Other Accounting Adjustments	(28)	(28)	(28)	(28)	(28)	(28)
TOTAL ADJUSTMENTS	(1,820)	387	387	387	387	387
ADJUSTED FUND BALANCE	55,350	39,506	7,272	(31,645)	(67,064)	(103,464)
RESERVES:						
1/12th Operating Reserve	43,867	44,901	46,974	48,479	49,378	50,662
Reserve for the Cost of Labor	0	280	0	0	0	0
Increase to Reserve	1,200	0	200	400	600	800
Other Reserves	236	200	0	0	0	0
TOTAL RESERVES	45,303	45,381	47,174	48,879	49,978	51,462
AVAILABLE FUND BALANCE	10,047	(5,875)	(39,902)	(80,524)	(117,042)	(154,926)
1/12th Operating Reserve	42,830	44,901	46,974	48,479	49,378	50,662
Recurring Surplus/(Deficit)	11,378	(7,899)	(23,898)	(24,985)	(26,704)	(26,091)



The graph above shows the underlying trend in recurring revenues to recurring expenses from FY/17 through FY/22. Based on the assumptions presented in this baseline forecast, expenses exceed resources beginning in the current fiscal year 2018. The deficit peaks in FY/21 at $26.7 million with recurring expenses at $581.3 million and recurring revenue at $554.6 million. The recurring gap is important because it demonstrates the underlying structural imbalance going forward. Some of the gap is driven by general inflationary factors but most of it is driven by labor costs (wages and benefits) and by capital (both vehicles and operating buildings and other infrastructure coming-on-line). Baring a tax increase or a positive change in the economic horizon, reductions in services will have to be made or efficiencies will have to be gained in order to close the recurring gap and manage within available resources.

ECONOMIC OUTLOOK

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

The following is based on the October 2017 forecasts from IHS Global Insight (IHS). Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios. The forecast period is FY/18 to FY/22.

Baseline Scenario

In the baseline forecast, assigned a probability of 65%, IHS Global Insight (IHS) expects annual growth of 2.3% in real GDP for FY/18. This is above the 1.7% growth in FY/16 and FY/17. Growth is expected to hover just over 2% in FY/19 to FY/22. Much of the limitation is due to ongoing international risks. These risks include; declining European economy, the weakness in the world economy, and the stronger dollar increasing imports. Consumer's confidence is expected to increase in FY/19 and remain near this level through FY/22. Real government expenditures are expected to decline slowly from FY/19 through FY/22. Nationally, total employment reached the pre-recession peak in May of 2014. Unemployment reached a peak of 9.9% in the fourth quarter of 2009 declining to 5.0% in FY/16 and remaining between 4.6% and 4.8% for the forecast period.

Inflation, as measured by the Consumer Price Index (CPI) was only 0.7% in FY/16, but increases to 1.9% in FY/17 and then increases to about 2.5% for the remainder of the forecast. The low levels were largely due to the decline in oil prices. Relatively weak wage growth and increases in productivity limit the cost of employment putting little pressure on costs. Oil price (West Texas Intermediate) is expected to increase moderately to $52.10 per barrel in FY/18 and increase modestly to a high of nearly $84 a barrel in FY/22. The increase in oil prices add only modestly to the CPI. The CPI is was 1.9% in FY/17 and increases to 2.5% in FY/18. It remains near 2.5% for the remainder of the forecast. This level is near the Federal Reserve Bank (FRB) target of 2% as measured by the personal consumption expenditures index. The moderate inflation expectation also plays into limited increases in interest rates. IHS believes that the FRB will raise the federal funds rate modestly at the end of 2016 and continue increasing them modestly through the forecast. The rate is expected to reach 1.1% in FY/18 and reaching 2.8% by FY/21; remaining at this level in FY/22.

There are a number of risks in the economy including the battle in congress over spending, taxes and extension of the debt ceiling, it is assumed that there will be biapartisan agreement to fund existing obligations without interruption.

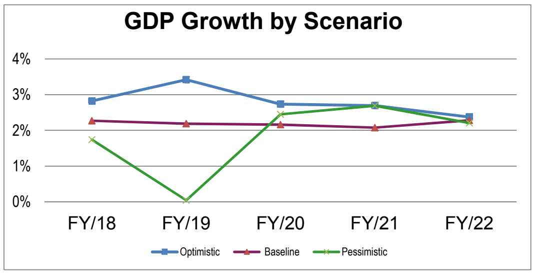
Pessimistic Scenario

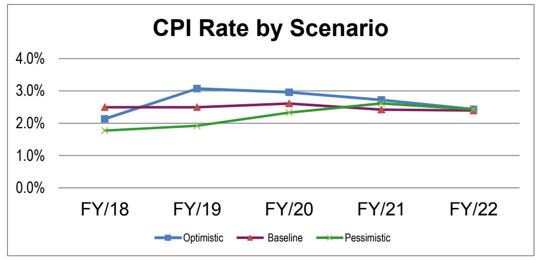
The pessimistic scenario is assigned a probability of 20%. In this scenario, the recovery stalls. A recession occurs in the first half of FY/19. The recession is the result of a commercial real estate collapse and a drop in confidence. The Federal Reserve reduces interest rates to try and expand the economy and reduce unemployment. Even though interest rates are lower lending standards remain high. The stock market shrinks and the U.S. dollar weakens. Construction is much weaker as household formation remains low.

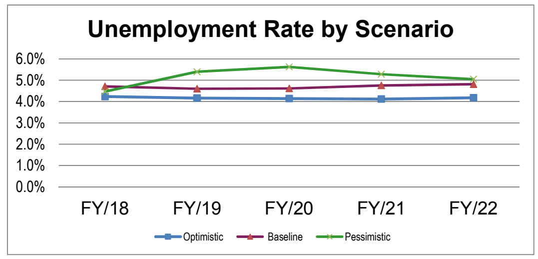
Optimistic Scenario

The optimistic scenario is assigned a probability of 15%. In this scenario IHS assumes that there is a tax cut and a large infrastructure plan implemented.

Even though interest rates are increased,growth in GDP exceeds 3% in 2019. Low oil prices help fuel consumption. Even though interest rates increase and an easing of credit conditions allows housing starts accelerate. These increases yield an unemployment rate that hovers between 4.1% and 4.2% for the forecast period

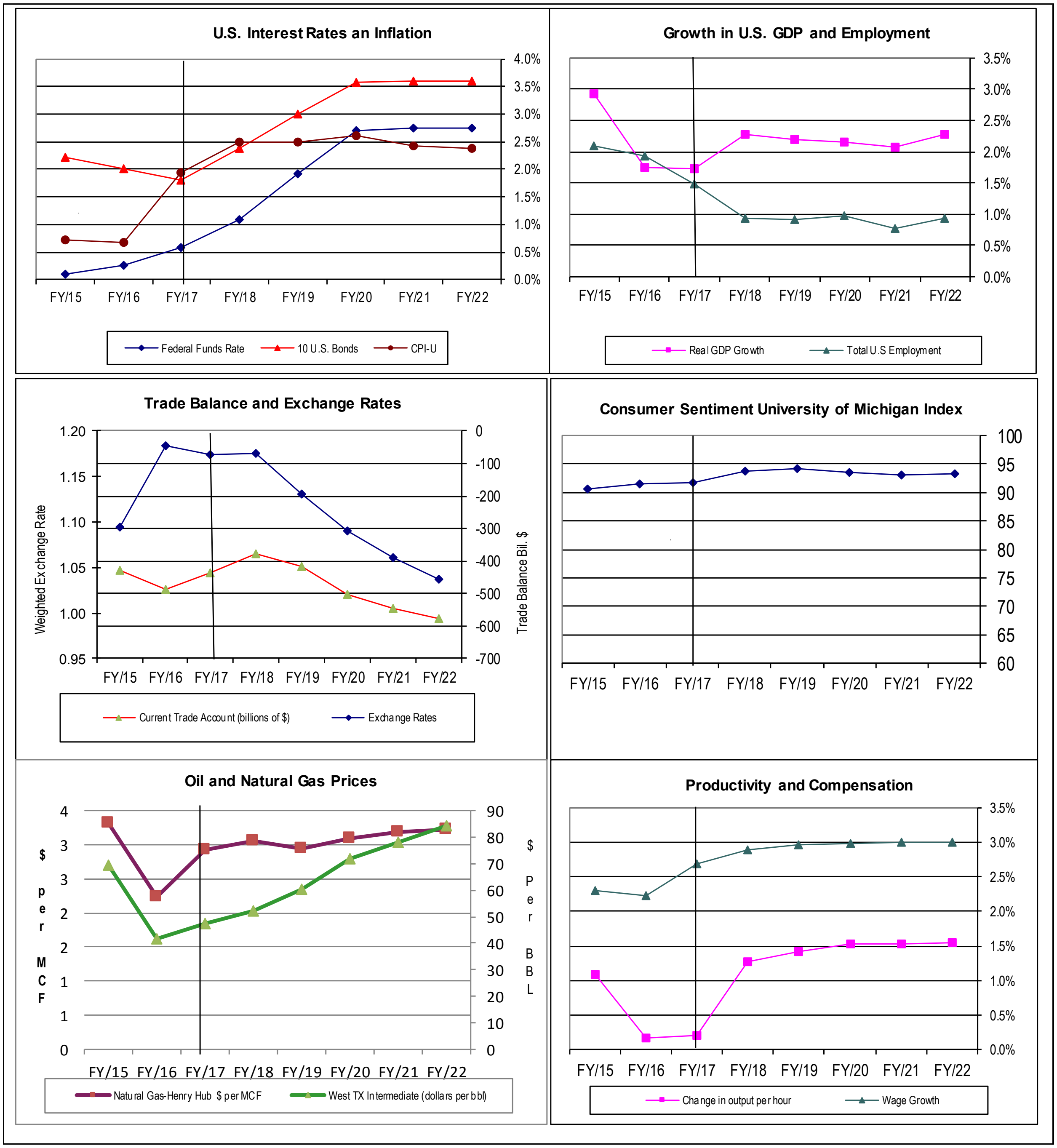




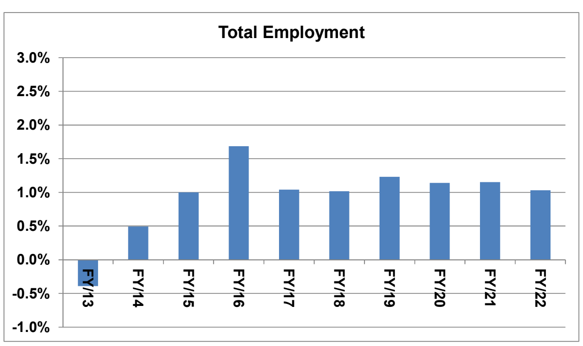


More information is available on the scenarios and a comparison in the section on Alternative Scenarios.

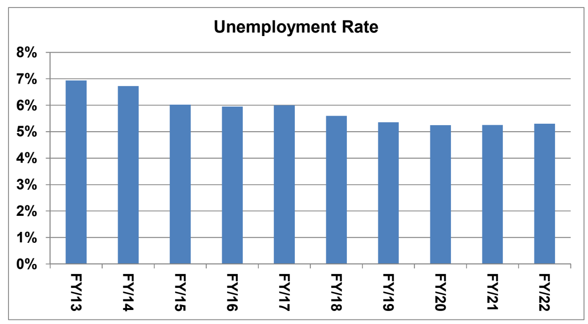
U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
October 2017 Baseline Forecast



The outlook for the Albuquerque economy is developed by the Bureau of Business and Economic Research (BBER) at the University of New Mexico. They use national forecasts from IHS and local insights to develop forecasts of the state and local economy. The UNM BBER forecasting model for October 2017 provides the forecast of the Albuquerque economy that is presented in the following section. This data only includes three quarters of actual data for FY/17 due to the lag in reporting covered employment data. The Albuquerque economy declined in sync with the national economy, but has lagged in its recovery. Total employment in the MSA increased in the third quarter of 2012 but this gain was due to a change in processing by the department of Workforce Solutions and not in actual employment. Employment growth since 2013 has been consistent, but at relatively low levels. The UNM BBER forecast of employment in October 2017, has positive non-agricultural (non-ag) employment growth througout the forecast, but is at rates around 1%. The rate of growth in FY/16 was 1.7%, but .this appears to be somewhat of an anomaly. About 0.3% of this growth was due to counting state government employment at correct locations. About 1,200 state government employees are now counted in Albuquerque, where their actual place of employment resides.



The Albuquerque economy lost over 27 thousand jobs from FY/08 to FY/12; a loss of 7% of total employment. About 13 thousand jobs were added in FY/13 to FY/16. In FY/18 employment is expected to increase 1.0% and remain near this level for the remainder of the forecast. The economy does not approach FY/08 employment levels until FY/20. This puts the Albuquerque recovery over five years behind the national economy in terms of reaching post-recession employment levels. Government employment limits growth, with private sector employment growth exceeding total employment growth from FY/12 through FY/21. Construction has improved and is now helping the economy. The unemployment rate continues to decline, but continues to exceed the national rate. The rate is expected to slowly decline to 5.6% in FY/21 and FY/22. This is above the unemployment rate for the U.S. for the entire forecast period.



In addition to the tables embedded in the following section there are a series of charts and tables that provide some comparisons of Albuquerque to the U.S. economy. Additionally, Albuquerque MSA employment numbers are provided for FY/15 to FY/22 by the major North American Industrial Classification System (NAICS) categories.

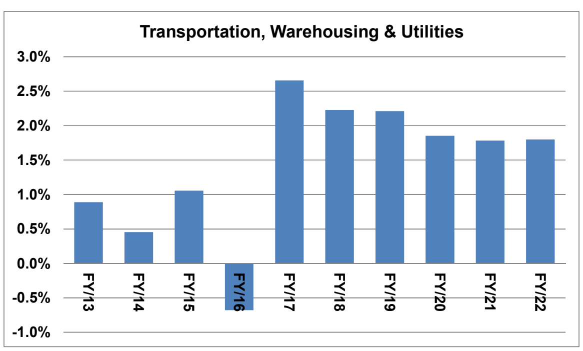
Retail and Wholesale Trade

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

In FY/17 employment in the sector is expected to decline by 260 jobs. While gaining jobs in the remainder of the forecast, the sector is expected to have annual employment growth of under 0.5%. The sector with this limited growth does not reach the level of employment of FY/08 during the forecast.

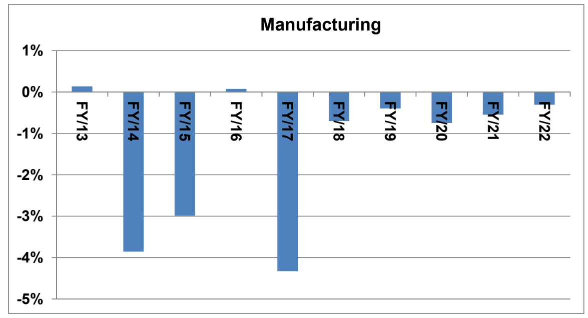
Transportation, Warehousing and Utilities

This sector while important, only accounts for 2.5% of employment. Employment growth in this sector was weak before the recession hit and then declined substantially in FY/09 and FY/10. After declining in FY/16 the expectations for the forecast are a robust recovery with growth over 2.5% in FY/17. With this growth the sector nears the pre-recession high in FY/22.



Manufacturing

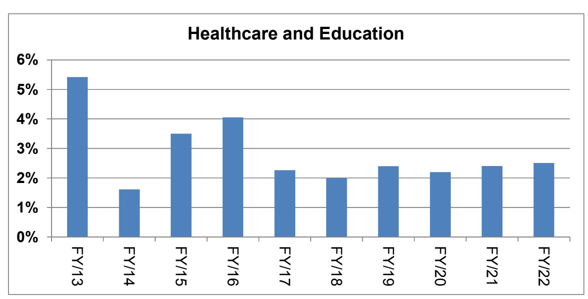
This sector accounts for about 4.2% of employment in the MSA. It is an important sector as it creates relatively high paying jobs that bring revenue from outside the area. It also generates purchases of materials and services in the local economy making this sector's impact greater than its employment share.



The sector has had substantial job losses that began prior to FY/13. In FY/13 and FY/16 were the only years in this period that posted any increases. FY/17 is expected to decline by 709 jobs and the sector is expected to decline in every year of the forecast. FY/22 employment is only 67% of the employment of FY/08.

