CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2012-2016

December 2011

TABLE OF CONTENTS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Five-Year Forecast estimates future revenues and expenditures for the General Fund and the subsidized funds for the current fiscal year, FY/12, as well as future years, FY/13 through FY/16. The purpose of this forecast is to identify key trends in revenues and expenditures and to provide information about the financial challenges anticipated over the next few years. The information contained in this forecast is based upon data available in November 2011. Note, if revenues continue to trend above current estimates, it is possible they will be revised prior to submission of the FY/13 proposed budget.

Fiscal Year 2012. For FY/12, the original General Fund appropriation was $467.5 million with an estimate of $462.4 million in operating revenues. Appropriations have been revised slightly upwards for pending mid-year appropriation adjustments. Revenue estimates have been revised slightly downward to $461.9 million, a decline of only $511 thousand based on the November 2011 forecast.

Fiscal Year 2013. As the City prepares for the FY/13 budget, it is likely that revenues, as currently forecasted, will support appropriations of approximately $470.2 million, a number not seen since the original budget in FY/10. The resulting budget for FY/13 of $481.6 million uses the best information available including additional benefit costs, positions created mid-year FY/12 and other inflationary factors. Combining the revenue projection with these additional costs, the City will have to deal with a $9.1 million shortfall for FY/13. The good news is this is the smallest upcoming-year gap for a Five-Year Forecast since FY/05, undoubtedly the result of downsizing base government costs over the past two years. The bad news is because government has been trimmed to core services, deciding where to make cuts to close the gap becomes more difficult. Over the next few months, the Office of Management and Budget may revise projections which may result in a change to this projected $9.1 million gap for FY/13. A summary of the changes in revenues and expenditures follows.

General Fund Revenues. This forecast projects a small decline in FY/12 General Fund revenues of $511 thousand as compared to the approved budget. The FY/12 GRT estimate is relatively the same, with growth expected at a somewhat lower level than the budget; however, FY/11 GRT revenues were stronger than anticipated. The slow growth in the economy continues to have an impact on the City's revenue. Though GRT revenue is now positive, construction continues to be sluggish. Building permit revenue is flat or declining through FY/13 and growth associated with business and household formation remains at very low levels. In FY/13, growth in the 1% distribution is estimated at 3% as the economy finally begins to generate jobs.

The revenue projections are based on revenue received through November 2011, forecasts of economic activity for Albuquerque and New Mexico prepared by the Bureau of Business and Economic Research at the University of New Mexico and national economic forecasts from Global Insight. The City's Forecasting Advisory Committee, including experts from within and outside government, reviewed the forecasts and revenue projections prepared by City staff.

General Fund Expenditures. For FY/13, the identified needs would require an increase in the General Fund appropriation of $10.8 million above the approved FY/12 level. The City's Office of Management and Budget prepares expenditure projections including the costs in major areas such as wages, employee health care, utilities, and CIP coming-on-line, which accounts for operating new facilities. A reserve of $1.5 million is carried forward into FY/13 from FY12 for wage increases (subject to collective bargaining). Beyond that, the wage growth for FY/14 through FY/16 is based on the employment cost index for all employees.

Also included in FY/13, FY/14, and FY/15 is an additional $3.0 million a year for capital projects such as ABQ the Plan. By the end of FY/15 this will be the equivalent of restoring 1 mil in property tax for needed capital projects.

Transfers to other funds include $2.6 million in added costs in FY/13 for subsidies in Transit, Open Space, Lodger's/Hospitality, and Parking. The Open Space Trust has not been earning enough to pay for operations due to dismal interest rates. Lodger's tax revenues have declined with increased vacancies and lower room rates at local hotels are also down.

Anticipated CIP coming-on-line adds $2.0 million to FY/13 operating costs with the opening of new facilities, new medians, parks, trails, drainage systems and expanded roadways. In addition, $1.0 million is included for increased costs of gas and electricity.

For FY/13, several one-time costs have been removed for items such as the election, leap year accrual, and capital transfers resulting in a savings to the General Fund of $4.1 million.

The cost of employee benefits is expected to increase by $3.4 million for the General Fund. This is due, in part, to a reduction in available fund balance in the employee health insurance fund, an anticipated increase in medical insurance and life insurance, an increase in the cost of contributions to the Retiree Health Care Authority as required by State legislation and an increase in expense for post-employment benefits as required by GASB.

Fuel costs are estimated to hold at an FY/12 blended cost of $2.95 per gallon, in anticipation of a second fuel hedge to be negotiated in the coming weeks.

An additional $200 thousand per year in operating reserve is included beginning in FY/12 through FY/16 which increases the reserve above the 1/12 minimum required.

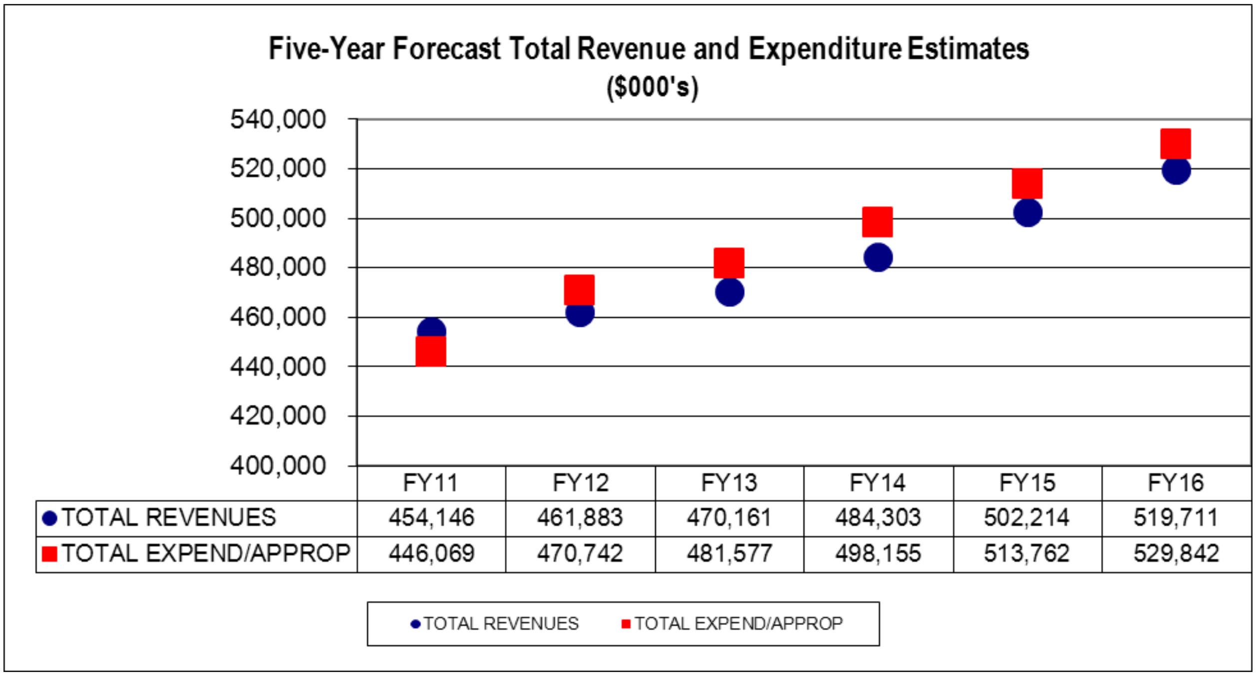
For FY/13, there is an increase of $500 thousand for early retirement; $1.8 million for mid-year positions for ERP, Accounting, DMD, & Planning Fastrax; $1.1 million for salary creep; $606 thousand for full year funding of a west side ladder unit at AFD; $500 thousand for increased risk costs; and $500 thousand to maintain Library and Animal Welfare positions funded as one-time in FY/12. The anticipation of a second fuel hedge should allow the City to fund these Library and Animal Welfare position for an additional year.