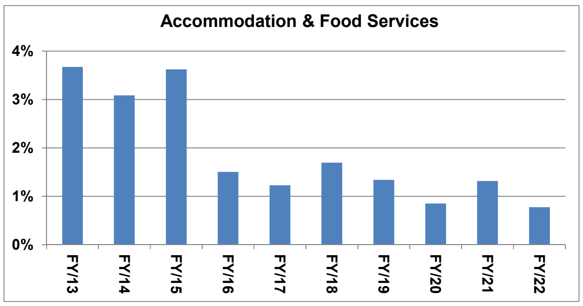
Educational and Health Services

This sector is predominantly health services and accounts for 16.1% of employment. Albuquerque is a major regional medical center that brings people into the area for services. Presbyterian Hospital and its HMO are one of the largest employers in the area. This was the only sector that increased through the recession and continues to be a primary driver for economic growth. Growth slowed in FY/14 but growth increased in FY/15 and was 4% in FY/16. Growth stays at 2.3% in FY/17 and is expected to grow a little below this rate for the remainder of the forecast. This sector is the largest contributor to employment growth in the forecast period adding about 6,200 jobs (32.4% of total job growth) from FY/17 to FY/22.



Accommodation and Food Services

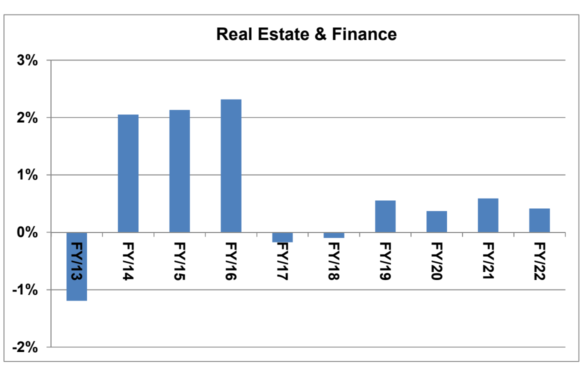
This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounts for 10% of employment in the MSA. The sector is a major contributor to both GRT and Lodgers' Tax. This sector has been a major contributor to growth since the recession. Employment reached the pre recession high in FY/14.



FY/14 and FY/15 had growth of over 3%. This slowed in FY/16 to near 1.5% and 1.2% in FY17 and remains around 1% for the remainder of the forecast.

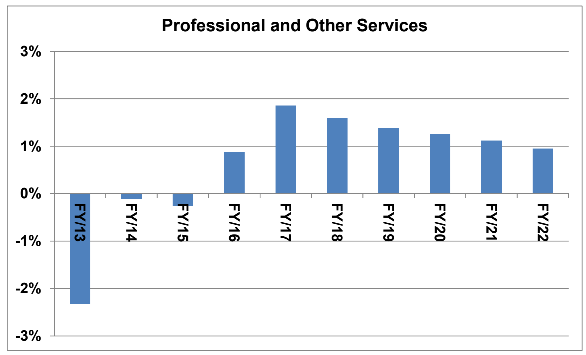
Real Estate & Financial Activities

This is two sectors and includes finance, insurance and real estate including credit intermediation. It accounts for about 4.6% of employment in the MSA. The financial crisis, the consolidation of banking, and the collapse of real estate impacted this sector. FY/14 to FY/16 showed growth of a little above 2% in each year. In FY/17 employment is expected to decline 0.2% and decline in FY/18 an additional 0.1%. Growth through the remainder of the forecast remains anemic at about 0.5%. In FY/22 the sector remains 633 jobs below the level of FY/08.



Professional and Other Services

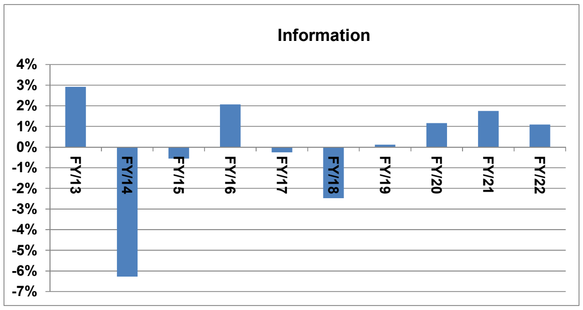
This category is a grouping of four service sectors (Professional and Technical, Management of Companies, Administrative and Waste Services, and Other Services). The category accounts for 18% of the employment in the MSA. It includes temporary employment agencies, some of Albuquerque's back-office operations,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



The sector as a whole remained weak until FY/16 as construction services (engineering and architecture) began adding jobs, The sector shows growth in FY/16 of less than 1%, growing to near 2% in FY/17. Growth then tapers off reaching 1% growth in FY/22. In FY/22 it still remains 3,300 jobs below the peak of FY/08. Sandia National Labs gained some positions in FY/11 through FY/17 and its budget outlook remains positive.

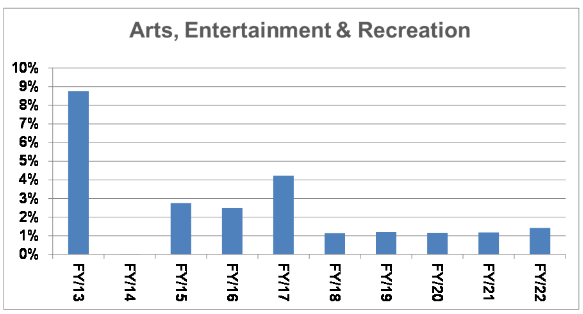
Information

This is a combination of the Information and Arts and Entertainment Sector. This sector includes businesses in telecommunications, broadcasting, publishing, internet service establishments, and the film studios. It accounts for about 2% of employment in the MSA. FY/13 posted solid growth, but FY/14 showed a substantial decline and FY/15 declined again. FY/16 increased 2.1%, but is expected to decline in FY/17 with a 2.5% decline in FY/18. In FY/19 growth of only 0.1% is anticipated, with the remainder of the forecast averaging about 1.5%.



Arts Entertainment and Recreation

This is a relatively small sector with 1.3% of the MSA employment. It includes Artists entertainers, spectator sports, and recreation facilities such as bowling alleys and fitness centers. The sector showed large growth in FY/13 and in FY/17 is expected to have growth of over 4%.

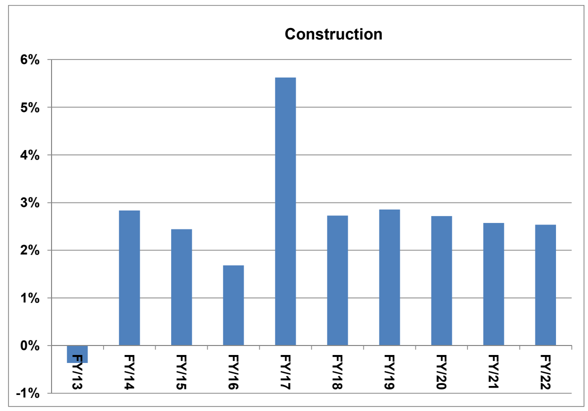


The forecast has expected growth of just over 1% a year.

Construction

Construction is typically cyclical, with significant swings in building and employment. Construction is an important sector and has an impact on the economy larger than its employment share of 5.7%. This sector lost 12 thousand jobs from FY/07 to FY/13. In FY/07 its employment share was 8%. After falling consistently from FY/07, employment in construction began increasing at the end of FY/13 and continues to grow. FY/17 is expect to show an increase of 5.6%. This slows and growth in the forecast is around 2.7% of all the forecast years. Even with this growth construction employment in FY/22 is forecasted to be 26% or 8,000 jobs below the FY/07 peak.

Construction permits show the trends in construction and the types of construction. The graph following this section shows the real values of building permits after adjusting by the CPI from 1970 to 2017 (November and December of 2017 were estimated). Construction is categorized as new construction or additions, alterations, and repairs.



New construction is further separated as residential and commercial. Five distinct peaks occurred in 1973, 1979, 1985, 1995 and 2005. The 2005 cycle was the longest but also had the largest dropoff.

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

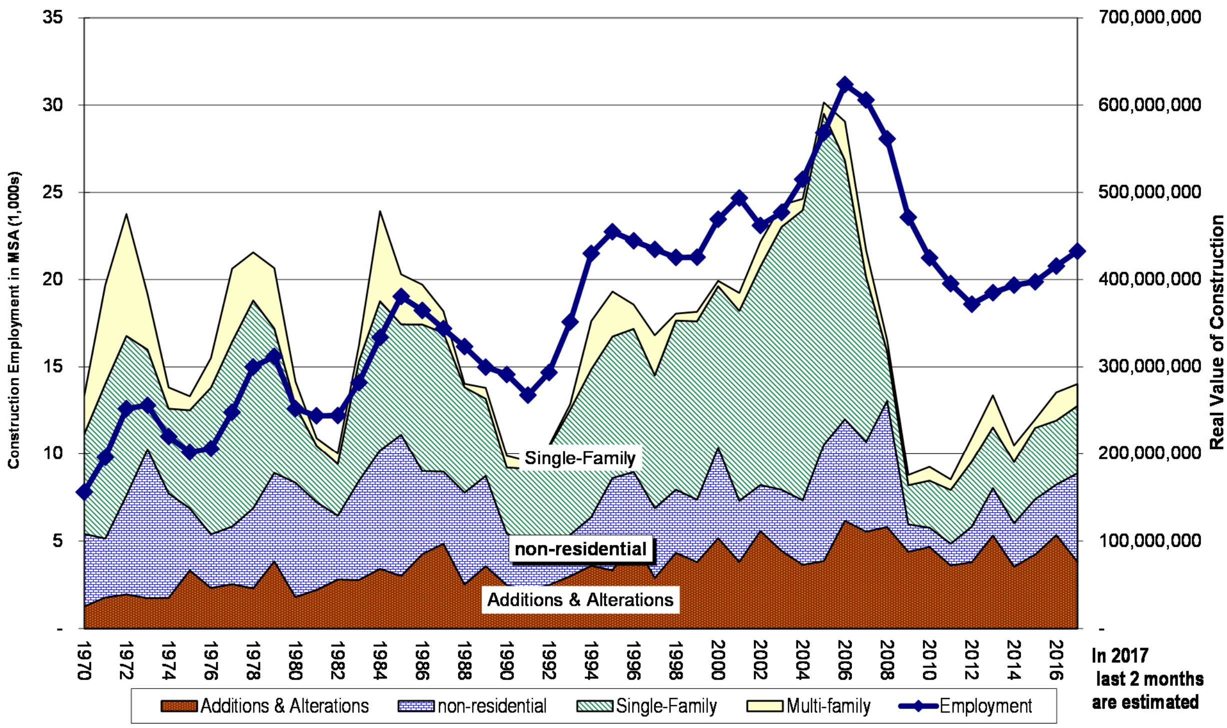
Single family permitting has grown slowly and is expected to show moderate growth in the forecast. Permits are expected The forecast trends up to 1,500 units by FY/21-22. These are historically very low numbers;

below the early 1990s. Lack of job growth has led to out-migration and very low growth (less than 0.5% a year from 2010 to 2016) in population. Multi-family construction showed some strength in FY/13 with 945 units and 898 units in FY/14. These permits fell 450 and 567 units in FY/15 and FY/16 respectively, but FY/17 had 894 permits. The UNM BBER forecast expects below 500 units in FY/18 and FY/19, but increases to an average of 560 units in FY/20 through FY/22.

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

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

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



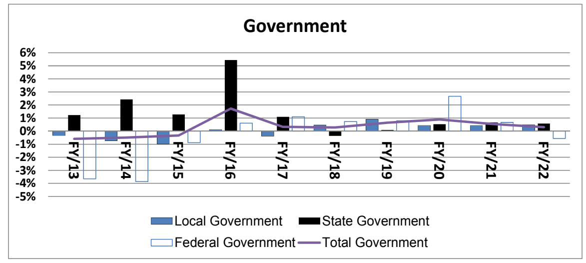
Government

The government sector makes up almost 21% of the Albuquerque MSA employment. The largest part of State and Local government is education. Local Government includes the public schools and State Government includes the University of New Mexico and Central New Mexico Community College. The local sector also includes Indian enterprises. The Federal Government makes up 4.4% of employment; nationally Federal government makes up 3.4% of total employment. This doesn't include military employment which is counted separately.

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

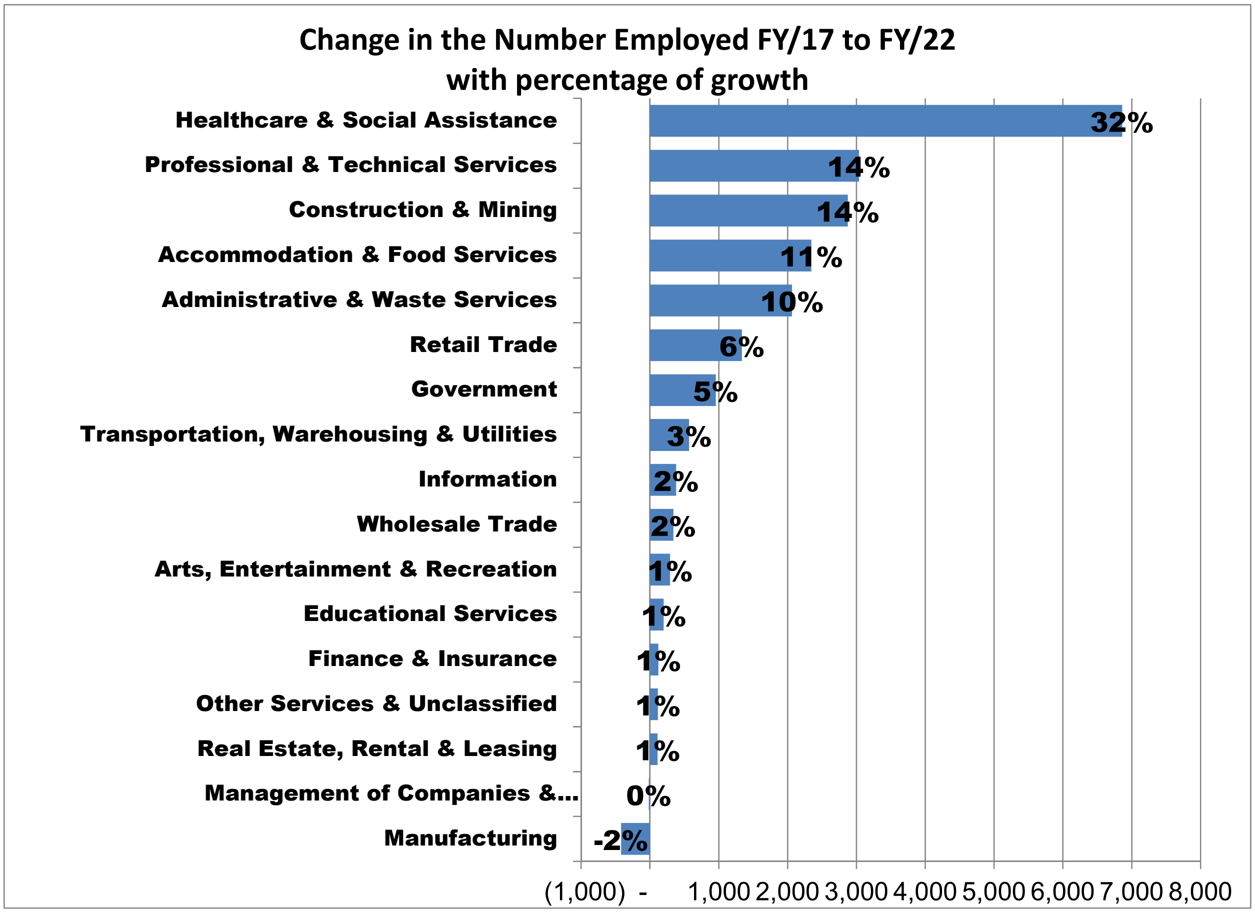
Government employment slowed and decreased in FY/11 through FY/16. Local and State employment decreased due to declines in tax revenue and the inability to fund the same level of employees. State and Local are flat in FY/13. State government has been stronger with growth of 2.4% and 11.3% in FY/14 and FY/15. It is expected to grow 4.2% and then decline or remain at low levels of growth for the forecast. Local government has been flat and is expected to show little growth in the forecast. 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.

The Federal Government after growing strongly in FY/10 showed little growth in FY/11 and declines in FY/12 through the remainder of the forecast. This occurs due to the federal government taking steps to reduce its expenditures.



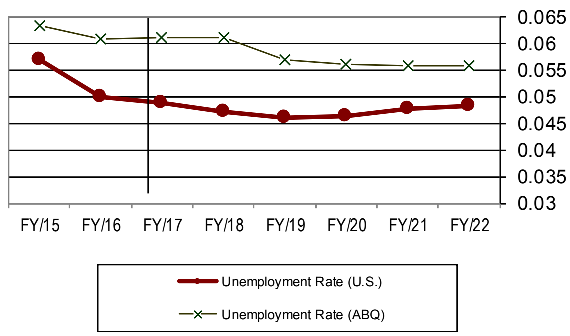
The forecast has continued losses in federal jobs except in FY/19 to FY/22 largely due to hiring for the 2020 census. State government showed a large increase in FY/16, but this is due to a reclassification of jobs. These are jobs that have always been in Albuquerque, but in the past were counted in Santa Fe or other parts of the state.

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

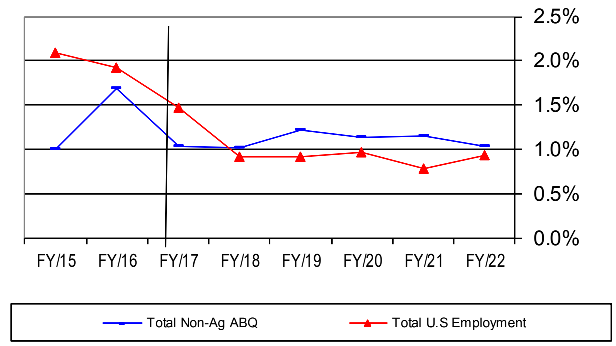

Change in the Number Employed FY/17 to FY/22
with percentage of growth
Healthcare & Social Assistance
Professional & Technical Services
Construction & Mining
Accommodation & Food Services
Administrative & Waste Services
Retail Trade
Government
Transportation, Warehousing & Utilities
Information
Wholesale Trade
Arts, Entertainment & Recreation
Educational Services
Finance & Insurance
Other Services & Unclassified
Real Estate, Rental & Leasing
Management of Companies &...
Manufacturing
32%
14%
14%
11%
10%
6%
5%
3%
2%
2%
1%
1%
1%
1%
1%
0%
-2%
(1,000) - 1,000 2,000 3,000 4,000 5,000 6,000 7,000 8,000

Albuquerque MSA and Comparisons to the U.S -- Fiscal Year October 2017

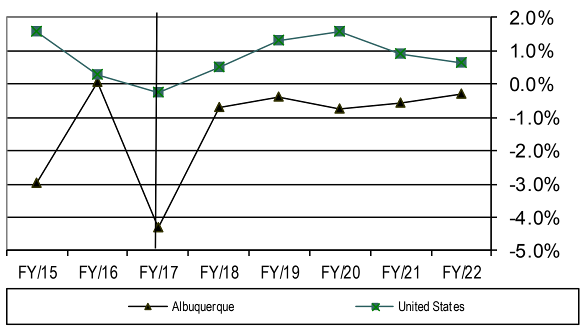
Albuquerque MSA vs. U.S. Unemployment Rates



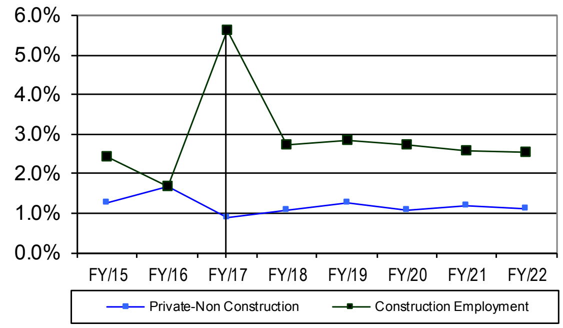
Albuquerque MSA vs. U.S. Employment Growth



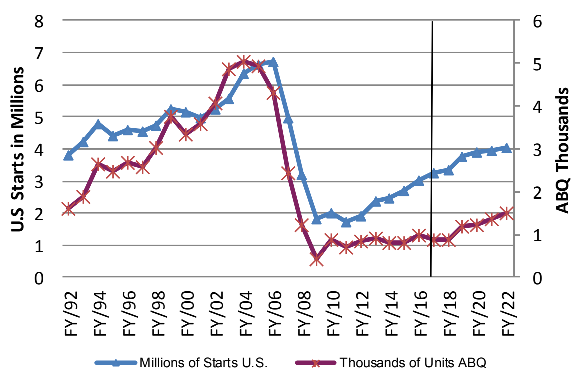
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



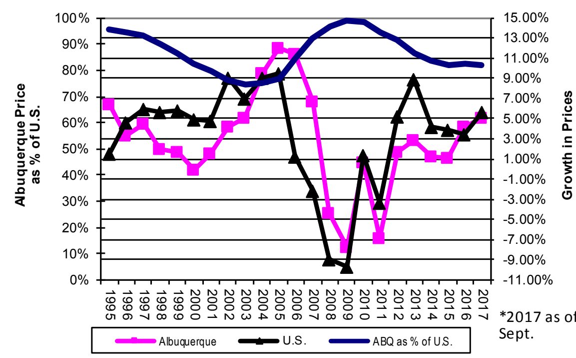
Albuquerque MSA Construction and Private Non-Construction Employment Growth



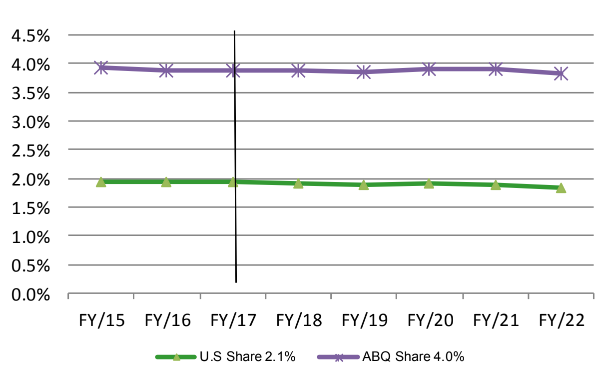
Single Family Construction



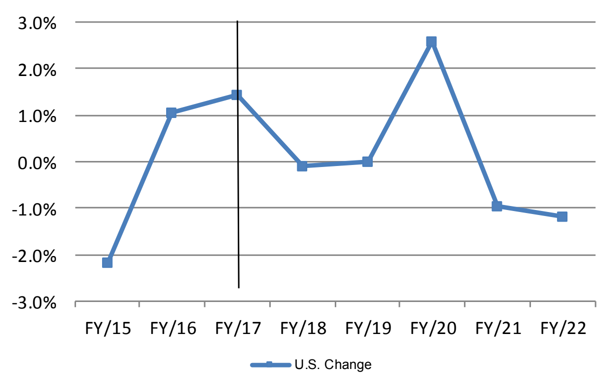
Comparison of Growth in Existing Home Sales Price by Calendar Year (history only)



Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



Economic Variables Underlying the Forecast by Fiscal Year

	Historical			Forecast				
	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20	FY/21	FY/22
National Variables								
Real GDP Growth	0.0292	1.7%	1.7%	2.3%	2.2%	2.2%	2.1%	2.3%
Federal Funds Rate	0.0011	0.3%	0.6%	1.1%	1.9%	2.7%	2.8%	2.8%
10 U.S. Bonds	0.0223	2.0%	1.8%	2.4%	3.0%	3.6%	3.6%	3.6%
CPI-U	0.0072	0.7%	1.9%	2.5%	2.5%	2.6%	2.4%	2.4%
Unemployment Rate (U.S.)	0.057	5.0%	4.9%	4.7%	4.6%	4.6%	4.8%	4.8%
Total U.S Employment	0.0208	1.9%	1.5%	0.9%	0.9%	1.0%	0.8%	0.9%
Manufacturing Employment	0.0159	0.3%	-0.3%	0.5%	1.3%	1.6%	0.9%	0.6%
Consumer sentiment index--University of Mich	90.617	91.5	91.7	93.7	94.3	93.6	93.1	93.3
Exchange Rates	1.094	1.18	1.17	1.18	1.13	1.09	1.06	1.04
Current Trade Account (billions of $)	-429.8	(488.2)	(434.8)	(379.5)	(418.1)	(503.0)	(545.3)	(576.7)
Change in output per hour	0.011	0.2%	0.2%	1.3%	1.4%	1.5%	1.5%	1.5%
Natural Gas-Henry Hub $ per MCF	3.3244	2.2	2.9	3.0	2.9	3.1	3.2	3.2
West TX Intermediate (dollars per bbl)	69.331	41.7	47.4	52.1	60.5	71.9	77.9	84.3
Wage Growth	0.0231	2.2%	2.7%	2.9%	3.0%	3.0%	3.0%	3.0%
Albuquerque Variables								
Employment Growth and Unemployment in Albuquerque MSA								
Total Non-Ag ABQ	1.0%	1.7%	1.0%	1.0%	1.2%	1.1%	1.2%	1.0%
Private-Non Construction	1.3%	1.7%	0.9%	1.1%	1.3%	1.1%	1.2%	1.1%
Construction Employment	2.4%	1.7%	5.6%	2.7%	2.9%	2.7%	2.6%	2.5%
Manufacturing	-3.0%	0.1%	-4.3%	-0.7%	-0.4%	-0.7%	-0.5%	-0.3%
Government	-0.3%	1.7%	0.3%	0.3%	0.6%	0.9%	0.5%	0.3%
Unemployment Rate (ABQ)	6.3%	6.1%	6.1%	6.1%	5.7%	5.6%	5.6%	5.6%
Growth in Personal Income	5.1%	4.6%	2.8%	3.1%	3.6%	4.4%	5.0%	4.5%
Construction Units Permitted in City of Albuquerque								
Single-Family Permits	814	969	886	892	1,197	1,227	1,384	1,513
Muli-Family Permits	760	621	832	400	477	567	565	552
Total Residential Permits	1,574	1,590	1,718	1,292	1,674	1,794	1,949	2,065

Sources: HIS Global Insight and FOR-UNM October 2017 Baseline Forecasts

Albuquerque MSA Employment in Thousands								
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Total Employment	361.90	368.00	371.83	375.61	380.23	384.57	389.00	393.01
Private Employment	286.47	291.27	294.86	298.43	302.55	306.20	310.20	313.97
Mining & Agriculture	0.72	0.76	0.81	0.79	0.80	0.81	0.82	0.83
Construction	19.89	20.22	21.36	21.94	22.57	23.18	23.78	24.38
Manufacturing	16.37	16.38	15.67	15.56	15.50	15.38	15.30	15.25
Wholesale Trade	11.60	11.66	11.65	11.73	11.82	11.91	12.00	12.03
Retail Trade	41.66	42.00	41.73	41.81	41.97	42.07	42.16	42.30
Transportation, Warehousing & Utilities	9.13	9.07	9.31	9.52	9.73	9.91	10.09	10.27
Information	7.64	7.80	7.78	7.58	7.59	7.68	7.82	7.90
Finance & Insurance	11.44	11.67	11.71	11.62	11.65	11.70	11.77	11.82
Real Estate, Rental & Leasing	5.13	5.28	5.22	5.30	5.35	5.36	5.40	5.42
Professional & Technical Services	28.57	28.93	29.75	30.44	30.96	31.48	32.03	32.62
Management of Companies & Enterprises	3.37	3.54	3.56	3.54	3.54	3.55	3.55	3.55
Administrative & Waste Services	23.58	23.55	23.77	24.05	24.39	24.76	25.02	25.11
Educational Services	5.29	5.27	5.25	5.26	5.33	5.42	5.52	5.59
Healthcare & Social Assistance	50.92	53.22	54.56	55.74	57.14	58.42	59.85	61.42
Arts, Entertainment & Recreation	4.41	4.52	4.71	4.77	4.82	4.88	4.94	5.01
Accommodation & Food Services	37.29	37.86	38.32	38.97	39.49	39.83	40.35	40.67
Other Services & Unclassified	9.47	9.54	9.69	9.81	9.89	9.86	9.83	9.81
Government	75.43	76.73	76.97	77.18	77.68	78.37	78.80	79.04
Local Government	39.75	39.79	39.64	39.82	40.19	40.36	40.54	40.73
State Government	21.47	22.64	22.89	22.80	22.82	22.94	23.10	23.23
Federal Government	14.21	14.29	14.45	14.56	14.67	15.06	15.16	15.08
Military Employment	5.62	5.65	5.63	5.67	5.73	5.77	5.80	5.82
Growth Rates								
Total Employment	1.0%	1.7%	1.0%	1.0%	1.2%	1.1%	1.2%	1.0%
Private Employment	1.4%	1.7%	1.2%	1.2%	1.4%	1.2%	1.3%	1.2%
Mining & Agriculture	0.1%	6.4%	6.3%	-2.3%	1.0%	1.1%	1.1%	1.2%
Construction	2.4%	1.7%	5.6%	2.7%	2.9%	2.7%	2.6%	2.5%
Manufacturing	-3.0%	0.1%	-4.3%	-0.7%	-0.4%	-0.7%	-0.5%	-0.3%
Wholesale Trade	1.2%	0.5%	0.0%	0.7%	0.8%	0.8%	0.7%	0.3%
Retail Trade	0.4%	0.8%	-0.7%	0.2%	0.4%	0.2%	0.2%	0.3%
Transportation, Warehousing & Utilities	1.1%	-0.7%	2.7%	2.2%	2.2%	1.9%	1.8%	1.8%
Information	-0.6%	2.1%	-0.3%	-2.5%	0.1%	1.2%	1.7%	1.1%
Finance & Insurance	3.4%	2.0%	0.3%	-0.8%	0.3%	0.4%	0.6%	0.4%
Real Estate, Rental & Leasing	-0.5%	2.9%	-1.2%	1.4%	1.0%	0.3%	0.6%	0.5%
Professional & Technical Services	1.4%	1.3%	2.8%	2.3%	1.7%	1.7%	1.7%	1.9%
Management of Companies & Enterprises	0.7%	4.9%	0.7%	-0.6%	0.1%	0.0%	0.0%	0.0%
Administrative & Waste Services	-2.4%	-0.1%	0.9%	1.2%	1.4%	1.5%	1.0%	0.4%
Educational Services	5.3%	-0.4%	-0.3%	0.2%	1.2%	1.7%	1.8%	1.3%
Healthcare & Social Assistance	3.3%	4.5%	2.5%	2.2%	2.5%	2.2%	2.5%	2.6%
Arts, Entertainment & Recreation	2.7%	2.5%	4.2%	1.1%	1.2%	1.2%	1.2%	1.4%
Accommodation & Food Services	3.6%	1.5%	1.2%	1.7%	1.3%	0.9%	1.3%	0.8%
Other Services & Unclassified	-0.1%	0.7%	1.6%	1.2%	0.8%	-0.2%	-0.3%	-0.2%
Government	-0.3%	1.7%	0.3%	0.3%	0.6%	0.9%	0.5%	0.3%
Local Government	-1.0%	0.1%	-0.4%	0.5%	0.9%	0.4%	0.4%	0.5%
State Government	1.3%	5.4%	1.1%	-0.4%	0.1%	0.5%	0.7%	0.6%
Federal Government	-0.9%	0.6%	1.1%	0.7%	0.8%	2.7%	0.7%	-0.6%
Military Employment	-5.9%	0.6%	-0.3%	0.7%	0.9%	0.7%	0.6%	0.3%

REVENUE OUTLOOK

Overview

The following forecast of revenues is presented in tables following this section. They are based on the October 2017 IHS and UNM BBER baseline forecasts. The presentation provides unaudited FY/17 receipts, the FY/18 budget and revised estimates for FY/18 and the baseline forecast receipts for fiscal years 2019-2022. In all cases, the figures reflect the accrual to revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. The growth rates in the table are in many cases based on the economic forecast assumptions summarized in the previous sections on the economy.

In FY/18 recurring revenues are expected to increase 2.2% from FY/17. This is a reduction from the original estimate of near 3%. In total this is a decrease in revenue of $10.2 million from the original budget. Total revenue increases is expected to increase 1.9%, with non-recurring revenues increasing by $357 thousand. The growth in GRT in the first quarter of FY/18, was 1.8%, well below the 3% estimate in the budget. The economy is now generating jobs and FY/18 is expected to have growth near that of FY/17, though FY/17 is weaker that was originally anticipated. The growth is slower than originally expected and GRT distributions have been erratic. The reductions from the food and medical hold harmless and the tax increment development districts have also been smaller than anticipated. This is due to fewer stores moving into Winrock and a reduction in the hold harmless distributions prior to the phase out adjustment. There are substantial risks. Employment growth though positive is slow, single family permits remain limited and commercial construction has started to grow but much of this is driven by the public schools and healthcare sectors. Deductions for manufacturing inputs and the impact of the Tax Increment Development Districts (TIDDs) remain uncertain. Property tax revenue growth increased on the residential properties, but yield control is limiting the allowed growth. Building permits are growing, but there is a flurry of government driven building activity, such as the rainforest building, the entertainment district and Albuquerque Public School construction. It is not clear if there will be new construction activity to replace this activity. FY/18 also represents the third year that the hold harmless distribution for food and medical services is reduced. The reduction of the distribution of over $35 million will be phased out over 15 years that began in FY/16.

The long-term baseline forecast anticipates that the General Fund recurring revenue growth is expected to be 2.2%, 2.1%, 2.2%, 2.6%, and 2.6% in FY/18, FY/19, FY/20, FY/21, and FY/22 respectively.