Itemized FY/13 Increases

Increase in Benefit Costs (Health, Life, RHCA)	$	3,359
FY/12 One-time Adjustments (Election, Leap Year Accrual, Capital Transfers, etc.)		(4,148)
Increase in Transfer to Debt Service (Restoration of Capital Program)		3,000
Transfers to Other Funds (Transit, Open Space, Parking, etc.)		2,555
CIP Coming on Line		2,000
FY/12 Mid-year Position Adds and Adjustments (ERP, Accounting, DMD, Planning, etc.)		1,803
Restoration of FY/12 Savings from Six Month APD Class Delay		1,716
Utilities		1,000
Salary Adjustments		1,094
Other Adjustments (Radios, Vehicle Maintenance, Operating, etc.)		615
Fire Station 7		606
Fuel Savings		(599)
Cost of Risk		572
Early Retirement		500
Increase	$	14,073
FY/13 Budget (Five Year Forecast)	$	481,577
FY/12 Original Budget		467,504
Increase	$	14,073

The Challenge in FY/13. For FY/13, combining the additional demands on resources with the overall revenues, the City would be at a $9.1 million shortfall by the close of FY/13 if steps are not taken to balance the budget. This forecast does not assume any carry-in from FY/12 into FY/13 as expenses are expected to stay within budget and revenues are projected to hold, down only 3/10 of one percent from the original projection. The forecast includes all known demands on resources at this time. Even with the potential elimination of vacant positions and CIP Coming on line, the City will still be faced with making some unpopular adjustments to balance the FY/13 budget.

This forecast also assumes that there is no significant change in revenues or expenditures as a result of State or Federal action. The State continues to experience a budget shortfall and is exploring ways of balancing its’ budget which could have a significant impact on City revenues.



	FY11	FY12	FY13	FY14	FY15	FY16
TOTAL REVENUES	454,146	461,883	470,161	484,303	502,214	519,711
TOTAL EXPEND/APPROP	446,069	470,742	481,577	498,155	513,762	529,842

***Risks to the Forecast*.** The five-year forecast is always challenging. The exercise seeks to estimate the difference between revenues and expenditures. Obviously, the result will change if revenue receipts, expenditure demands or both deviate from the forecast. Changes in the local economy and/or tax law will affect revenue.

Global Insight (GI) in their November 2011 forecast assigns a probability of 50% to the national economic baseline forecast that underlies this report, 10% to the optimistic and 40% to the pessimistic scenarios. In October and November 2010, the chance of the pessimistic scenario occurring was set at only 25%.

The high probability of a pessimistic scenario is largely related to problems in the credit markets. Even in the baseline commercial expansion and construction remain low. The European debt crisis now places a high risk of a European recession, which in turn would negatively impact the national and local economies. Forecasts of the economy have leveled and become more optimistic, but there are many risks.

The November 2011 baseline shows positive employment growth in the economy beginning in the third quarter of calendar year 2011, but for the whole of FY/12 the forecast of employment growth is less than 0.5%. Growth picks up modestly in FY/13 but is still only at 1% and in the out years nears 1.5%. Employment in the Albuquerque MSA does not even reach FY/08 levels by FY/16. When the FY/12 budget was crafted, the employment forecast was somewhat stronger, but the forecasts have not been revised downward each quarter as they were in 2009 and 2010.

The changing state and local environments also have impacts on City finances. The erosion of the tax base continues due to growth in internet sales and retail sales beyond the municipal boundary. The tax rate in Albuquerque as of July 2011 is 7% and the unincorporated rate is 6.0625%. The difference in the tax rates between the City and the unincorporated areas makes it more desirable to build shopping areas outside the City. Also, higher tax rates affect the City in other ways. It makes it more difficult to institute any additional taxes. Behavior to avoid taxes by purchasing on the internet, locating in the unincorporated areas, and organization of contracts to limit taxes may become more prevalent.

In 2011, bills were introduced that would put additional constraints on the growth of residential property tax. Currently, assessments are limited to increases of 3% annually on existing property, but property sold was increased to current and correct. The spike in property tax that occurs to the person buying the home has become known as “tax lightning”. The Bernalillo County courts ruled this increase due to sale of a property unconstitutional and the Bernalillo County treasurer rolled back the assessed value of properties that were sold after the enactment of the 3% limitation. This has had significant impact on assessed value in the County. Yield control on the operating side made up for the difference this year but it is now reached the maximum imposed level.

Also in 2011 a number of bills were introduced that proposed cutting the food and medical hold-harmless provisions enacted in 2005. State-wide these provisions represent expenditures by the state of $121 million, with a potential impact to the City of $36 million. The 2012 legislative session is likely to have bills introduced that would impact the hold harmless provision as well as other reductions to the GRT.

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

	UNAUDITED ACTUAL FY/11	REVISED APPROP FY/12	FORECASTS FY/13	FY/14	FY/15	FY/16
RESOURCES:						
Recurring Revenue	451,112	460,698	470,161	484,303	502,214	519,711
% Change Recurring Revenue		2.1%	2.1%	3.0%	3.7%	3.5%
Total Non-recurring	3,034	1,185	0	0	0	0
TOTAL REVENUES	454,146	461,883	470,161	484,303	502,214	519,711
% Change Total Revenue		1.7%	1.8%	3.0%	3.7%	3.5%
BEGINNING FUND BALANCE	45,163	53,240	44,381	32,966	19,114	7,566
TOTAL RESOURCES	499,309	515,123	514,543	517,269	521,328	527,277
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	441,586	460,140	481,557	497,211	513,742	527,494
% Change Recurring Appropriation		4.2%	4.7%	3.3%	3.3%	2.7%
Non-recurring Exp/App:						
One-time Items	4,483	10,602	20	944	20	2,348
Total Non-recurring	4,483	10,602	20	944	20	2,348
TOTAL EXPEND/APPROP	446,069	470,742	481,577	498,155	513,762	529,842
UNADJUSTED FUND BALANCE	53,240	44,381	32,966	19,114	7,566	(2,566)
ADJUSTMENTS:						
Encumbrances	(2,871)	0	0	0	0	0
Unrealized Gains on Investments	9	9	9	9	9	9
Other Accounting Adjustments	(57)	(57)	(57)	(57)	(57)	(57)
TOTAL ADJUSTMENTS	(2,919)	(48)	(48)	(48)	(48)	(48)
ADJUSTED FUND BALANCE	50,321	44,333	32,918	19,066	7,518	(2,614)
RESERVES:						
1/12th Operating Reserve	38,461	38,992	40,131	41,513	42,814	44,154
Reserve for the Cost of Labor	0	1,538	1,538	1,538	1,538	1,538
Increase to Reserve	0	200	400	600	800	1,000
TOTAL RESERVES	38,461	40,730	42,069	43,651	45,152	46,692
UNRESERVED FUND BALANCE	11,860	3,603	(9,151)	(24,585)	(37,634)	(49,306)

ECONOMIC OUTLOOK

NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK

The following is based on the November 2011 forecast and events may have transpired that may or may not agree with this forecast.

In the November 2011 forecast, Global Insight (GI) expects moderate growth. The year over year growth in real GDP for FY/12 is expected to be 1.7% which is below the 2.6% growth in FY/11. Employment growth after increasing a meager 0.6% in FY/11 is expected to increase 0.9% in FY/12. Total employment is not expected to reach its previous peak of FY/08 until FY/15. Unemployment reached a peak of 9.9% in the fourth quarter of 2009 and by FY/16 only declines to 7.2%. Inflation is one of the few bright spots in the GI forecast. They expect growth in the Consumer Price Index (CPI) to remain muted, around 2% throughout the forecast. Some of this is due to the expectation of fairly moderate increases in the price of oil. Prices are expected to stay around $89 per barrel through FY/12 and gradually increasing to $112 in FY/16. The primary reason for the expectation of low inflation is the weakness in demand due to the weak labor market.

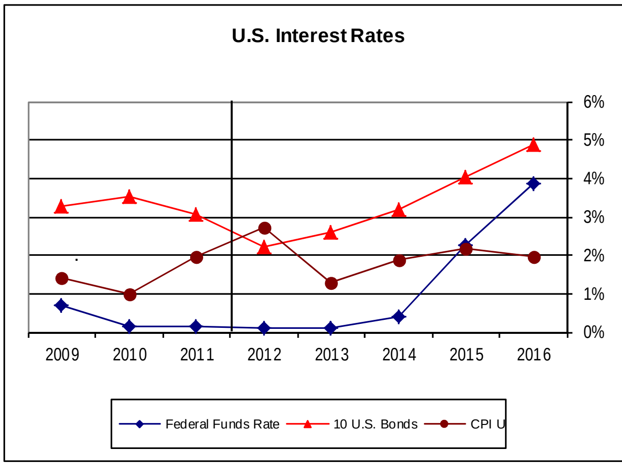
The low inflation expectation also plays into moderate increases in interest rates. GI believes that the Federal Reserve Bank (FRB) will not raise rates until FY/14; reaching 0.4% in FY/13 and continue slowly increasing to reach 3.8% in FY/16.

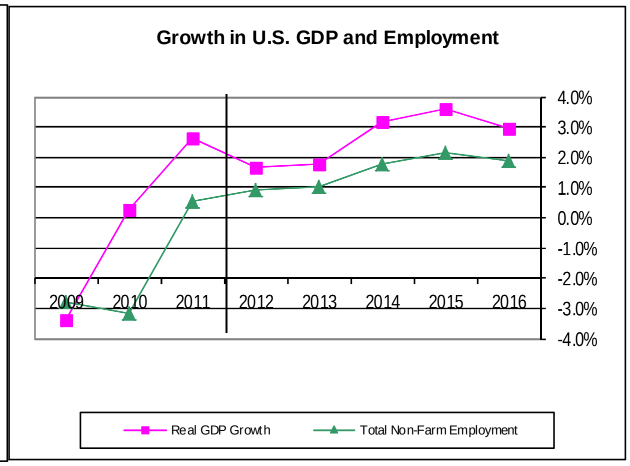
The alternative forecast gives a 40% probability to a pessimistic scenario and 10% probability to an optimistic scenario. The pessimistic scenario has the economy falling back into recession. This is driven by weakening in credit markets both domestically and worldwide. The unemployment rate peaks at 10.5% in FY/13 and only declines to 9.1% by FY/16. Added to this, increases in the price of commodities push up the CPI to above baseline levels in out years. The optimistic scenario has a quicker recovery. This is driven by the credit markets working better and increases in productivity. The unemployment rate also declines to 5.5% by FY/16

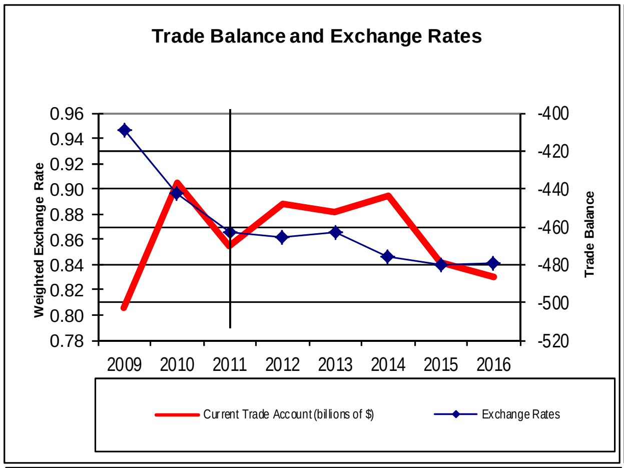
The following charts in table 1 present a general description of important variables in the GI forecast.

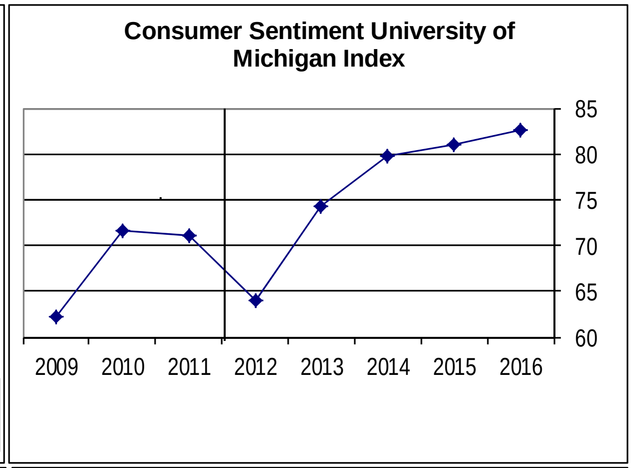
TABLE I

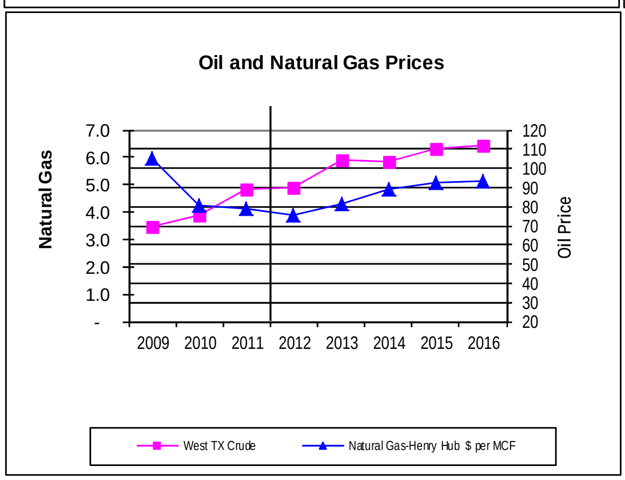
U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
November 2011 Baseline Forecast