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

General Fund Revenue Estimates

<u>Gross Receipts Tax</u>

The GRT revenues for FY/17 were $3.1 million below the amount estimated in the approved FY/18 budget, with growth of 1.5%, well below the forecast 2.3%. GRT growth has been erratic, in FY/17 with 5 of the 12 months in FY/17 being negative. In FY/18 the revenue growth continues to be erratic with 2 of the 4 months negative. This is largely due to fluctuations in the food and medical hold harmless distributions. In FY/18 and FY/19 the one-time revenue includes the additional approximately $2.3 million in the hold harmless distribution that will be removed in the following year. This is also true in FY/20 through FY/22.

The FY/18 budget had anticipated that the GRT distributions would increase by 3%, but based on a weak first quarter and the weakness in the employment forecast from BBER growth is adjusted down to 1.7%. This is a decrease of $8.2 million in recurring GRT revenue from the original budget. This includes the $3.1 million shortfall in FY/17. In FY/19 growth is expected to increase, but only to 2.2%. This growth is net of the loss of an additional $2.3 million in hold harmless distribution and other items. It is assumed that the manufacturing deductions are fully incorporated into the forecast. The deductions for the TIDDs are expected to move further into the future and the first reduction in revenue takes place in FY/20. The details of these additional deductions are detailed in the following table.

Adjustments to GRT Growth

	FY/18	FY/19	FY/20	FY/21	FY/22
Growth w/o adjustments	2.3%	2.8%	3.6%	3.8%	3.6%
F&M hold harmless	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%
TIDDs	0.0%	0.0%	-0.5%	-0.3%	0.0%
Adjusted Rate	1.7%	2.2%	2.5%	2.9%	3.0%

The growth without adjustments in the GRT is estimated using forecasts of economic activity. After this growth is estimated, adjustments are made for known changes. In this forecast, adjustments are made, for Tax Increment Development Districts, and the phase out of the food and medical hold harmless.

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

Property Tax

FY/17 revenues were below expectations mostly due to a reduction in delinquent taxes. In FY/18 revenues were decreased slightly from the budgeted level based on the new FY/17 level, and an increased estimate of the growth in the property tax based on the final assessed value of properties from the Bernalillo County Treasurer. Growth in all years is limited by yield control. Given a relatively low rate of inflation, yield control is expected to limit growth through the forecast.

Franchise Taxes

Recurring revenues in franchise taxes in FY/17 were below estimate. This was primarily due to a shortfall in revenue from the natural gas and electric franchises. Gas was low due to relatively warm weather and low prices of gas. Electricity was low due to the impact of lower prices due to renegotiation of a coal contract. FY/17 had a one-time revenue in the cable franchise, where one quarter of revenue, was received in FY/17 that should have been received in FY/16. FY/18 is now expected to be $327 thousand below the budget estimate. The short fall in electricity is partially offset by new rates allowed by the Public Regulatory Commission.

In FY/19 to FY/22 growth is limited in all of the franchises. Growth in the number of customers for all franchises is small as both household and business formation is limited due to slow housing construction and the weak economy. Telephone franchise revenues are expected to remain flat and the FY/18 budget estimate is reduced to the FY/17 actuals. The natural gas franchise is kept at the FY/17 actual level. The growth in future years is limited to population and the increases in natural gas prices forecast by IHS. The electric franchise is increased from the FY/17 level by 7% which is the growth of revenues in the first quarter of the fiscal year. Telecommunications franchise includes companies other than Century Link and is set to the FY/17 level which is somewhat above the FY/18 budget. They are held at this level for the entire forecast. Cable franchise revenues are kept at the FY/18 budgeted level as the large level in FY/17 was a one-time payment. The Water Authority franchise revenue estimate is decreased to the FY/17 level and then increased by 4% every other year as has been their stated policy. No growth is expected except for these rate increases. Any growth in the number of customers is expected to be offset by water conservation.

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

PILOT revenues are kept at the FY/18 budgeted level. There was some one-time revenue in FY/17 for PILOT revenue from the Industrial Revenue Bond program. Growth is limited to expected population growth of 1%.

Building Permits

Building inspection permit revenues reached a peak in FY/06. Between FY/06 and FY/10 the level of permits fell 63%. In FY/18 revenues are reduced $677 thousand from the budget. This is due to an increase FY/17 and the base, offset in part by a reduction of $1 million due to Albuquerque Public Schools (APS) moving their permitting process to the state. The City will no longer receive revenue or provide permitting for APS projects. FY/19 revenue is expected to grow at 13%. The growth in permits in FY/20 to FY/22 is allowed to grow with the forecast of residential housing permits in the UNM BBER forecast.

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 of Albuquerque permitting process and the City receives no permit revenue. However, GRT is paid both by the state and the federal governments on construction projects.

Other Licenses/Fees

Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of the city right of way, and other miscellaneous fees. FY/18 revenue is kept at the budgeted level. In FY/19 through FY/22 growth is limited to 1% reflecting limited growth in population and the number of businesses.

Other Intergovernmental Assistance

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

The other source of intergovernmental revenue is the state shared Municipal Road Gas Tax. Since this is a per unit tax, reductions in price should increase usage and increase revenues. Revenues declined in FY/15, but grew in FY/16 and FY/17.

The estimate is for all intergovernmental revenue kept at the budgeted level in FY/18. This category remains near flat from FY/19 to FY/22 with growth of only 0.5% a year.

Charges for Services

Charges for services include fees charged for entry into City venues and services provided to citizens and other entities. FY/18 revenues are adjusted slightly down to account for the FY/17 actual. The remainder of the forecast is limited to growth of 1%, approximately the expected growth in population.

Internal Service

In FY/18 revenues are adjusted down to account for the actual revenue received in FY/17. FY/19 is allowed to grow 1% from the FY/18 level and the remaining years increase at the rate of wage and salary compensation as forecast by IHS.

Indirect Overhead

Indirect overhead in FY/18 is held at the budgeted level. FY/19 is increased by 1% and FY/20 through FY/22 is increased at the rate of wage and salary compensation as forecast by IHS.

CIP-Funded Positions

FY/18 is kept at the budgeted level and FY/19 is increased 1%. FY/20 through FY/22 increases at the rate of wage and salary compensation as forecast by IHS.

Miscellaneous

This includes fines, rental of City property and “other miscellaneous” revenues. The FY/18 revenues are held at the budget.

Revenues are increased 1% a year for the remainder of the forecast.

Interest Earnings

Interest earnings have been at extremely depressed levels. FY/18 is reduced to reflect the changes in general fund cash balances used for allocating interest earnings and expectations of unrealized losses. FY/17 showed a negative interest rate due to a GASB adjustment for unrealized losses. Since interest rates are forecast to grow in every year this means that even though interest earnings are going up the general fund will show smaller gains due to the unrealized losses that will occur. After adjusting FY/18 down the years FY/19 to FY/22 are allowed to grow with the expected increases in 2 year treasury rates as forecast by IHS.

Interfund Transfers

Interfund transfers for FY/18 included a one-time transfers from Lodgers' Tax Fund of $106 thousand for the Senior Games. Additional one-time funding in FY/18 includes $422 thousand from Lodgers and $211 thousand from the Hospitality Fund. In FY/19 this is reduced to $345 thousand in Lodgers and $176 thousand in Hospitality. All other transfers are estimated to stay at their FY/18 level for the period FY/19 to FY/22.

PROJECTED REVENUES FOR FISCAL YEARS 2018 TO 2022

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

	Unaudited	Budget	Five year					Growth				
	FY/17	FY/18	FY/18	FY/19	FY/20	FY/21	FY/22	FY/18	FY/19	FY/20	FY/21	FY/22
GRT												
State Shared 1.225%	193,092	200,504	196,343	200,561	205,510	211,383	217,662	1.7%	2.1%	2.5%	2.9%	3.0%
Local GRT (w/o public safety)	89,340	92,981	90,847	92,798	95,088	97,805	100,711	1.7%	2.1%	2.5%	2.9%	3.0%
GRT 1/4 Public Safety*	38,720	40,318	39,373	40,219	41,212	42,389	43,649	1.7%	2.1%	2.5%	2.9%	3.0%
local distribution compensating tax	1,269	2,017	1,396	1,431	1,467	1,504	1,541	10.0%	2.5%	2.5%	2.5%	2.5%
Penalty and Interest	2,034	2,382	2,081	2,139	2,216	2,300	2,383	2.3%	2.8%	3.6%	3.8%	3.6%
Recurring GRT	324,456	338,202	330,041	337,148	345,493	355,381	365,946	1.7%	2.2%	2.5%	2.9%	3.0%
One-Time GRT*		-										
Total GRT	324,456	338,202	330,041	337,148	345,493	355,381	365,946	1.7%	2.2%	2.5%	2.9%	3.0%
Property Taxes	81,798	83,652	83,597	84,885	86,108	87,780	89,486	2.2%	1.5%	1.4%	1.9%	1.9%
Telephone	1,523	1,633	1,523	1,523	1,523	1,523	1,523	0.0%	0.0%	0.0%	0.0%	0.0%
Electric	9,022	9,796	9,653	9,719	9,866	9,994	10,105	7.0%	0.7%	1.5%	1.3%	1.1%
Gas	3,656	3,769	3,693	3,634	3,727	3,782	3,803	1.0%	-1.6%	2.6%	1.5%	0.5%
Cable TV	5,426	4,240	4,240	4,282	4,325	4,368	4,412	-21.9%	1.0%	1.0%	1.0%	1.0%
Water Authority Franchise	7,576	7,632	7,576	7,879	7,879	8,195	8,195	0.0%	4.0%	0.0%	4.0%	0.0%
Telecommunications	230	209	230	230	230	230	230	0.0%	0.0%	0.0%	0.0%	0.0%
Franchise (subtotal)	27,433	27,279	26,915	27,268	27,551	28,092	28,267	-1.9%	1.3%	1.0%	2.0%	0.6%
Other Intergovl	4,887	4,902	4,902	4,927	4,951	4,976	5,001	0.3%	0.5%	0.5%	0.5%	0.5%
Building Permits	8,280	9,199	8,522	9,630	10,321	11,211	11,878	2.9%	13.0%	7.2%	8.6%	5.9%
Other Licenses/Fees	4,769	4,767	4,767	4,815	4,863	4,911	4,961	0.0%	1.0%	1.0%	1.0%	1.0%
Charges for Services	22,924	24,385	23,585	24,021	24,261	24,504	24,749	2.9%	1.0%	1.0%	1.0%	1.0%
Fines and Penalties	256	295	295	205	205	205	205	0.0%	-30.5%	0.0%	0.0%	0.0%
Interest on Invest	(174)	1,215	500	792	1,003	1,013	1,013	-387.1%	58.4%	26.7%	0.9%	0.0%
Other Miscellaneous	3,844	2,673	2,673	2,700	2,727	2,754	2,782	0.0%	1.0%	1.0%	1.0%	1.0%
Interfund Transfers	3,689	2,810	3,443	3,225	2,704	2,704	2,704	-6.7%	0.0%	0.0%	0.0%	0.0%
PILOT	1,973	1,892	1,892	1,911	1,930	1,949	1,969	-4.1%	1.0%	1.0%	1.0%	1.0%
Indirect Overhead	17,211	17,846	17,846	18,024	18,563	19,119	19,691	3.7%	1.0%	3.0%	3.0%	3.0%
Internal Service	251	266	251	254	261	269	277	0.0%	1.0%	3.0%	3.0%	3.0%
CIP-Funded Positions	9,583	11,532	11,532	11,647	11,891	12,247	12,613	20.3%	1.0%	3.0%	3.0%	3.0%
Total Revenue	511,178	530,915	520,762	531,451	542,832	557,115	571,540	1.9%	2.1%	2.1%	2.6%	2.6%
Non-Recurring Revenue	4,577	2,796	3,171	2,820	2,377	2,482	2,590	-30.7%	-11.1%	-15.7%	4.4%	4.4%
Recurring Revenue	506,601	528,119	517,591	528,631	540,455	554,633	568,950	2.2%	2.1%	2.2%	2.6%	2.6%

Non Recurring Revenue includes the reduction in Hold Harmless to be removed in the next year

TIDD Information	Winrock doesn't include estimate of one time construction revenue						
Winrock	(874)	(600)	-	-	(1,310)	(2,463)	(2,653)
Mesa Del Sol (MDS)	(351)	(400)	-	-	(400)	(412)	(424)
Total for TIDDS	(722)	(1,000)	-	-	(1,710)	(2,875)	(3,077)
Property Taxes going to MDS increases from previous year		-	(50)	(50)	(50)	(50)	(50)

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 (actually on November and December spending) the largest of the year. The models also estimate the impact of changes in state taxation policy.

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

Adjustments to the estimates

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

Food and Medical Hold Harmless

The first year of the phased out reduction began in FY/16. The distribution is reduced by 6% in FY/16 and an additional 6% in each of the following years. The general fund will lose approximately $6.1 million, $8.4 million, $10.7 million, $13.3 million and $15.8 million in, FY/18, FY/19, FY/20, FY/21, and FY/22 respectively.
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Tax Increment Development Districts

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. Although in FY/15 there was a $1.7 million dollar pay back of GRT that was incorrectly distributed to the Winrock TIDD. The distributions now made to the TIDD by the Taxation and Revenue Department are correct. Winrock has developed a plan associated with bonds that were issued in the fall of 2015 for expansion of Winrock and a change in the base year from 2007 to 2009. Some of the construction has taken place, but much of the plan has not happened as rapidly as they had expected. It is assumed that the TIDDs have little impact in FY/18 and FY/19 and that the plan will then go into effect reducing GRT by $1.3 million in FY/20, and increasing to $2.7 million in FY/22. It is assumed that the construction revenues are not a net loss to the General Fund, but the retail sales revenues are a net loss to the General Fund. Estimates of TIDD revenues to Mesa del Sol are also estimated and deducted from General Fund Revenue. Mesa del Sol revenues are smaller and have remained flat since the GRT is primarily due to residential construction.

GRT going to TIDDS

	FY/18	FY/19	FY/20	FY/21	FY/22
Winrock	-	-	(1,310)	(2,463)	(2,653)
Mesa Del Sol (MDS)	-	-	(400)	(412)	(424)
Total for TIDDS	-	-	(1,710)	(2,875)	(3,077)

Manufacturing and Construction

A GRT deduction for manufacturing inputs and construction services were put into effect by the state in FY/13. The manufacturing input deductions are phased in at 20% a year beginning with a half year in FY/13. The construction services deduction is a half-year in FY/13 with a full year impact in FY/14. It has been difficult to identify the direct GRT impacts of these statutory changes. The construction services can be identified in the service sector, and appears to be smaller than what was originally anticipated. It is included in the econometric estimate and in the base estimates. Identifying manufacturing, as it is phased in, is more difficult. It appears that due to the reduction in the manufacturing sector, the reductions are fully in place. For this reason revenue is not further reduced for the manufacturing deduction.

Adjustments to GRT (000's)

Total GRT W/O Adjustments	336,108	345,515	357,946	371,481	384,839	2.33%	2.8%	3.6%	3.8%	3.6%
Manufacturing Inputs (grown at manufacturing employment)		Included in Estimates				0.0%	2.8%	3.6%	3.8%	3.6%
Construction Services(grows at forecast construction GRT)		Included in Estimates								
Total Deduction Manufacturing and Construction ser	-	Included in Estimates		-	-					
Deductions For Food and Medical Hold Harmless	(6,067)	(8,366)	(10,743)	(13,225)	(15,816)					
TIDDS	-		(1,710)	(2,875)	(3,077)					
TOTAL ADJUSTMENT	(6,067)	(8,366)	(12,453)	(16,100)	(18,893)					
Adjusted GRT Estimate	330,041	337,148	345,493	355,381	365,946	1.7%	2.2%	2.5%	2.9%	3.0%

EXPENDITURE OUTLOOK

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/18 through FY/22. For the current fiscal year ending June 30, 2018, 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 $1.5 million in re-appropriated encumbrances. The assumption is that the departments will spend their full appropriations by the end of FY/18.

FY/19 estimated costs are, for the most part, derived independently of FY/18 estimates. The FY/19 forecast is fashioned using the latest available information, including actual position information updated in November with vacant positions assumed to be fully funded at the first non-probationary step. Additionally, all subsidized funds and other funds receiving transfers from the General Fund were analyzed independently before adjustments were made for this General Fund forecast to reflect their impact. The FY/18 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/19 is largely driven by inflationary factors applied to the FY/19 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of IHS Global Insight except for some changes made to selected rates to better reflect local costs. Three separate scenarios of national and local economic activity are factored into the methodology to present a baseline, an optimistic, and a pessimistic scenario of anticipated spending. Table B includes the expenditure and revenue outlook together in a fund balance table for the General Fund. Table C summarizes those expenses by major category showing the percentage change in each.