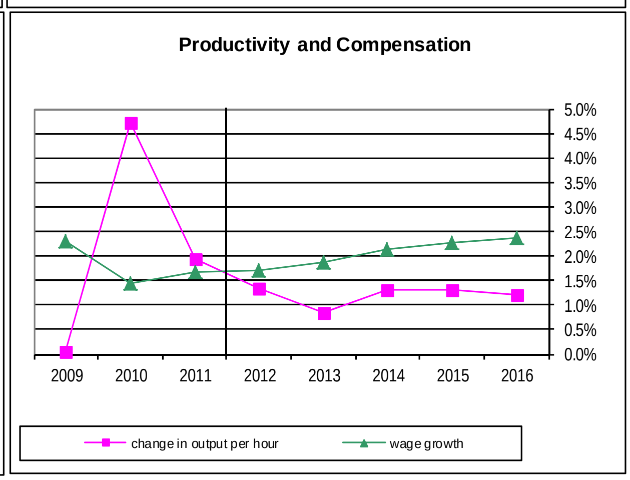












ALBUQUERQUE ECONOMY

The Albuquerque economy is affected by the U.S. and world economies. Housing construction in Albuquerque has slowed dramatically, with single family housing permits falling to a fraction of their peak. Single family housing has increased from its low point in FY/09, but declined in FY/11 as it appears that much of the increase in FY/10 was due to federal stimulus programs for home buyers. With the slowdown overcapacity exists in many industries, and vacancy rates remain high, making it unnecessary to build many new commercial developments. Commercial projects have been limited, and government projects have also slowed.

Employment growth in the Albuquerque economy began slowing in FY/08 and has continued. In FY/09 employment declined 2.2%, FY/10 was down by 3.4%, and in FY/11 the decline was only 0.9%. The 2nd quarter of FY/12 shows growth of 0.5%. This is the first positive number since the 1st quarter of FY/08. The Albuquerque economy lost 22,681 jobs from FY/08 to FY/11 a loss of 6% of total employment. Growth for FY/12 is expected at 0.5% with growth increasing to 1% in FY/13. While the economy is adding jobs it is at a slow rate and the previous employment peak in FY/08 is not expected to be reached until the end of FY/16. The unemployment rate in FY/11 declined to 7.5% from 8.8% in FY/10. Some of this decrease is due to discouraged workers leaving the labor force. The rate is expected to slowly decline to 5.8% in FY/16.

Tables 3 and 4 at the end of this section provide a summary of the economic variables underlying the forecast and employment numbers for FY/07 to FY/16 by the major NAICS categories.

Wholesale and Retail Trade. These sectors account for about 15% of employment in the Metropolitan Statistical Area (MSA). The sectors posted declines of 4.6%, 4.2%, and 0.6% in FY/09, FY/10, and FY/11 respectively. Retail trade is expected to recover faster than wholesale, but together they increase only 0.5% in FY/12. FY/13 has growth of 1.8% with growth under 1.5% for the remainder of the forecast.

Transportation, Warehousing and Utilities. This sector while important, only accounts for 2.5% of employment. Employment in this sector was weak before the recession hit and then declined substantially with decreases of 7.2% in FY/09 and 8.0% in FY/10. In FY/11 the sector grew 1.2% with expectation of an increase of 1.6% in FY/12. Employment bounces back with growth of 2.1% and 2.4% in FY/13 and FY/14. Growth remains above 1.5% for the remainder of the forecast. Even with this growth employment in FY/16 is still well below the level in FY/08.

Manufacturing. This sector accounted for about 6% of employment in the MSA in FY/07 but falls to below 5% in FY/10 and the remainder of the forecast. The sector lost approximately 6,600 jobs between FY/07 and FY/10. FY/11 flattened with a very small increase. Employment is expected to increase 1.3% and 1.5% in FY/12 and FY/13. Growth increases to 2.4% in FY/14 and 3.7% FY/15. In FY/16 manufacturing employment is still 4,500 jobs below the FY/07 level.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO are one of the largest employers in the area. This is also one of the fastest growing categories in the MSA economy. In the period FY/07 to FY/10, the sector increased at an average rate of 4.3%. It was the only sector outside of government to grow in either FY/09 or FY/10. Growth slowed to 2.1% in FY/11 and is expected to grow at 1.4% in FY12. The sector has average annual growth of around 2% in FY/13 to FY/16.

Leisure and Hospitality. This category includes eating and drinking establishments as well as hotels and other travel related facilities. Growth has been volatile in this sector. In FY/07 growth was 4.7% driven by expansion in restaurants and hotels. In FY/08 the growth had slowed to 0.6% and then declined 3.5% in FY/09 and 1.7% in FY/10 . In FY/11 growth was 0.3%. This is a major component of GRT and Lodgers' Tax and the growth in tax revenues trends somewhat with employment in the sector. The forecast shows subdued growth in the sector with a maximum of 1.9% in FY/13.

Financial Activities. This sector includes finance, insurance and real estate including credit intermediation. The employment in this sector had a slight decline between FY/05 and FY/08. From FY/09 to FY/11 employment decreased at an average rate of 3.3%. In FY/12 the decline is only expected to be 0.1%. The financial crises, consolidation in the banking industry, and the construction decline have impacted this sector. The sector shows slight growth of under 1% in the remainder of the forecast.

Professional and Business Services. This category includes temporary employment agencies and some of Albuquerque's back-office operations. It also includes Sandia National Labs (SNL). Growth from FY/05 to FY/08 averaged 2.4%. Employment declined in FY/09 and FY/10 by 2% and 7.2% respectively. In FY/11, there was an additional loss of 2.6%. Much of this loss was construction related; engineers and architects are also included in the sector. FY/12 is expected to post an increase of 1.7%. Growth in the remainder of the forecast averages 1.9%.

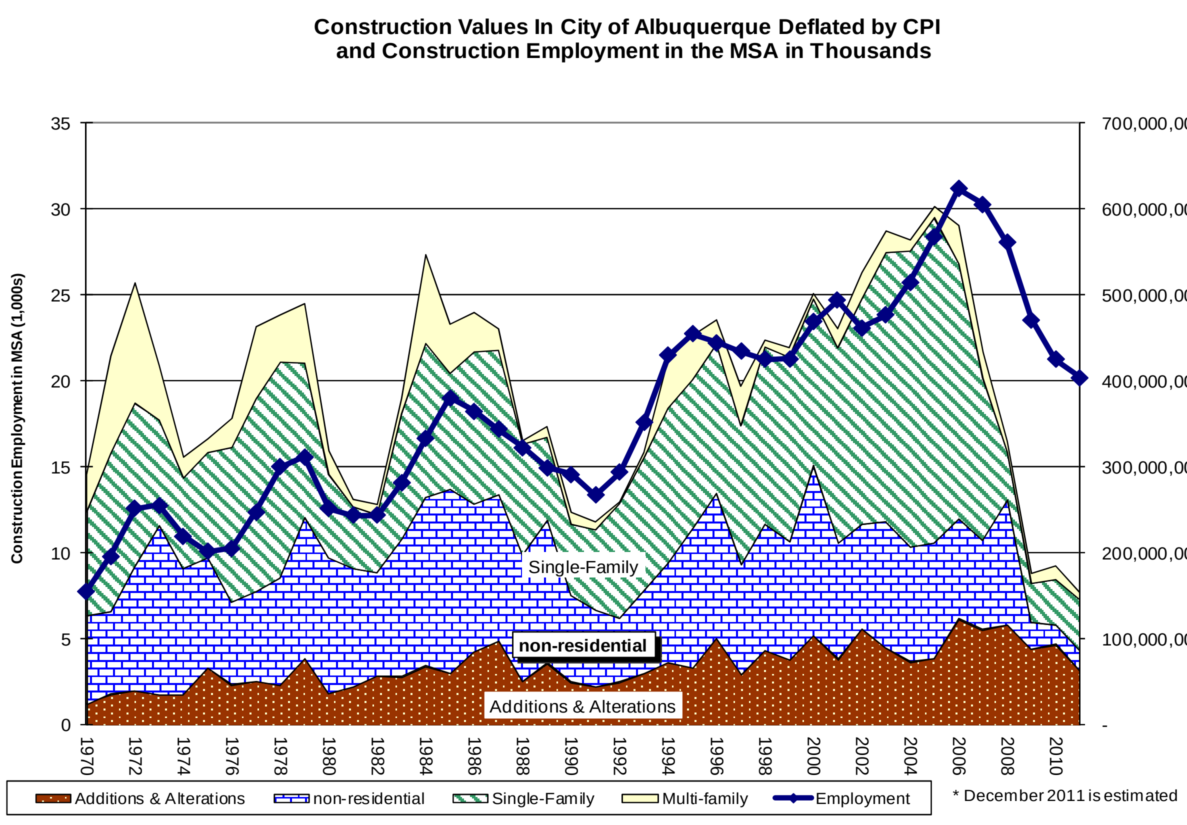
Information. This sector includes businesses in publishing, broadcasting, telecommunications, and internet service establishments. In FY/10 the sector declined 2% followed by a decline of 5.3% in FY/11. In FY/12 the sector is expected to rebound with growth of 3%. While the sector is flat for FY/13, growth rebounds substantially with 4.8% growth in FY/14. FY/15 is expected to increase 4.2% and FY/16 by 2.9%.

Construction. Construction is typically cyclical, with significant swings in building and employment. The following chart shows the real value of new residential (single-family, multi-family), non-residential (public and private), and additions, alterations, and repairs from 1970 to 2011 (December of 2011 was estimated) and deflated by the CPI; 100=1982-84. Five distinct peaks occur in 1973, 1979, 1985, 1995 and 2005. The fall in single family housing from 2005 to 2009 is the largest in this time period. The bottom was reached in the period of August 2008 to February 2009. While single family permitting has increased, it remains subdued. Construction employment has declined and is expected to continue downward through FY/13. From FY/07 to FY/11 approximately 10,000 jobs or 31% of construction employment was lost. Additional losses of 1,000 jobs are expected in FY/12 and FY/13. The value of new non-residential permits issued in real terms fell dramatically following 2008 and is yet to show any strength.

Single family construction fell dramatically in 2008. The City issued an average of 27 permits a month in the period August 2008 through February 2009. In FY/10 there were 875 single family permits issued. In FY/09 only 435 single family permits were issued. This compares to 1,214 in FY/08 and 2,490 in FY/07. The peak occurred in FY/04 and FY/05 with approximately 5,000 permits issued each year.

While there was some strengthening of non-residential permitted value in FY/08 and early FY/09 much of this was due to the Albuquerque Public Schools construction program. Following this, new non-residential permits have continued to fall. In the first 11 months of 2010 compared to the same period in 2009, the decline in total value was about 1%. Most of this decline occurred because of the slowdown in new public construction. Additions, alterations and repairs have held up relatively well and the modest increases in single family permitting has the total value of building permits 44% below the same period in 2008. Commercial construction was the largest source of this decline with value declining 77%. This was somewhat offset by single family and additions and alterations.

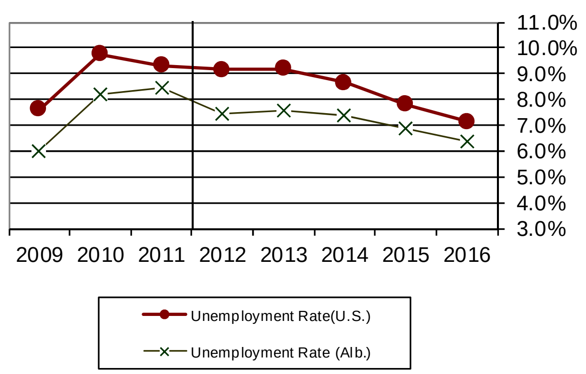
City of Albuquerque Value of Permits Deflated by CPI



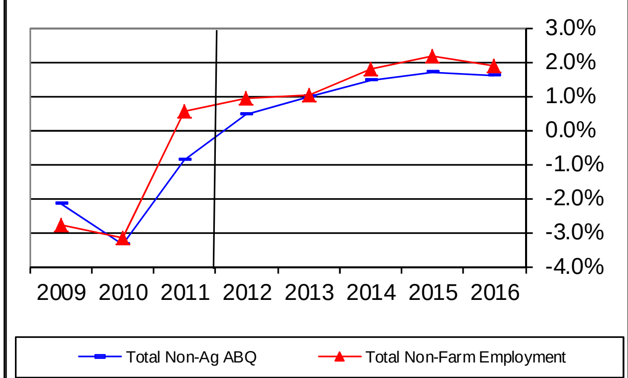
Building permits only tell part of the construction story. Non-building construction such as roads and storm drainage are not captured in the permit numbers. Large construction projects for the State, such as University Hospital, are permitted by the State rather than the City. Employment in the construction sector gives a picture of growth in the entire MSA. As shown in the chart above, construction employment moves similarly to permit values, but differences occur. Growth in employment was very strong in 2000-2002, driven in large part by the Intel project and the Big-I reconstruction project. Employment growth remained strong through FY/07 when it began to slow. In FY/08 employment slowed 5% followed by declines of 12.2% and 13.1% and 6.3% in FY/09 FY/10, and FY/11 respectively. The forecast has a decline of 3.7% in FY/12 and 1.6% in FY/13. Employment finally begins growing in FY/14 and averages 3% through FY/16. At this rate of growth, the expected employment in FY/16 is over 9,000 below the peak in FY/07.