TABLE A

		FACTORS			
BASELINE SCENARIO FACTORS	SHORT NAME	FY/19	FY/20	FY/21	FY/22
CPI - All Urban Consumers, All Items	CPI-U	2.5%	2.6%	2.4%	2.4%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	1.0%	3.0%	3.0%	3.0%
Price Index Consumer Exp Medical Care	MEDICAL	1.8%	1.9%	2.0%	2.0%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	0.9%	0.6%	0.5%	0.5%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	2.5%	2.4%	2.4%	2.5%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	-1.6%	2.6%	1.5%	0.5%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	9.3%	11.2%	6.4%	6.2%
PPI - Fuels & Related Products, Electric Power	ELECT	-0.3%	0.5%	0.3%	0.1%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	2.3%	2.4%	2.4%	2.4%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.4%	0.8%	0.9%	1.0%
Growth of Gross Receipts Tax Revenue	GRT	2.1%	2.5%	2.9%	3.0%

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

	UNAUDITED	REVISED	FORECASTS			
	ACTUAL	BUDGET				
($000's)	FY/17	FY/18	FY/19	FY/20	FY/21	FY/22
RESOURCES:						
Recurring Revenue	506,601	517,591	528,631	540,455	554,633	568,950
% Change Recurring Revenue		2.2%	2.1%	2.2%	2.6%	2.6%
Total Non-recurring	4,577	3,171	2,820	2,377	2,482	2,590
TOTAL REVENUES	511,178	520,762	531,451	542,832	557,115	571,540
% Change Total Revenue		1.9%	2.1%	2.1%	2.6%	2.6%
BEGINNING FUND BALANCE	59,953	57,170	39,119	6,885	(32,032)	(67,451)
TOTAL RESOURCES	571,131	577,932	570,570	549,717	525,083	504,089
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	495,223	525,210	552,529	565,440	581,337	595,041
% Change Recurring Appropriation		6.1%	5.2%	2.3%	2.8%	2.4%
Non-recurring Exp/App:						
One-time Items	18,738	13,603	11,157	16,309	11,197	12,899
TOTAL EXPEND/APPROP	513,961	538,813	563,686	581,749	592,534	607,940
UNADJUSTED FUND BALANCE	57,170	39,119	6,885	(32,032)	(67,451)	(103,851)
ADJUSTMENTS:						
Encumbrances	(2,207)	0	0	0	0	0
Unrealized Gains on Investments	415	415	415	415	415	415
Other Accounting Adjustments	(28)	(28)	(28)	(28)	(28)	(28)
TOTAL ADJUSTMENTS	(1,820)	387	387	387	387	387
ADJUSTED FUND BALANCE	55,350	39,506	7,272	(31,645)	(67,064)	(103,464)
RESERVES:						
1/12th Operating Reserve	43,867	44,901	46,974	48,479	49,378	50,662
Reserve for the Cost of Labor	0	280	0	0	0	0
Increase to Reserve	1,200	0	200	400	600	800
Other Reserves	236	200	0	0	0	0
TOTAL RESERVES	45,303	45,381	47,174	48,879	49,978	51,462
AVAILABLE FUND BALANCE	10,047	(5,875)	(39,902)	(80,524)	(117,042)	(154,926)
1/12th Operating Reserve	42,830	44,901	46,974	48,479	49,378	50,662
Recurring Surplus/(Deficit)	11,378	(7,899)	(23,898)	(24,985)	(26,704)	(26,091)

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

	ACTUAL FY/17	BUDGET FY/18	FY/19	% change	FY/20	% change	FY/21	% change	FY/22	% change
PERSONNEL	328,597	356,784	360,150	0.9%	369,522	2.6%	379,194	2.6%	389,147	2.6%
OPERATING	93,744	92,137	90,240	-2.1%	92,336	2.3%	94,186	2.0%	96,051	2.0%
CAPITAL	2,044	0	0	na	0	na	0	na	0	na
TRANSFERS	89,576	84,293	86,908	3.1%	89,242	2.7%	91,683	2.7%	93,930	2.5%
ADDITIONAL ITEMS FACTORED	0	5,599	26,388	na	30,649	16.1%	27,472	-10.4%	28,813	4.9%
GRAND TOTAL	513,961	538,813	563,686	4.6%	581,749	3.2%	592,534	1.9%	607,940	2.6%

This forecast does not assume any reductions in recurring expenses for FY/19 which drives a recurring gap between revenues and expenses. As shown in Table C, the total percentage increase in expenses peaks in FY/22, mostly due to assumed costs of bringing capital on-line, including streets, parks, ABQ Rapid Transit, and exhibits at the BioPark.

While the personnel category reflects only a 0.9% increase for FY/19 in the above table, it is understated due to the fact that a large portion of salary costs are embedded in capital costs reflected in the "Additional Items Factored". Labor costs make up the majority of overall costs to bring new or expanded facilities on-line. That said, a 1% wage increase for all employees is included in Personnel shown above for FY/19. The out years grow at a larger rate because they are tied to the Employment Cost Index shown in Table A.

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 non-recurring for FY/19 – FY/22.

Department	Purpose	Amount ($000's)
Cultural Services	One Time Special Events Contracts	400
Economic Development	ABQID	100
	Downtown Mainstreet	60
	Nob Hill Mainstreet	60
	Think Big	20
Legal	District Attorney SAKI Contract Support	200
Municipal Development	City/County Building Fire Suppression	125
Planning	Transfer to Metro Redvt Fund 275 for prior year property taxes	200
Police	DOJ Compliance with Settlement Agreement	1,796
	Property Crime Reduction Program	1,200
	Additional PSAs	1,000
Senior Affairs	National Senior Games Term Positions / Operations	2,860
Various Depts	Risk Recovery	3,136
	TOTAL	11,157

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. The needs always exceed available resources. For instance, departments requested $7.3 million for operating capital in FY/18, yet they were only given $1.1 million due to the constraint of available resources. Many of those items are requested again in fiscal year 2019. Departments estimate a need of $7.7 million in additional funding to operate projects coming-on-line in FY/19. Including Transit, the estimates for FY/20 through FY/22 are $9.5 million, $10.3 million, and $10.8 million, respectively. (Note that the costs shown below are in total dollars and are independent of each other, meaning they are not compounded.)

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category / ***Department/Division***	**Opening Date**	**FY 18 Budget**	**FY 19**	**FY 20**	**FY 21**	**FY 22**
Animal Welfare Department						
Two (2) Veteranary Clinic Assistants (cleaning)			70,856	70,856	70,856	70,856
Kennel D Project Phase II remodel Bldg operation costs: utilities & supplies (1872sf)			17,000	17,000	17,000	20,000
Additional Scope: Kennel Q additional bldg. part of Kennel D Project (sq 1940)			17,000	17,000	17,000	20,000
Total Animal Welfare		***$0***	***$104,856***	***$104,856***	***$104,856***	***$110,856***
Cultural Services						
Museums						
Albuquerque Museum History Exhibit Renovation	March 2015		28,119	28,119	28,119	-
Casa San Ysidro	June 2021		-	-	60,615	-
Collection Development	On-going		-	-	60,615	-
Bio Park Exhibits						
Otters	July/Aug 2017	142,856	178,570	178,570	178,570	178,570
Penguins	Oct/Nov 2017	185,148	231,435	231,435	231,435	231,435
Library Automation			21,000	21,000	21,000	-
Total Cultural Services		***$328,004***	***$459,124***	***$459,124***	***$580,354***	***$410,005***
Family and Community Services						
Pat Hurley Community Center			189,296	189,296	189,296	189,296
Dennis Chavez Community Center			151,540	151,540	151,540	151,540
West Gate Community Center			-	185,148	370,296	370,296
Sing Arrow Community Center			-	72,268	144,536	144,536
Loma Linda Community Center Expansion			-	-	28,000	28,000
Total Family and Community Services		***$0***	***$340,836***	***$598,252***	***$883,668***	***$883,668***
Fire Department						
RESCUE 4- (4 Paramedic Lt, Paramedic Driver, 3 Driver positions) Recurring	Mid-Yr FY17	737,000	-	-	-	-

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category ***Department/Division***	**Opening Date**	**FY 18 Budget**	**FY 19**	**FY 20**	**FY 21**	**FY 22**
Alternative Response Vehicle (2) (8 firefighter positions) Recurring			1,226,000	1,226,000	1,226,000	1,226,000
Total Fire Department		***$737,000***	***$1,226,000***	***$1,226,000***	***$1,226,000***	***$1,226,000***
DMD/Roadways/ Traffic Engineering Division						
Intersection Signalization			110,000	150,000	180,000	200,000
Albuquerque Traffic Management System/Intelligent Traffic Systems			360,000	396,000	438,000	500,000
Street Light maintenance & marking/signage			1,000,000	1,200,000	1,200,000	1,200,000
Increase in electricity costs due to additional equipment and rate increases of 2%			250,000	250,000	250,000	300,000
New Street lighting staff, equipment and materials			300,000	320,000	340,000	340,000
Repairs and Maintenance (Facilities)			50,000	65,000	75,000	85,000
New Expanded Roadways			800,000	930,000	1,030,000	1,130,000
New drainage systems			350,000	400,000	450,000	500,000
TOTAL DMD		***$0***	***$3,220,000***	***$3,711,000***	***$3,963,000***	***$4,255,000***
Parks & Recreation Department						
Regional Baseball Complex		44,250	88,500	88,500	88,500	88,500
Balloon Fiesta Park Improvements			15,000	15,000	15,000	15,000
Open Space associated with trails and Land Acquisition			50,609	50,609	50,609	50,609
New Park Development & Land Acquisition			376,392	376,392	376,392	376,392
New Trail Development			30,000	30,000	30,000	30,000
Total Parks & Recreation Department		***$44,250***	***$560,501***	***$560,501***	***$560,501***	***$560,501***
Planning						
Route 66 Wayfinding signs			25,000	25,000	25,000	25,000
Eplan Software License/Maintenance Fees (DRB, DRC, EPC, ZHE, Board of Appeals)			35,212	36,621	38,086	39,609
IDO Zone Corrections per Council Resolution R-17-240			550,000	-	-	-
Total Planning Department		***$0***	***$610,212***	***$61,621***	***$63,086***	***$64,609***
Senior Affairs						
North West Multigenerational Center			-	1,077,672	1,077,672	-
North Domingo Baca Phase III (Gym)			85,681	171,361	171,361	-
Palo Duro Fitness Addition			116,610	116,610	116,610	-
Total Department of Senior Affairs		***$0***	***$202,291***	***$1,365,643***	***$1,365,643***	***$0***
Department of Technology and Innovation						
Infrastructure						
Symantec Backup Bundle Maintenance/Licensing			4,000	4,000	4,000	4,000
Mitsubishi UPS batteries			-	25,000	-	-
SHI -Proof Point			12,000	12,000	12,000	12,000

5-Year Forecast CIP Coming-On-Line Estimates

Funding Allocation Category *Department/Division*	**Opening Date**	**FY 18 Budget**	**FY 19**	**FY 20**	**FY 21**	**FY 22**
CDW Big 5 IP			14,000	14,000	14,000	14,000
Oracle Encryption w/ 18 mo. Maint.			50,000	50,000	50,000	50,000
Parkplace Hardware maintenance			5,000	5,000	5,000	5,000
Mythics Oracle database appliance			13,000	14,000	15,000	15,000
CDW Veritas archiving			17,000	17,000	17,000	17,000
CDW HP Store Virtual 4730 Proline			5,000	5,000	5,000	5,000
SHI Windows Server Software Assurance			3,500	3,500	3,500	3,500
Veritas e discovery			20,000	20,000	20,000	20,000
ANM hardware			-	-	20,000	20,000
Applications			-	-	-	-
KACE Appliance			30,000	30,000	30,000	30,000
Central Avenue Broadband/WiFi, Phase I			150,000	150,000	150,000	150,000
Open Gov			120,660	120,660	120,660	120,660
ERP			-	-	-	-
Transcepta			12,000	12,000	12,000	12,000
Total Department of Technology and Innovation		***$0***	***$456,160***	***$482,160***	***$478,160***	***$478,160***
Total General Fund Departments CIP Coming-On-Line		**$1,109,254**	**$7,179,979**	**$8,569,157**	**$9,225,268**	**$7,988,799**
Transit Department						
Subsidy to Fund 661 from General Fund (ART)			482,000	906,100	1,107,025	2,789,876
Subsidy to Fund 661 from General Fund (CUTC Platform Expansion)			2,400	2,520	2,646	-
Total Transit Department		***$0***	***$484,400***	***$908,620***	***$1,109,671***	***$2,789,876***
Total GF Subsidized CIP Coming-On-Line		**$0**	**$484,400**	**$908,620**	**$1,109,671**	**$2,789,876**
Total CIP Coming-On-Line		**$1,109,254**	**$7,664,379**	**$9,477,777**	**$10,334,939**	**$10,778,675**

REVENUES AND EXPENDITURES UNDER ALTERNATIVE SCENARIOS

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

The alternative scenarios are based on the October 2017 forecasts from the UNM BBER model from the Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). IHS prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. BBER uses the results from the IHS alternatives to estimate the impact to Albuquerque and New Mexico. Previous sections were based on the baseline scenario which is assigned a probability of 65%.

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

The expenditures in these scenarios differ from the baseline in the use of the alternative inflation factors. The differences in the scenario on the expense side are relatively small compared to the differences in revenue.

Additionally, expenses generally increase faster in the optimistic case offsetting some of the gain in revenue. Likewise, in the pessimistic scenario expenses may grow more slowly offsetting some of the losses in revenue.

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

Available Fund Balance by Scenario

	FY/19	FY/20	FY/21	FY/22
Baseline	(39,902)	(80,524)	(117,042)	(154,926)
Optimistic	(27,244)	(55,733)	(79,256)	(102,285)
Pessimistic	(55,794)	(111,863)	(161,308)	(208,516)

The sections on the following pages show the fund balance tables and revenue and expense summaries.

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

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

The Albuquerque economy grows somewhat faster with employment growth of 1.4% in FY/18 or 0.2% above the baseline. Even though the growth differential is relatively small, employment exceeds the baseline by nearly 3,000 jobs in FY/22. Construction employment growth is well above the baseline with 4,900 more jobs added in the forecast. Residential housing permits increase and are 665 units above the baseline in FY/22; a total of 2,347 units above the baseline in FY/18 to FY/22. The unemployment rate drops to 5.4% by FY/22 slightly below the 5.6% in the baseline. This strong growth, particularly in construction causes GRT growth much faster than the baseline. In FY/22 GRT is $14.4 million above the baseline and total revenues are $16.8 above the baseline.

Even in this optimistic scenario, growth in revenue does not equal the growth in expenditures and the available fund balance is negative in the last four years of this forecast. The recurring deficit is $13.3 million in FY/19 and settles at $11.3 in FY/22.

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

OPTIMISTIC SCENARIO INFLATION FACTORS

	2018	2019	2020	2021	2022
All Items	2.1%	3.1%	3.0%	2.7%	2.4%
Employment Cost Index-Wages & Salary	2.9%	1.0%	3.4%	3.3%	3.3%
Medical Care	1.3%	1.3%	1.6%	1.7%	1.4%
New Cars	-0.8%	1.0%	0.1%	0.1%	-0.2%
Trasportation	1.6%	2.5%	2.4%	2.4%	2.4%
Natural Gas*	2.0%	4.0%	4.1%	1.8%	3.1%
Gasoline & Oil	-2.7%	-4.1%	6.7%	10.0%	5.6%
Electricity Chained Price Index**	2.3%	4.4%	3.2%	2.8%	2.9%
PRICE INDEX-Govt Consumption Noncompensation	2.2%	2.4%	2.6%	2.8%	2.7%
Tires/Tubes/Accessories/Parts	1.1%	0.6%	0.0%	0.6%	0.8%

*adjusted for New Mexico

General Fund Revenues

	Budget	Five Year Forecast					Growth Rate				
	FY/18	FY/18	FY/19	FY/20	FY/21	FY/22	FY/18	FY/19	FY/20	FY/21	FY/22
Gross Receipts	338,202	331,706	345,369	355,998	368,227	380,370	2.2%	4.1%	3.1%	3.4%	3.3%
Taxes	112,823	112,686	114,531	116,251	118,688	120,820	1.3%	1.6%	1.5%	2.1%	1.8%
Shared	4,902	4,902	4,927	4,951	4,976	5,001	0.3%	0.5%	0.5%	0.5%	0.5%
Permits	13,966	13,703	14,645	15,944	16,326	16,917	5.0%	6.9%	8.9%	2.4%	3.6%
Charges for Services	24,385	23,585	24,021	24,261	24,504	24,749	2.9%	1.8%	1.0%	1.0%	1.0%
Intra City	20,922	20,907	21,225	21,951	22,674	23,424	-1.2%	1.5%	3.4%	3.3%	3.3%
Misc	3,888	3,568	3,855	4,136	4,174	4,202	-2.8%	8.1%	7.3%	0.9%	0.7%
CIP Funded	11,532	11,532	11,947	12,356	12,763	13,185	20.3%	3.6%	3.4%	3.3%	3.3%
Total Revenue	530,620	522,590	540,520	555,847	572,331	588,668	2.3%	3.4%	2.8%	3.0%	2.9%

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

($000's)	UNAUDITED ACTUAL FY/17	REVISED BUDGET FY/18	FORECASTS FY/19	FORECASTS FY/20	FORECASTS FY/21	FORECASTS FY/22
RESOURCES:						
Recurring Revenue	506,601	519,419	537,590	553,357	569,745	585,965
% Change Recurring Revenue		2.5%	3.5%	2.9%	3.0%	2.8%
Total Non-recurring	4,577	3,171	2,930	2,490	2,586	2,703
TOTAL REVENUES	511,178	522,590	540,520	555,847	572,331	588,668
% Change Total Revenue		2.2%	3.4%	2.8%	3.0%	2.9%
BEGINNING FUND BALANCE	59,953	57,170	40,947	19,407	(7,184)	(29,490)
TOTAL RESOURCES	571,131	579,760	581,467	575,254	565,147	559,179
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	495,223	525,210	550,902	566,124	583,440	597,302
% Change Recurring Appropriation		6.1%	4.9%	2.8%	3.1%	2.4%
Non-recurring Exp/App:						
One-time Items	18,738	13,603	11,157	16,314	11,197	12,899
TOTAL EXPEND/APPROP	513,961	538,813	562,059	582,438	594,637	610,201
UNADJUSTED FUND BALANCE	57,170	40,947	19,407	(7,184)	(29,490)	(51,022)
ADJUSTMENTS:						
Encumbrances	(2,207)	0	0	0	0	0
Unrealized Gains on Investments	415	415	415	415	415	415
Other Accounting Adjustments	(28)	(28)	(28)	(28)	(28)	(28)
TOTAL ADJUSTMENTS	(1,820)	387	387	387	387	387
ADJUSTED FUND BALANCE	55,350	41,334	19,794	(6,797)	(29,103)	(50,635)
RESERVES:						
1/12th Operating Reserve	43,867	44,901	46,838	48,536	49,553	50,850
Reserve for the Cost of Labor	0	280	0	0	0	0
Increase to Reserve	1,200	0	200	400	600	800
Other Reserves	236	200	0	0	0	0
TOTAL RESERVES	45,303	45,381	47,038	48,936	50,153	51,650
AVAILABLE FUND BALANCE	10,047	(4,047)	(27,244)	(55,733)	(79,256)	(102,285)
1/12th Operating Reserve	42,830	44,901	46,838	48,536	49,553	50,850
Recurring Surplus/(Deficit)	11,378	(6,071)	(13,313)	(12,767)	(13,695)	(11,336)

This scenario is based on the IHS pessimistic alternative that is assigned a probability of 20%. In this scenario the recovery slows, the strong dollar weakens exports and the Eurozone falls back into recession. The U.S. economy does fall into recession, with substantial reductions in consumption and growth contracts about 1%. In Albuquerque the unemployment rate increases to 6.7% in FY/20 and in FY/22 is still 0.6% above the baseline. Employment growth drops to 0.2% in FY/19 as the U.S. falls into recession above 1% throughout the forecast and below the baseline in all years. Total employment is 5,100 below the baseline in FY/22, while construction employment is 1,300 below baseline. Residential housing falters and declines to 707 units below the baseline in FY/19.

The slowdown in employment and construction has a substantial impact on the GRT and other revenues. Revenue slows in FY/20 GRT is $10.3 million below the baseline, and recovers slowly to $8 million below in FY/22. Total revenue growth is 2% below the baseline in FY/19, however with recovery is 0.4% above the baseline in FY/21 and FY/22. Total revenue is $12.7 million below the baseline in FY/22.

Revenues grow slower than expenses and the available fund balance is a negative $55.8 million in FY/19. Assuming that the initial deficit is not dealt with, the deficit compounds to negative $208.5 million by FY/22. The underlying recurring imbalance decreases from a negative $36.8 million in FY/19 to a negative $35.7 million in FY/22.

Pessimistic Scenario Inflation Factors

		2018	2019	2020	2021	2022
All Items	CPI-U	1.8%	1.9%	2.3%	2.6%	2.4%
Employment Cost Index-Wages & Salary	WAGES	2.7%	1.0%	2.7%	3.0%	3.0%
Medical Care	MEDICAL	1.2%	1.5%	2.2%	2.1%	1.9%
New Cars	NEWAUTO	-1.2%	0.1%	-0.1%	0.2%	-0.4%
Trasportation	Autorep	1.5%	2.2%	2.2%	2.5%	2.4%
Natural Gas*	NATGAS	-1.3%	6.0%	6.2%	8.5%	3.4%
Gasoline & Oil	FUEL	1.6%	0.7%	6.3%	9.4%	5.7%
Electricity Chained Price Index**	ELECT	7.7%	1.2%	1.2%	1.7%	0.7%
PRICE INDEX-Govt Consumption Noncompensation	GOVT	2.1%	1.9%	2.1%	2.4%	2.5%
Auto Parts and Acessories	TIRES	0.7%	0.2%	0.1%	0.6%	0.8%

*adjusted for New Mexico

General Fund Revenues

	Budget	Five Year Forecast					Growth Rate				
	FY/18	FY/18	FY/19	FY/20	FY/21	FY/22	FY/18	FY/19	FY/20	FY/21	FY/22
Gross Receipts	338,202	328,664	327,189	332,172	345,027	357,976	1.3%	-0.4%	1.5%	3.9%	3.8%
Taxes	112,823	112,195	113,412	114,494	116,316	117,816	0.9%	1.1%	1.0%	1.6%	1.3%
Shared	4,902	4,902	4,927	4,951	4,976	5,001	0.3%	0.5%	0.5%	0.5%	0.5%
Permits	13,966	12,710	12,757	13,203	13,502	13,959	-2.6%	0.4%	3.5%	2.3%	3.4%
Charges for Services	24,385	23,585	24,021	24,261	24,504	24,749	2.9%	1.8%	1.0%	1.0%	1.0%
Intra City	20,922	20,907	21,119	21,690	22,338	23,017	-1.2%	1.0%	2.7%	3.0%	3.0%
Misc	3,888	3,268	3,380	3,534	3,567	3,594	-10.9%	3.4%	4.5%	0.9%	0.8%
CIP Funded	11,532	11,532	11,947	12,270	12,637	13,021	20.3%	3.6%	2.7%	3.0%	3.0%
Total Revenue	530,620	517,763	518,752	526,574	542,865	559,132	1.3%	0.2%	1.5%	3.1%	3.0%

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

($000's)	UNAUDITED ACTUAL FY/17	REVISED BUDGET FY/18	FORECASTS FY/19	FORECASTS FY/20	FORECASTS FY/21	FORECASTS FY/22
RESOURCES:						
Recurring Revenue	506,601	514,592	515,927	524,191	540,316	556,417
% Change Recurring Revenue		1.6%	0.3%	1.6%	3.1%	3.0%
Total Non-recurring	4,577	3,171	2,826	2,383	2,549	2,715
TOTAL REVENUES	511,178	517,763	518,752	526,574	542,865	559,132
% Change Total Revenue		1.3%	0.2%	1.5%	3.1%	3.0%
BEGINNING FUND BALANCE	59,953	57,170	36,121	(8,992)	(63,432)	(111,824)
TOTAL RESOURCES	571,131	574,934	554,873	517,582	479,433	447,308
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	495,223	525,210	552,708	564,709	580,060	592,096
% Change Recurring Appropriation		6.1%	5.2%	2.2%	2.7%	2.1%
Non-recurring Exp/App:						
One-time Items	18,738	13,603	11,157	16,305	11,197	12,899
TOTAL EXPEND/APPROP	513,961	538,813	563,865	581,014	591,257	604,995
UNADJUSTED FUND BALANCE	57,170	36,121	(8,992)	(63,432)	(111,824)	(157,687)
ADJUSTMENTS:						
Encumbrances	(2,207)	0	0	0	0	0
Unrealized Gains on Investments	415	415	415	415	415	415
Other Accounting Adjustments	(28)	(28)	(28)	(28)	(28)	(28)
TOTAL ADJUSTMENTS	(1,820)	387	387	387	387	387
ADJUSTED FUND BALANCE	55,350	36,508	(8,605)	(63,045)	(111,437)	(157,300)
RESERVES:						
1/12th Operating Reserve	43,867	44,901	46,989	48,418	49,271	50,416
Reserve for the Cost of Labor	0	280	0	0	0	0
Increase to Reserve	1,200	0	200	400	600	800
Other Reserves	236	200	0	0	0	0
TOTAL RESERVES	45,303	45,381	47,189	48,818	49,871	51,216
AVAILABLE FUND BALANCE	10,047	(8,873)	(55,794)	(111,863)	(161,308)	(208,516)
1/12th Operating Reserve	42,830	44,901	46,989	48,418	49,271	50,416
Recurring Surplus/(Deficit)	11,378	(10,898)	(36,781)	(40,517)	(39,744)	(35,679)

Comparison of Scenarios—National and Local Variables

Indicator/FY	SCENARIO Optimistic	SCENARIO Baseline	SCENARIO Pessimistic	Difference Optimistic	Difference Pessimistic	
GRT- Total (before deductions)						
2018	2.8%	2.3%	1.9%	0.6%	-0.4%	
2019	4.8%	2.8%	0.2%	2.0%	-2.6%	
2020	4.2%	3.6%	2.7%	0.6%	-0.9%	
2021	4.3%	3.8%	4.8%	0.6%	1.0%	
2022	3.9%	3.6%	4.4%	0.3%	0.8%	
Employment -Albuquerque MSA						
2018	1.0%	1.0%	0.8%	0.0%	-0.2%	**L**
2019	1.4%	1.2%	0.2%	0.1%	-1.1%	**O**
2020	1.4%	1.1%	0.6%	0.2%	-0.6%	**C**
2021	1.4%	1.2%	1.3%	0.3%	0.2%	**A**
2022	1.2%	1.0%	1.4%	0.1%	0.4%	**L**
Unmployment Rate -Albuquerque MSA						
2018	6.1%	6.1%	6.2%	0.0%	0.1%	
2019	5.6%	5.7%	6.3%	-0.1%	0.6%	
2020	5.5%	5.6%	6.7%	-0.1%	1.1%	
2021	5.4%	5.6%	6.4%	-0.2%	0.9%	
2022	5.4%	5.6%	6.2%	-0.2%	0.6%	
GRT Construction						
2018	8.3%	7.5%	6.6%	0.8%	-0.9%	
2019	7.4%	-1.4%	-10.1%	8.8%	-8.7%	
2020	5.3%	4.1%	-3.9%	1.2%	-8.0%	
2021	8.6%	6.2%	11.9%	2.4%	5.7%	
2022	7.8%	6.2%	12.8%	1.6%	6.6%	
MSA Construction Employment						**I**
2018	3.0%	2.7%	2.0%	0.3%	-0.7%	**D**
2019	5.6%	2.9%	-3.0%	2.7%	-5.9%	**I**
2020	5.7%	2.7%	-2.2%	3.0%	-4.9%	**C**
2021	4.2%	2.6%	4.8%	1.7%	2.2%	**A**
2022	3.7%	2.5%	6.6%	1.1%	4.0%	**T**
Residential Housing Permits-Inside City						**O**
2018	1,450	1,292	1,095	158	(197)	**R**
2019	2,093	1,674	967	419	(707)	**S**
2020	2,280	1,794	1,331	486	(463)	
2021	2,567	1,949	1,799	618	(150)	
2022	2,730	2,065	2,062	665	(2)	
Real GDP						
2018	2.8%	2.3%	1.7%	0.6%	-0.5%	
2019	3.4%	2.2%	0.0%	1.2%	-2.1%	
2020	2.7%	2.2%	2.4%	0.6%	0.3%	
2021	2.7%	2.1%	2.7%	0.6%	0.6%	
2022	2.4%	2.3%	2.2%	0.1%	-0.1%	
Unemployment Rate						
2018	4.2%	4.7%	4.5%	-0.5%	-0.2%	
2019	4.2%	4.6%	5.4%	-0.4%	0.8%	**N**
2020	4.1%	4.6%	5.6%	-0.5%	1.0%	**A**
2021	4.1%	4.8%	5.3%	-0.6%	0.5%	**T**
2022	4.2%	4.8%	5.0%	-0.6%	0.2%	**I**
Price Index Consumer Price Index-Urban Consumers						**O**
2018	2.1%	2.5%	1.8%	-0.4%	-0.7%	**N**
2019	3.1%	2.5%	1.9%	0.6%	-0.6%	**A**
2020	3.0%	2.6%	2.3%	0.3%	-0.3%	**L**
2021	2.7%	2.4%	2.6%	0.3%	0.2%	
2022	2.4%	2.4%	2.4%	0.0%	0.0%	
Interest Rates-Federal Funds Rate						
2018	1.2%	1.1%	1.3%	0.2%	0.2%	**I**
2019	2.1%	1.9%	1.0%	0.2%	-0.9%	**N**
2020	3.1%	2.7%	1.1%	0.4%	-1.6%	**D**
2021	3.3%	2.8%	2.0%	0.5%	-0.7%	**I**
2022	3.3%	2.8%	2.5%	0.5%	-0.3%	**C**
Interest Rates-Ten Year Treasury Bonds						**A**
2018	2.6%	2.4%	3.0%	0.3%	0.6%	**T**
2019	3.8%	3.0%	3.5%	0.8%	0.5%	**O**
2020	4.4%	3.6%	3.0%	0.9%	-0.6%	**R**
2021	4.4%	3.6%	3.6%	0.8%	0.0%	**S**
2022	4.3%	3.6%	3.8%	0.7%	0.2%	
West Texas Intermediate Dollars per Barrel						
2018	43.1	52.1	47.4	(9.0)	(4.7)	
2019	44.2	60.5	53.1	(16.2)	(7.4)	
2020	50.7	71.9	59.7	(21.2)	(12.2)	
2021	60.7	77.9	69.8	(17.2)	(8.1)	
2022	64.8	84.3	74.5	(19.5)	(9.7)	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic -Baseline					Optimistic-Baseline				
	FY/18	FY/19	FY/20	FY/21	FY/22	FY/18	FY/19	FY/20	FY/21	FY/22
Gross Receipts	(1,377)	(9,960)	(13,321)	(10,354)	(7,971)	1,665	8,220	10,504	12,846	14,423
Taxes	(209)	(651)	(1,095)	(1,506)	(1,905)	282	468	662	867	1,099
Shared	-	-	-	-	-	-	-	-	-	-
Permits	(580)	(1,688)	(1,981)	(2,621)	(2,880)	414	200	760	203	78
Charges for Services	-	-	-	-	-	-	-	-	-	-
Intra City	(633)	(384)	161	246	345	(633)	(278)	423	582	752
Misc	(200)	(317)	(401)	(405)	(405)	100	158	201	203	203
CIP Funded	-	300	379	390	408	-	300	465	516	572
Total Revenue	(2,998)	(12,699)	(16,258)	(14,250)	(12,408)	1,828	9,068	13,015	15,216	17,128
Recurring Growth	-0.6%	-1.9%	-0.6%	0.5%	0.4%	0.4%	1.4%	0.7%	0.3%	0.3%