TABLE 2
LOCAL ECONOMIC VARIABLES HISTORY AND FORECAST
By Fiscal Year BBER FOR-UNM Baseline November 2011

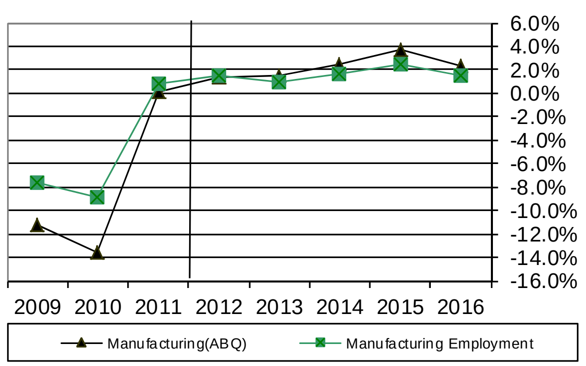
Albuquerque MSA vs. U.S. Unemployment Rates



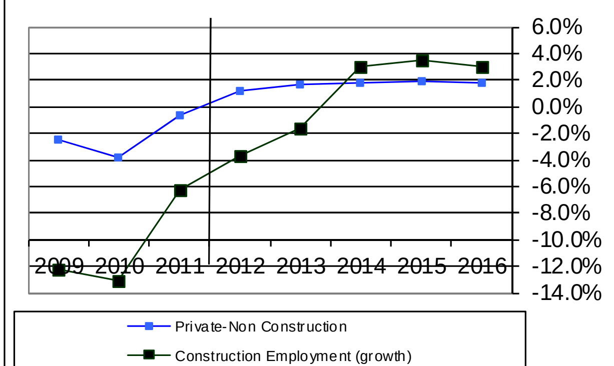
Albuquerque MSA vs. U.S. Employment Growth



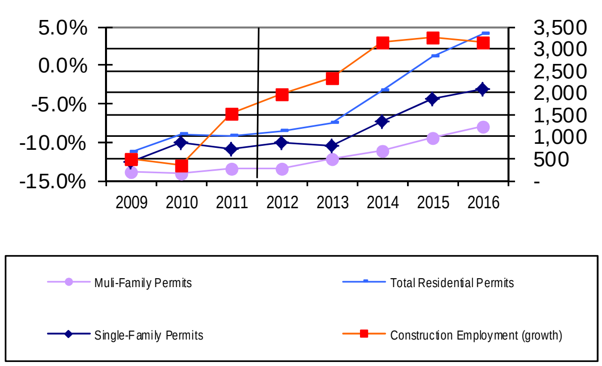
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



Albuquerque MSA Construction and Private Non-Construction Employment Growth



Residential Construction Permits in City and Construction Employment Growth in MSA



Comparison of Growth in Existing Home Sales Price

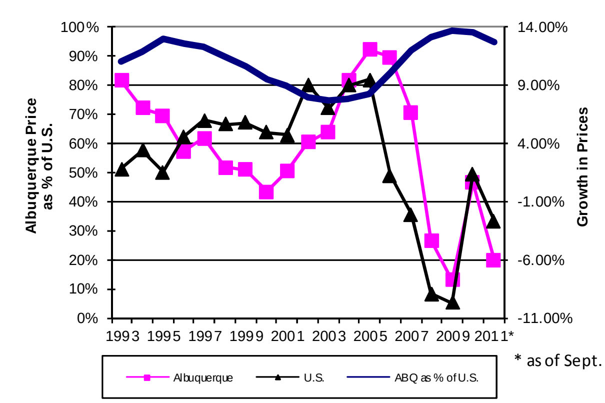


TABLE 3

Economic Variables Underlying the Forecast

	Historical			Forecast				
	2009	2010	2011	2012	2013	2014	2015	2016
National Variables								
Real GDP Growth	-3.4%	0.3%	2.6%	1.7%	1.8%	3.2%	3.6%	3.0%
Federal Funds Rate	0.7%	0.2%	0.2%	0.1%	0.1%	0.4%	2.3%	3.9%
10 U.S. Bonds	3.3%	3.5%	3.1%	2.2%	2.6%	3.2%	4.1%	4.9%
CPI U	1.4%	1.0%	2.0%	2.7%	1.3%	1.9%	2.2%	2.0%
Unemployment Rate(U.S.)	7.6%	9.7%	9.3%	9.2%	9.2%	8.7%	7.8%	7.2%
Total Non-Farm Employment	-2.8%	-3.1%	0.6%	0.9%	1.0%	1.8%	2.1%	1.9%
Manufacturing Employment	-7.7%	-8.9%	0.8%	1.5%	1.0%	1.6%	2.5%	1.6%
Consumer sentiment index--University of Michigan	62.2	71.6	71.1	64.1	74.4	79.7	81.0	82.6
Exchange Rates	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Current Trade Account (billions of $)	(502.7)	(437.1)	(469.9)	(448.2)	(452.6)	(443.9)	(479.1)	(486.2)
change in output per hour	0.0%	4.7%	1.9%	1.3%	0.9%	1.3%	1.3%	1.2%
Natural Gas-Henry Hub $ per MCF	5.9	4.2	4.1	3.9	4.3	4.9	5.1	5.1
West TX Intermediate (dollars per bbl)	69.8	75.2	89.4	89.6	104.0	103.7	110.2	112.1
wage growth	2.3%	1.4%	1.7%	1.7%	1.9%	2.1%	2.3%	2.4%
Albuquerque Variables								
Employment Growth and Unemployment in Albuquerque MSA								
Total Non-Ag ABQ	-2.2%	-3.4%	-0.9%	0.5%	1.0%	1.4%	1.7%	1.6%
Private-Non Construction	-2.4%	-3.8%	-0.6%	1.2%	1.6%	1.7%	1.9%	1.8%
Construction Employment (growth)	-12.2%	-13.1%	-6.3%	-3.7%	-1.6%	3.0%	3.5%	3.0%
Manufacturing(ABQ)	-11.3%	-13.5%	0.1%	1.3%	1.5%	2.4%	3.7%	2.3%
Unemployment Rate (Alb.)	6.0%	8.2%	8.5%	7.4%	7.5%	7.4%	6.9%	6.3%
Construction Units Permitted in City of Albuquerque								
Single-Family Permits	435	875	723	856	806	1,346	1,862	2,093
Muli-Family Permits	204	172	274	278	514	699	962	1,239
Total Residential Permits	639	1,047	997	1,134	1,320	2,045	2,824	3,333
Source Global Insight and FOR-UNM November 2011 Baseline Forecasts								