COMPARISON OF SCENARIOS

US Macro Forecast Snapshot: October 2016

	Baseline (65%)	Pessimistic (20%)	Optimistic (15%)
GDP growth	Moderate growth, 1.4% in 2016 and 2.2% in 2017	Growth registers 1.3% in 2016 and just 0.2% in 2017, with a recession during the second half resulting from political risks and faltering productivity	Growth of 1.5% in 2016 and then 2.7% in 2017, as higher investment boosts productivity
Consumer spending	A key driver of growth, up 2.7% in 2016 and 2.5% in 2017	Expands 2.6% in 2016, before slowing to 1.1% in 2017 as economy stumbles	Economy leader as incomes rise, up 2.7% in 2016 and 2.9% in 2017
Business fixed investment	Edges down 0.1% in 2016, but rebounds 4.1% in 2017	Recedes 0.2% in 2016, before rising a modest 1.5% in 2017	Flat in 2016, but bounces back a solid 5.3% in 2017
Housing	Gradual improvement, with over 1.3-million starts by third-quarter 2018	Starts remain beneath 1.3 million until early 2020	Pace of building rises, with 1.6-million starts by fourth-quarter 2019
Exports	Inch down 0.1% in 2016, before increasing 2.3% in 2017	Contract 0.4% in 2016 and 1.8% in 2017, as dollar soars further and global weakness persists	Slip 0.1% in 2016, but rebound 4.2% in 2017 thanks to stronger foreign growth
Fiscal policy	Bipartisan agreements fund existing obligations without interruption, albeit without a "grand bargain"	Political paralysis prevents any meaningful fiscal action during succeeding administrations	Budget gap stabilizes, as higher tax revenues are enough to offset increased spending
Monetary policy	Federal Reserve hikes the federal funds rate in December 2016, ending the year at 0.75%	Fed accelerates rate increases through third-quarter 2017 in response to rising inflation, and then returns rates to near zero after the economy enters recession, raising them again in 2020 due to persistent inflation	The federal funds rate rises faster than in the baseline, surpassing 3.0% in 2019
Credit conditions	Gradually easing	Lending standards remain high	Rapidly easing
Productivity growth	Modest, averaging 1.3% during 2016–26	Stagnates and fails to improve rapidly, averaging 1.0% during 2016–26	Outperforms baseline as new technologies spur investment, averaging 1.7% during 2016–26
Consumer confidence	On a generally upward trajectory until third-quarter 2018	Plummets 19 points as economy enters recession in 2017, remains significantly below baseline throughout forecast interval	Exceeds baseline from 2017 onward
Oil prices (Dollars/barrel)	Brent crude oil averages $43 in 2016 and $52 in 2017	Brent crude oil averages $46 during 2016, then leaps to an average $69 in 2017 as US production declines	Brent crude oil jumps to $73 by second-quarter 2017, but retreats below the baseline in 2018 as higher prices attract more investment and boost supply
Stock markets	The S&P 500 regains strength, climbing 1.6% in 2016 and 8.5% in 2017	The S&P 500 plunges 6.1% in 2017 and hits a trough in first-quarter 2018.	The S&P 500 achieves 2.7% growth in 2016 and surges 15.1% in 2017
Inflation (CPI)	Headline CPI inflation starts picking up in fourth-quarter 2016 as oil prices begin to rise; core CPI inflation averages 2.3% in both 2016 and 2017	Demand-side growth sends headline inflation to peak of 4.4% in third-quarter 2017; core inflation never returns below the baseline	Core prices rise due to a tightening labor market, peaking at 3.1% in fourth-quarter 2018 and then falling gradually until 2022
Foreign growth	In 2016, Eurozone growth registers 1.6% while China's growth slows to 6.6%	Amid uncertainty related to Brexit, US major trading partners manage only 1.0% average gains between 2016 and 2018; problems in emerging markets become more pervasive	Both developed economies and emerging markets improve as a result of structural reforms in some struggling economies and European Central Bank's quantitative easing
US dollar	The inflation-adjusted dollar peaks in the third quarter of 2017, and then depreciates for the remainder of the forecast interval	Appreciates sharply until the end of 2017 and then depreciates for the rest of the forecast interval, falling below the baseline in 2019	World-leading growth causes appreciation against other currencies from first-quarter 2017 through third-quarter 2018

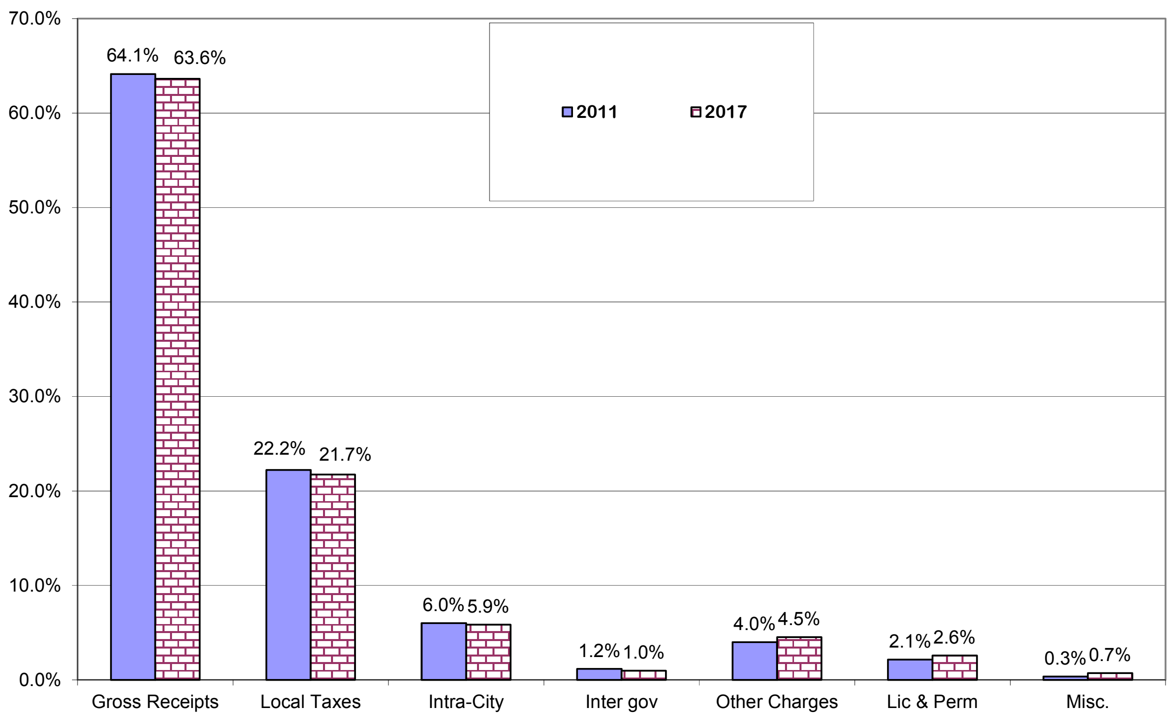
Source: IHS

REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/11 to FY/17 is presented below. These numbers reflect a one-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. The FY/17 numbers represent unaudited numbers and may change. Total receipts in this period increased 13% or a compound annual rate of 2.1%. Recurring revenues for the same period showed annual growth of 2.0%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/11 and FY/17. The City's General Fund has become somewhat less reliant on the Gross Receipts Taxes and local taxes (franchises and property tax). Licenses and permits have become more important as building permit revenues increased in the period. Charges for services and miscellaneous revenues have also become more important.

Shares of Recurring General Fund Revenues



In the period from FY/11 to FY/17, the General Fund has been affected by several changes in revenue. There were some changes in tax rates. In FY/10 two mills in property tax was shifted from capital to operations. This added to a one mill shift in FY/09 and offsets in part a reduction of ¼ cent in GRT that occurred as 1/8th in FY/07 and 1/8th in FY/09. The following sections cover changes that occurred in the period FY/11 to FY/17 by category.

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

REVENUE SOURCE	FY/11	FY/12	FY/13	FY/14	FY/15	FY/16	Unaudited FY/17	GROWTH FY/11 TO 17	COMPOUND ANNUAL RATE
GROSS RECEIPTS TAX	252,335	256,661	259,787	265,745	276,573	280,550	284,466	12.7%	2.0%
BASIC SERVICES	0	0	0	0	0	0	0		0.0%
GRT PUBLIC SAFETY	34,449	34,981	35,436	36,239	37,606	38,236	38,720	12.4%	2.0%
LOCAL COMPENSATING TAX	1,592	1,690	1,485	1,570	2,361	1,325	1,269	-20.3%	-3.7%
TOTAL GRT	288,376	293,331	296,708	303,554	316,540	320,111	324,456	12.5%	2.0%
OTHER LOCAL TAXES	99,827	104,779	104,957	105,273	107,542	108,010	110,203	10.4%	1.7%
LICENSES AND PERMITS	9,629	10,370	11,343	11,705	11,307	11,899	13,049	35.5%	5.2%
INTER-GOVERNMENTAL AID	5,179	4,837	4,750	4,808	4,327	4,739	4,887	-5.6%	-1.0%
INTRA-CITY CHARGES (1)	30,061	29,941	26,897	28,054	27,630	29,577	30,734	2.2%	0.4%
OTHER SERVICE CHARGES	17,979	19,758	20,599	22,301	20,841	21,537	22,924	27.5%	4.1%
MISCELLANEOUS	1,540	2,783	2,998	2,235	1,568	4,002	3,925	154.9%	16.9%
TOTAL REVENUES	452,591	465,799	468,252	477,930	489,756	499,875	510,179	12.7%	2.0%
LESS NON-RECURRING	3,034	3,724	2,330	3,199	4,836	4,210	4,577	50.9%	7.1%
RECURRING REVENUES	449,557	462,075	465,922	474,731	484,920	495,665	505,602	12.5%	2.0%

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

Other Local Taxes

This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category slightly reduced its share of total recurring revenues from 22.2% in FY/11 to 21.7% in FY/17. Property tax revenues increased at an annual compound rate of 1.6%. There were no shifts in the tax that affected growth in this period. Property tax revenue growth has slowed in the past several years. This slowdown was due to several factors. Residential property values have declined and not recovered substantially, new residential construction is slow, and the Bernalillo County Assessor's downward adjustment to property value for "tax lightning". Tax lightning is the effect of a limitation on residential increases in assessments to an annual rate of 3%. In the past, as houses were resold, this limitation was no longer in place and there were very large reassessments to the new home owner. Due to a court case in 2009, the assessor reduced assessments on these re-sold homes to a 3% annual increase. This substantially reduced the residential tax base. This case was successfully appealed in 2012 and property values can now increase with their sale. However, the declines in home values with the recession will limit these increases. Property taxes distributed to the City for operational purposes held up due to yield control which boosted property tax rates enough to have increases in property tax revenue in FY/11 and FY/12. As of FY/12 rates were at a maximum and the yield control mechanisms will no longer increase rates. The residential tax base showed increases of 2.8% in FY/15, 2.6% in FY/16, and 4% in FY/17. Unfortunately, yield control has limited growth; 0.8% in FY/15 and 2.4% in FY/17. Commercial property has shown very limited new growth and existing values have declined with the recession. Since commercial property values can be based on the income the property can earn, the slowdown has reduced their earning capabilities. Commercial valuations were down 10% from FY/10 to FY/13, a 2% decline in FY/14, a 0.5% increase in FY/15, and a 1.3% decline in FY/16 and was flat in FY/17.

Rates were already at a maximum on commercial properties, so yield control offered no relief. In the future, commercial property value increases, should they occur, will be limited by yield control.

Franchise revenues in total grew at a compound annual rate of 0.4% for the period. The electric franchise had the strongest recurring growth with annual average growth of 2.7%. This was due mostly to increased rates in FY/11. Another rate increase took place in FY/17, but was offset by a decrease in the fuel cost for coal. Other franchise revenues include telecommunication franchises other than Century Link which is counted in the Telephone Franchise. Revenues from the water franchise increased at an average annual rate of 6.1%. In FY/15 there was $559 thousand of one-time revenue associated with changing to a modified accrual basis of accounting. The growth was mostly due to a series of rate increases beginning in FY/12. Through FY/11 average compound growth was about 1%, reflecting slower increases in housing starts and water conservation efforts. In FY/14 revenues declined by 8.2%; this was mostly a consequence of wet weather increasing conservation. PILOT, not including the Water Authority, had annual growth of 2.1% due mostly to an adjustment in GRT in FY/11. Cable franchise revenues increased 0.7% annually on a recurring basis. In FY/17 a one-time revenue of one million dollars was received. It was a late payment that was intended for FY/16.

Licensing and Permits

The share for this category was 2.1% in FY/11 and 2.6% in FY/17. The limited share is due to the fall in building permit and licensing revenue that occurred in FY/07 through FY/09. Since FY/11 building permits increased at an average annual rate of 10.2% but are still only 70% of the FY/06 level. Other licenses and permits increased an average of 1.7% due primarily to the increased use of barricading permits on roads and charging the Albuquerque Bernalillo County Water Utility Authority for the permits. Additionally, a new food inspection ordinance increased restaurant permit fees in FY/11.

Intergovernmental Aid

Revenues from other governments not including GRT shared distributions accounted for 1.2% of General Fund recurring receipts in FY/11 and 1% in FY/17. Revenues declined 15.8% in this period due to losses of several shared revenue sources. The only recurring revenues are the municipal gasoline tax, State shared vehicle taxes and County shared revenues. The State stopped the cigarette tax revenues distribution in FY/11, a loss of approximately $400 thousand. In FY/12 the General Fund lost the State-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and the State legislature reassigned this distribution to the County beginning in FY/12. In past years there were grants that were generally reimbursements for one-time expenses. These are now counted in charges for services. In FY/14 $108 thousand of revenue from the county to manage household hazardous waste was moved from the General Fund to the Solid Waste Enterprise fund.

Intra-City Revenues

These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other inter-fund transfers, excluding PILOT. In FY/11 these accounted for 6% of recurring revenues and 5.9% in FY/17.

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

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 due mainly to transfers from the newly created Photo-Enforcement Fund. Transfers from the Photo-Enforcement Fund were used to pay for the costs of operating the programs; largely the cost of the administrative hearing office. The program was discontinued in December 2011 and revenue is now limited to collection efforts for outstanding citations. In FY/14 there was a one-time transfer of $2.3 million from the Operating Grants Fund.

Revenues from internal service charges have decreased dramatically as the City either contracted out, or moved services to separate funds. In FY/09 revenues were about $1.6 million with most of the revenue coming from a contract the Parks and Recreation Department had to provide landscape maintenance at the Sunport. Revenues declined in FY/14 with the start of the phase-out of the Sunport contract. In FY/16 revenues were only $279 thousand.

Indirect overhead revenues in FY/11 were $12.3 million; in FY/17 revenues are estimated at $17.2 million. This increase is mostly due to changes to the indirect plan. Some of this is offset by reclassifying the IDOH from the Water Utility Authority to charges for services and rental agreements as the Authority is independent and no longer accounted for as a separate fund in the City.

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

Revenues from other charges accounted for 4% of General Fund recurring revenues in FY/11 and 4.5% in FY/17. These revenues include entrance fees to City venues and charges to other funds and outside entities. Engineering fees and other construction related charges increased substantially and then fell as construction faltered. Engineering fees went from a high of $2.7 million in FY/06 to $541 thousand in FY/11. Revenues from charges for legal services, primarily from the Risk Management Fund, increased due to a rate increase in FY/10. This revenue in large part is dependent on the number of staff in the Legal Department and how much outside counsel for risk management cases they need to employ. In FY/12, the alarm ordinance amount increased to over one million dollars as all of the revenues- both fines and fees are now collected in the General Fund. In FY/11 the Metropolitan Court also began paying the City approximately $600 thousand for police security at the metropolitan court. Reimbursements from the County for library services in the unincorporated areas have remained relatively flat. The BioPark, that includes the zoo, aquarium, and botanic gardens, had revenues of $3.4 million in FY/12. With annual growth of 1.6% in this period, the BioPark was one of the few City venues to increase attendance during the recession. In FY/13 admission fees to the park were increased in September of the fiscal year and revenues increased to $4 million for the year. FY/17 saw a reduction in revenues at the BioPark. This may be due to the construction of new exhibits for penguins and otters that may increase future revenue.

<u>Miscellaneous</u>

This category has only a small share of recurring revenue and increased slightly from 0.3% in FY/11 to 0.7% in FY/17. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings have fallen dramatically, from $3.3 million in FY/08 to $213 thousand in FY/14. In FY/16 interest earnings increased to $1.1 million, but over half of this is due to the inclusion of unrealized gains. In FY/17 due to an adjustment to capture unrealized losses the General Fund posted negative interest earnings. As the Federal Reserve continues to increase interest rates unrealized losses will have a negative effect on interest earnings. 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 around $150 thousand a year. In FY/14 there was one-time revenue of $381 thousand associated with the photo-enforcement program. This is from a collection program to collect unpaid fines associated with the now closed program. In FY/15 there was a large $1.5 million reduction for a one-time accounting adjustment.

Gross Receipts Tax

GRT remains the major contributor to the General Fund making up 63.6% of recurring revenues in FY/17. Non-recurring GRT revenue was $2 million; the amount that revenues will be reduced in the upcoming year due to the phase out of the hold harmless distributions. In FY/05, the City imposed a new ¼ cent tax for public safety. On January 1, 2000 the ¼ cent transportation tax was imposed. This replaced the ¼ cent quality of life tax that expired June 30, 1999. In January 2007 and July 2008 the ¼ cent tax basic services increment was removed in two ⅛ cent increments. The Transportation tax expired on December 30, 2009 and was reinstated beginning July 2010 with a sunset of June 2020.