Table 4

Albuquerque MSA Employment in Thousands	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
TOTAL NONAGRICULTURAL	380.567	382.270	374.017	361.440	358.184	359.796	363.308	368.545	374.741	380.740
CONSTRUCTION	31.595	30.099	26.419	22.971	21.532	20.743	20.418	21.029	21.771	22.416
MANUFACTURING	24.092	22.837	20.259	17.521	17.538	17.772	18.046	18.485	19.165	19.611
WHOLESALE TRADE	13.433	13.351	12.506	12.130	11.932	11.672	11.983	12.279	12.481	12.662
RETAIL TRADE	44.207	44.939	43.088	41.133	40.997	41.527	42.148	42.603	43.158	43.721
TRANSPORTATION, WAREHOUSING, AND UTILITIES	10.059	10.335	9.593	8.829	8.935	9.077	9.269	9.495	9.667	9.824
INFORMATION	9.385	9.182	9.176	8.994	8.517	8.775	8.810	9.228	9.613	9.895
FINANCIAL ACTIVITIES	18.054	17.873	17.276	16.755	16.135	16.111	16.194	16.307	16.408	16.478
PROFESSIONAL AND BUSINESS SERVICES	63.609	64.191	62.913	58.367	56.822	57.803	58.719	59.773	61.129	62.279
EDUCATIONAL AND HEALTH SERVICES	43.557	45.068	47.667	49.479	50.503	51.195	52.291	53.336	54.379	55.715
LEISURE AND HOSPITALITY	39.114	39.260	37.887	37.228	37.350	37.725	38.446	38.932	39.600	40.202
OTHER SERVICES	10.271	10.433	10.341	9.982	10.045	10.115	10.165	10.250	10.329	10.403
GOVERNMENT	73.190	74.701	76.892	78.052	77.877	77.287	76.825	76.827	77.032	77.523
LOCAL GOVERNMENT	38.781	39.953	41.291	41.303	41.071	40.782	40.709	41.022	41.386	41.904
STATE GOVERNMENT	19.861	20.279	20.672	21.088	21.065	20.967	20.894	20.912	21.002	21.128
FEDERAL GOVERNMENT	14.548	14.470	14.929	15.661	15.741	15.538	15.221	14.893	14.644	14.491
Private Non-Construction	275.782	277.469	270.706	260.418	258.774	261.766	266.065	270.690	275.938	280.801
MILITARY EMPLOYMENT, THOUSANDS	6.157	5.735	5.702	6.159	6.255	6.228	6.070	5.931	5.833	5.771
Growth Rates										
TOTAL NONAGRICULTURAL	-1.2%	0.4%	-2.2%	-3.4%	-0.9%	0.5%	1.0%	1.4%	1.7%	1.6%
CONSTRUCTION	3.9%	-4.7%	-12.2%	-13.1%	-6.3%	-3.7%	-1.6%	3.0%	3.5%	3.0%
MANUFACTURING	2.8%	-5.2%	-11.3%	-13.5%	0.1%	1.3%	1.5%	2.4%	3.7%	2.3%
WHOLESALE TRADE	2.7%	-0.6%	-6.3%	-3.0%	-1.6%	-2.2%	2.7%	2.5%	1.6%	1.4%
RETAIL TRADE	1.2%	1.7%	-4.1%	-4.5%	-0.3%	1.3%	1.5%	1.1%	1.3%	1.3%
TRANSPORTATION, WAREHOUSING, AND UTILITIES	-3.4%	2.7%	-7.2%	-8.0%	1.2%	1.6%	2.1%	2.4%	1.8%	1.6%
INFORMATION	4.2%	-2.2%	-0.1%	-2.0%	-5.3%	3.0%	0.4%	4.8%	4.2%	2.9%
FINANCIAL ACTIVITIES	-6.8%	-1.0%	-3.3%	-3.0%	-3.7%	-0.1%	0.5%	0.7%	0.6%	0.4%
PROFESSIONAL AND BUSINESS SERVICES	2.6%	0.9%	-2.0%	-7.2%	-2.6%	1.7%	1.6%	1.8%	2.3%	1.9%
EDUCATIONAL AND HEALTH SERVICES	-7.5%	3.5%	5.8%	3.8%	2.1%	1.4%	2.1%	2.0%	2.0%	2.5%
LEISURE AND HOSPITALITY	4.6%	0.4%	-3.5%	-1.7%	0.3%	1.0%	1.9%	1.3%	1.7%	1.5%
OTHER SERVICES	-14.3%	1.6%	-0.9%	-3.5%	0.6%	0.7%	0.5%	0.8%	0.8%	0.7%
GOVERNMENT	-5.3%	2.1%	2.9%	1.5%	-0.2%	-0.8%	-0.6%	0.0%	0.3%	0.6%
LOCAL GOVERNMENT	1.9%	3.0%	3.4%	0.0%	-0.6%	-0.7%	-0.2%	0.8%	0.9%	1.3%
STATE GOVERNMENT	-19.9%	2.1%	1.9%	2.0%	-0.1%	-0.5%	-0.3%	0.1%	0.4%	0.6%
FEDERAL GOVERNMENT	1.0%	-0.5%	3.2%	4.9%	0.5%	-1.3%	-2.0%	-2.2%	-1.7%	-1.0%
Private Non-Construction	-0.6%	0.6%	-2.4%	-3.8%	-0.6%	1.2%	1.6%	1.7%	1.9%	1.8%
MILITARY EMPLOYMENT, THOUSANDS	0.0%	-6.9%	-0.6%	8.0%	1.6%	-0.4%	-2.5%	-2.3%	-1.7%	-1.1%

RISKS TO THE FORECAST

How well the Albuquerque economy performs over the next few years depends partially on what happens at the national and the regional level. The GI and Bureau of Business and Economic Research (BBER) assumptions are the basis for these forecasts. There are also some specific risks to the forecast, both positive and negative. Below is a partial list of events that could have a significant positive (upside) or negative (downside) impact on the economy and the City's revenues.

UPSIDE

- The national economy rebounds faster than expected in the baseline. The GI optimistic scenario has a more rapid recovery. The probability assigned to this scenario is 10%.
- Albuquerque succeeds in attracting more investments in regional distribution centers and regional headquarters.
- Residential construction comes back. The forecast for residential construction is extremely low.
- Non-residential construction recovers with activity showing increases above current levels. There is a continuance and expansion of high-tech investment.
- Internet and catalog sales become taxable. The benefits of a streamlined tax would accrue to local governments, but the development of the system will take several years to occur; if it happens.

DOWNSIDE

- The housing downturn doesn't correct itself and remains at very low levels. Commercial projects that are in the planning phase are not constructed due to the difficulty in funding or general weakness in the economy.
- Downturn in the national economy and recession:
    - GI pessimistic scenario has probability of 40% and has a return to recession.
        - This scenario drives GRT growth to near 0% in FY/13 a reduction from the baseline of over $11 million.
    - Affects startup companies in the Albuquerque area.
    - Slows migration into New Mexico putting further pressure on construction.
    - Slows business and travel to New Mexico hurting tourist related industries.
- Federal government.
    - Substantial cuts in government expenditures. The "Super Committee" has failed and the impact of these cuts could be substantial. Statewide BBER estimates job losses at around 20,000 in 2014.
    - Deficit control measures will have some impact on the local economy.