The following table provides a summary of the GRT from FY/08 to FY/17 as a revenue source for the City of Albuquerque. The locally imposed GRT consists of the municipal imposed ½ cent (two quarters), basic services ¼ cent, public safety ¼ cent, infrastructure $^{1}/_{16}$ cent, the transportation infrastructure ¼ cent, and the BioPark projects 1/8th. The transportation infrastructure tax and the BioPark projects tax are not included in the General Fund. The transportation tax was imposed for ten years from January 2000 through December 30, 2009. An extension of the tax was passed in the October 2009 election, but didn't go into effect until July of 2010. Because of collection time and the City accrual of revenue, 11 months of the tax was counted in FY/11. This same quarter cent tax was previously used for quality of life and open space. In FY/09, the City began receiving a share of the compensating tax. The City's share in FY/09 was $694 thousand and was phased in to a larger percentage and was $1.5 million in FY/11. The distribution in FY/15 was $2.4 million but $361 thousand of this is non-recurring. The base of the compensating tax includes revenues from oil producing activity and is at a substantially lower level in FY/16 and FY/17. In 2015 the voters approved 1/8th cent Municipal Capital Outlay Tax; known as the BioPark Projects Tax. This tax went into effect July 1, 2017 and will be used for capital projects at the BioPark. It is to last 15 years and has a sunset of June 30, 2031.

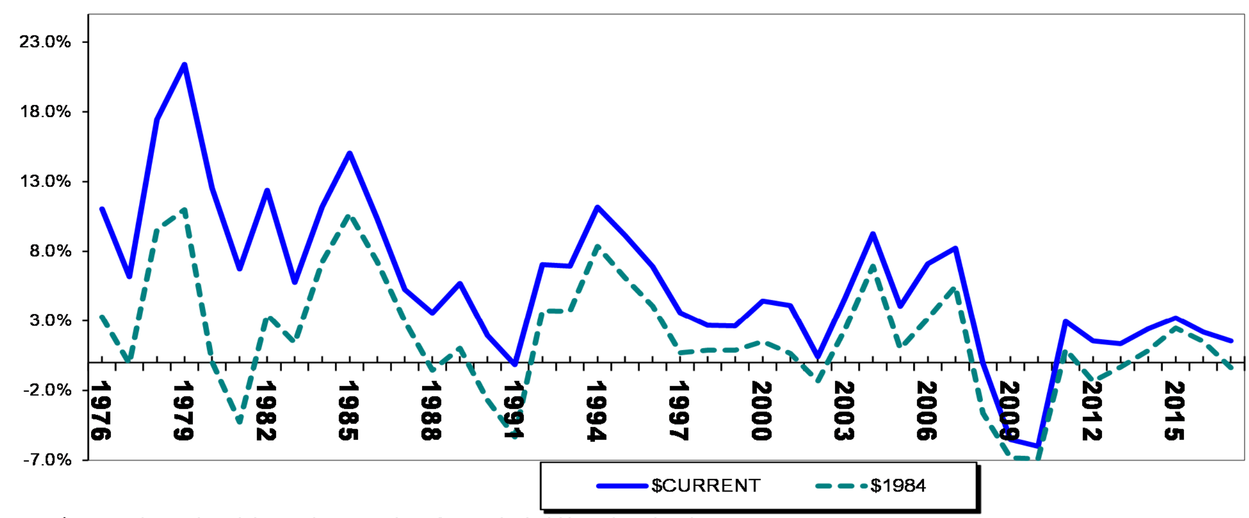
Gross Receipts Tax revenues, including shared compensating tax, in the General Fund declined by 1.5% from FY/06 to FY/15. The decline is due to the two ⅛ cent tax cuts in January 2007 and July 2008. In order to look at the growth in the tax base and ignore changes in tax rates and other technical changes, it is best to look at the one-percent state shared distribution. The one-percent distribution had annual growth of 0.9% in this period. In FY/12 growth was limited in part due to the imposition of an administrative fee of 3.25% on the food and medical hold harmless distribution. This is the first time an administrative fee impacted the state shared revenues. After adjusting for inflation the one-percent distribution in FY/15 is actually 10% below the amount in FY/06. The rapid growth in the period prior to FY/07 was offset by three negative years. FY/08 was down 0.5%, FY/09 was down 5.1% and FY/10 was down 6.0%. In FY/11 positive growth of 2.9% was achieved and the distribution increased in every year FY/12 to FY/15. Since the recession in real terms only FY/14, FY/15 and FY/16 had growth that exceeded the rate of inflation.

GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2007 - 2017
($000's)

DETAIL ON GROSS RECEIPTS:	FY/08	FY/09	FY/10	FY/11	FY/12(6)	FY/13	FY/14	FY/15	FY/16	FY/17	FY'S 08-17 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:												
MUNICIPAL IMPOSED 1/2 CENT	76,098	73,129	70,062	71,026	72,081	73,006	74,661	77,481	78,796	81,271	6.8%	0.7%
BASIC SERVICES												
first 1/8(4)	18,506	1,674									NA	NA
Second 1/8 (4)	0	0										
PUBLIC SAFETY 1/4 CENT(3)	37,011	35,584	34,070	34,449	34,981	35,436	36,239	37,606	38,236	38,720	4.6%	0.5%
INFRASTRUCTURE 1/16 CENT (2)	9,243	8,734	8,199	8,443	8,576	8,685	8,895	9,237	9,387	9,523	3.0%	0.3%
	140,858	119,121	112,330	113,918	115,637	117,127	119,795	124,324	126,419	129,515	-8.1%	-0.9%
STATE SHARED RECEIPTS												
1% DISTRIBUTION	152,654	144,247	135,604	139,618	141,780	143,688	147,162	152,725	155,223	157,529	3.2%	0.3%
.225% DISTRIBUTION	34,353	32,456	30,516	31,420	31,906	32,336	33,117	34,366	34,931	35,450	3.2%	0.3%
Municipally Shared Compensating Tax		694	1,449	1,592	1,690	1,485	1,570	2,361	1,326	1,381	NA	NA
	187,007	177,397	167,569	172,629	175,375	177,509	181,849	189,452	191,480	194,361	3.9%	0.4%
TOTAL TAX RECEIPTS	327,865	296,518	279,899	286,547	291,013	294,636	301,644	313,776	317,899	323,876	-1.2%	-0.1%
PENALTY & INTEREST	2,344	1,928	1,769	1,829	2,318	2,072	1,910	2,765	2,212	2,086	-11.0%	-1.3%
TOTAL GENERAL FUND DISTRIBUTION(7)	330,209	298,445	281,668	288,376	293,331	296,708	303,554	316,540	320,111	325,962	-1.3%	-0.1%
MUNICIPAL IMPOSED 1/4 CENT												
TRANSPORTATION2000 (5)	37,011	35,036	19,660									
TRANSPORTATION2010 (5)				30,626	34,349	34,815	35,585	36,777	37,616	38,154		
	37,011	35,036	19,660	30,626	34,349	34,815	35,585	36,777	37,616	38,154	3.1%	0.3%
CAPITAL PURPOSES IMPOSED 1/8 CENT												
BIO PARK PROJECTS TAX(8)										15,579	NA	NA
TOTAL GROSS RECEIPTS TAX REVENUES(1)	367,220	333,481	301,328	319,002	327,680	331,524	339,138	353,318	357,728	379,696	3.4%	0.4%

(1) After adjustments in compliance with GASB.
(2) The Municipal Infrastructure Gross Receipts Tax went into effect July 1, 1992, with the first distribution in September..
(3) Went into effect July 2004, 11 months received in FY/05
(4) First 1/8 was cut effective January 2007, 2nd 1/8 cut was effective in July 2008
(5) 1/4 Cent Transportation Infrastructure Tax has two authorities (2000) in effect January 1, 2000 and sunset December 31, 2009 and 2010 July 1, 2010 to June 30, 2020
(6) An administrative fee of 3.25% was added to the food and medical hold harmless portion of all the GRT distributions and is the only admin fee on the state shared
(7) There was $1.68 million in one-time revenue due to an overpayment to the Winrock TIDD. Also, the first reduction in the food and medical hold harmles distribution in FY/16 of $2.3 million is counted as one-time revenue. Finally there were one-time revenues associated with compensating tax and penalty and interest of $826 thousand.
(8) The tax is to be used only for BioPark capital projects. It sunsets on June 30, 2031.

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2017



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

The year-over-year growth in the one-percent distribution received as State shared revenues is charted above in current dollars and inflation adjusted to constant 1984 dollars. Looking at the one-percent distribution avoids the problem of changes in tax rates. For FY/12 the newly imposed administrative fee on food and medical distributions makes a slight reduction of approximately 0.3% in that year. The tax mimics the performance of the Albuquerque economy. The gross receipts tax is an "elastic" revenue source, as revenues are sensitive to economic growth and inflation. The negative real growth in FY/81, FY/91, FY/02 and FY/09 corresponds to recessions. The recent recession shows a far larger decline than in any of the past recessions. The only other year to decline in current terms was Fiscal Year 1991, with a minimal decline of 0.2%. Since the recession only FY/11, and FY/14 through FY/16 have posted real growth in GRT. FY/17 shows a decline in real terms, in part, due to the phase out of the hold harmless distributions.

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

Changes to Gross Receipts Tax Base

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

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

The State holds the City harmless on the deduction for food and certain medical services. The City receives a distribution from the State as if the deduction was not in place. Revenue to the State to offset this was generated by increasing all municipalities' taxes by 0.5%. This distribution will be phased out over 15 years that started in FY/16.

In addition to these changes in the tax base the State has changed administrative fees. Most recently, in FY/12, the State added a 3.25% administrative fee on the hold harmless distribution on food and medical services. The deduction for manufacturing inputs is to be phased in over five years beginning with a half year in FY/13.

ACCURACY OF THE REVENUE ESTIMATES

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

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

The first set of columns reports the accuracy of the 4-month revised estimates. The second set of columns present the error of the 6 month revised estimates that are prepared as part of the Five-Year Forecast presented in December. 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 Gross Receipts Tax, for total recurring receipts, and for non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are always fully reimbursed, with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/17.

ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)

(in $000s)

	MARCH REVISION 4 MONTH ESTIMATE		FIVE YEAR FORECAST 6 MONTH ESTIMATE		APPROVED BUDGET 16 MONTH ESTIMATE	
	AMOUNT	**PERCENT**	**AMOUNT**	**PERCENT**	**AMOUNT**	**PERCENT**
FISCAL YEAR 2017 (Unaudited Results)						
Gross Receipts Tax	(3,147)	-1.0%	(3,147)	-1.0%	(7,555)	-2.3%
Recurring Revenues Less CIP	(2,830)	-0.6%	(1,671)	-0.3%	(4,756)	-1.0%
Non-Recurring	-	0.0%	2,556	55.8%	2,146	46.9%
FISCAL YEAR 2016						
Gross Receipts Tax	(2,443)	-0.8%	(3,643)	-1.1%	118	0.0%
Recurring Revenues Less CIP	(1,758)	-0.4%	(1,640)	-0.3%	141	0.0%
Non-Recurring	572	12.0%	777	16.2%	777	16.2%
FISCAL YEAR 2015						
Gross Receipts Tax	2,651	0.8%	5,349	1.7%	4,464	1.4%
Recurring Revenues Less CIP	1,041	0.2%	2,096	0.4%	981	0.2%
Non-Recurring	444	9.2%	939	19.4%	2,603	53.8%
FISCAL YEAR 2014						
Gross Receipts Tax	(1,016)	-0.3%	(14)	0.0%	4,180	1.4%
Recurring Revenues Less CIP	(1,355)	-0.3%	(763)	-0.2%	3,539	0.8%
Non-Recurring	1,870	58.5%	3,128	97.8%	3,128	97.8%
***GRT reflects only recurring GRT**						
FISCAL YEAR 2013						
Gross Receipts Tax	2,664	0.9%	2,664	0.9%	(5,615)	-1.9%
Recurring Revenues Less CIP	4,264	0.9%	4,412	1.0%	(1,393)	-0.3%
Non-Recurring	-	0.0%	1,145	49.1%	1,255	53.9%
FISCAL YEAR 2012						
Gross Receipts Tax	(1,753)	-0.6%	(1,753)	-0.6%	(1,386)	-0.5%
Recurring Revenues Less CIP	(983)	-0.2%	1,551	0.3%	1,044	0.2%
Non-Recurring	-	0.0%	2,539	68.2%	2,652	71.2%
FISCAL YEAR 2011						
Gross Receipts Tax	477	0.4%	1,931	1.7%	1,037	0.9%
Recurring Revenues Less CIP	880	0.2%	2,855	0.6%	(1,907)	-0.4%
Non-Recurring	-	0.0%	(731)	-24.1%	313	10.3%
FISCAL YEAR 2010						
Gross Receipts Tax	1,584	0.6%	(8,721)	-3.1%	(21,302)	-7.6%
Recurring Revenues Less CIP	328	0.1%	(11,195)	-2.6%	(28,818)	-6.7%
Non-Recurring	-	0.0%	849	7.2%	5,637	47.5%
FISCAL YEAR 2009						
Gross Receipts Tax	(3,212)	-1.1%	(3,212)	-1.1%	(21,090)	-7.1%
Recurring Revenues Less CIP	(5,426)	-1.3%	(5,425)	-1.3%	(25,121)	-6.0%
Non-Recurring	(1,300)	-13.9%	(771)	-8.2%	(771)	-8.2%
FISCAL YEAR 2008						
Gross Receipts Tax	47	0.0%	(3,773)	-1.1%	(11,388)	-3.4%
Recurring Revenues Less CIP	(4,232)	-1.0%	(8,346)	-2.0%	(23,663)	-5.6%
Non-Recurring	4,447	18.3%	2,214	9.1%	6,116	25.1%

ACTUAL AND ESTIMATED REVENUE IN FY/17

All figures in $1,000's

	UNAUDITED	ESTIMATES								
	ACTUAL	2nd Revision (March 2017)			1st Revision (Dec. 2016)			Approved Budget (May 2016)		
REVENUE SOURCES:	FY/17	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	324,456	327,603	3,147	0	327,603	3,147	0	332,011	7,555	0
Property Tax	81,798	82,384	586	0	82,384	586	0	81,360	(438)	(0)
Franchise Tax-Telephone	1,523	1,633	110	0	1,633	110	0	1,590	67	0
Franchise Tax-Electric	9,022	9,496	474	0	9,684	662	0	9,996	974	0
Franchise Tax-Gas	3,656	3,769	113	0	3,507	(149)	(0)	4,069	413	0
Franchise Tax-Cable TV ABQ	5,426	5,253	(173)	(0)	4,198	(1,228)	(0)	4,060	(1,366)	(0)
Franchise Tax - Water Auth	7,576	7,338	(238)	(0)	7,338	(238)	(0)	7,300	(276)	(0)
Franchise Tax-Telecom	230	209	(21)	(0)	209	(21)	(0)	220	(10)	(0)
Other Intergovernmental Assist	4,887	4,602	(285)	(0)	4,392	(495)	(0)	4,392	(495)	(0)
Building Permit Revenue	8,280	8,137	(143)	(0)	8,200	(80)	(0)	7,513	(767)	(0)
Permit Revenue	4,769	4,752	(17)	(0)	5,384	615	0	5,384	615	0
Service Charges	22,924	22,812	(112)	(0)	21,537	(1,387)	(0)	21,768	(1,156)	(0)
Fines & Penalties	256	120	(136)	(1)	209	(47)	(0)	120	(136)	(1)
Earnings on Investments	(174)	767	941	(5)	767	941	(5)	767	941	(5)
Miscellaneous	3,844	2,067	(1,777)	(0)	1,818	(2,026)	(1)	1,818	(2,026)	(1)
Transfers From Other Funds	3,689	3,691	2	0	2,604	(1,085)	(0)	2,604	(1,085)	(0)
Payments In Lieu of Taxes	1,973	1,915	(58)	(0)	1,803	(170)	(0)	1,803	(170)	(0)
IDOH	17,211	17,612	401	0	17,162	(49)	(0)	17,162	(49)	(0)
Services Charges-Internal	251	266	15	0	279	28	0	269	18	0
Transfers For CIP Positions	9,583	11,175	1,592	0	11,175	1,592	0	11,175	1,592	0
TOTAL REVENUE	511,178	515,601	4,423	0.9%	511,886	708	0.1%	515,381	4,203	0.8%
LESS: NON-RECUR	4,577	4,577	0	0.0%	2,021	(2,556)	-55.8%	2,431	(2,146)	-46.9%
RECURRING REVENUE	506,601	511,024	4,423	0.9%	509,865	3,264	0.6%	512,950	6,349	1.3%

*The Cable Franchise includes a one-time $1 million payment that was deposited in FY/17