- Other impacts on GRT from State laws:
    - Fixing the tax pyramiding problem (where taxes are paid on taxes thus raising the effective tax rate) for services may reduce revenue.
    - It is not clear how the movement to streamlined taxation for internet sales will impact GRT received by the City.
- Other impacts on City from State budget changes and or laws:
    - Adjustment to property tax limitations. While much of the "tax lightning" problem was fixed in FY/10 and FY/11 it is possible that the State will have some type of roll back of assessed values of properties and additional losses could occur.
    - There is a freeze on food and medical distribution at rates as of January 2007. The City gained from this since we cut taxes. This gain could be legislated away.
    - The State could balance the budget by cutting the hold-harmless GRT payment for food and/or medical. The annual impact of this to the City for food and medical is at least $36 million.
- The federal push against local franchise fees, particularly in telecommunications, is successful.
- Internet retail sales of taxable items, becomes more prominent and/or the federal government makes all sales on internet based business non-taxable.
- Increases in retail trade and services in the city of Rio Rancho and Valencia County further erode the tax base in the City.
- Inflation in general and fuel prices particularly put pressure on expenses and increase uncertainty in budgeting.
- The loss of tax revenue to Tax Increment Development Districts (TIDDs) is larger than anticipated. This forecast did not attempt to calculate the impacts of the districts as they are relatively inactive currently. The losses in future years could have substantial impacts on revenue. Additionally there is liability to the General Fund for property taxes that have not been distributed to the TIDDS.
- Government employment at all levels continues to reduce workforce.

The section on alternative scenarios explores the effects on City revenues and expenditures of some of these possibilities.

REVENUE OUTLOOK

PROJECTED REVENUES FOR FISCAL YEARS 2012-2016

The following forecast of revenues presented in Table 5 is based on the November 2011 GI and FOR-UNM baseline forecasts. The presentation includes FY/10 actual and unaudited FY/11 receipts, the budget and revised estimates for FY/12 and the baseline forecast receipts for fiscal years 2013-2016. In all cases, the figures reflect the accrual to revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. Table 5 depicts the rates of growth of the revenue projections directly to the right of the estimate. These factors are in many cases based on the economic forecast assumptions summarized in the tables in the previous section.

This forecast has a small reduction in the anticipated FY/12 revenues and is $511 thousand below the FY/12 budget. The recovery is taking longer than anticipated from when the budget was prepared. It is expected that the Albuquerque area will not gain any jobs until the third quarter of calendar year 2011. For the whole of FY/12 it is expected that there will be a small increase of 0.5%. Growth in underlying GRT was expected at 2.9% in the budget and as of this forecast is expected to increase only 2.3%. Due to the strength of FY/11 receipts, FY/12 GRT revenue is somewhat above the budget. Property taxes are weak as the growth in the tax base is limited and collection rates are low. Building permits have shown a small signs of improvement and the natural gas franchise is expected to be well below the original estimates.

In both FY/12 and FY/13 recurring revenue is expected to increase 2.1%.

The long-term baseline forecast anticipates that General Fund recurring revenue growth is expected to be 3%, 3.7% and 3.5%, for FY/14, FY/15, and FY/16 respectively.

Snapshot of Forecast

1) Estimated GRT growth in FY/12 is below the approved budget estimate, but total revenues are slightly higher due to slightly better than expected receipts for FY/11. The economy has improved, but employment is still expected to increase at a slower rate. The estimate of GRT from construction is somewhat higher than budget based in part on actual receipts in the first 4 months of the fiscal year that had positive growth. It is now expected that GRT growth will be 2.3%, a decrease from the original forecast of 2.9%. Approximately 0.3% of the decline is due to a new administrative fee charged by the State on Food and Medical Hold Harmless distribution. Growth in GRT for FY/13 is expected to at 3% as the economy gets somewhat stronger. Growth for FY/14 through FY/16 accelerates as the recovery continues and is estimated at 3.6%, 4.2%, and 3.9% for the years FY/14 through FY/16, respectively.
2) Property tax revenue has been limited due to the recession's impact on commercial valuation and tax lightning on residential properties. For FY/12 the assessor shows that the tax base is flat. Yield control helps somewhat on the residential side, but rates are now at the maximum and yield control can only lower rates in the future. Growth is limited to 1% in FY/13 and 2% for FY/14 through FY/16.
3) Franchise revenues are decreased $1 million from the FY/12 budget as natural gas prices were substantially lower than expected in FY/11 continuing into FY/12. Building permit revenues have flattened but are down in the first 4 months of FY/12. They are estimated to be down 2.3% in FY/12 compared to FY/11, still a little above budget, and flat in FY/13. In FY/14 through FY/16 these revenues will increase due to increases in residential building permits.

4) Charges for services were near expectations in FY/11. FY/12 is reduced due to expectations that legal fees collected for risk cases will be lower than originally estimated. In FY/13 revenues are kept flat and then are expected to grow 1.5%, the growth in population, from FY/14 to FY/16.

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

General Fund Revenue Estimates

Gross Receipts Tax. The GRT revenues for FY/11 were weaker than anticipated in the approved FY/11 budget, but ended a little better than the estimated actual from FY/12 budget. FY/11 ended with growth of 3.0% in the GRT base, as measured by the one-percent distribution and total General Fund GRT was $1.67 million above the estimate.

The FY/12 budget had anticipated that the one-percent distribution would increase by 2.9%. It is now forecast that the one-percent distribution will only grow 2.3%. The decline in the estimate is due to the continued weakness in the economy and the imposition of an administrative fee on the food and medical hold harmless distribution that reduces growth by approximately 0.3%. In the first four months of FY/12, the one-percent distribution has grown 2.8%. Construction GRT remains weak, but after a decline of almost 60% from FY/08 to FY/11; FY/12 is expected to remain almost flat with a decline of only 0.5%. Part of this is due to increases in construction GRT in the last two quarters of FY/11 and the first quarter of FY/12. Single family building permits were down in FY/11 and BBER expects a small increase in FY/12 followed by a small decrease in FY/13. Construction employment is expected to decline in both FY/12 and FY/13 albeit at much lower rates of decline. BBER does expect construction employment to grow in FY/14 to FY/16.

In FY/12, the economy is expected to improve, but construction and employment growth are both limited. The econometric models suggest growth in the one-percent distribution to be 2.3%, with weakness at the end of the year. In FY/13 growth in GRT is expected at 3%, increasing with the slowly improving economy.

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

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. A discussion of state tax policy is contained in the section "Risks to the Forecast".

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.

Property Tax. FY/12 growth is estimated at 1.8% and reflects the county assessor's reassessments and new additions to the tax base. Yield control on residential properties accounts for much of this growth. This 1.8% increase is from a low base in FY/11 that reflects the effects of the adjustments for tax lightning and the low commercial assessments reflecting the weak economy. Growth in FY/13 is held at 1% due to the continued limited growth in assessments. The rate of growth is assumed to be 2% for FY/14 to FY/16.

Franchise Taxes. Franchise taxes in FY/11 were weaker than estimated; low natural gas prices were the largest source of the weakness. In FY/12 revenues are expected to be less than budget primarily due to the decrease in natural gas prices that is expected to continue. The telephone franchise with QWEST/Century Link continues its decline.

In FY/13 to FY/16 growth is limited in all of the franchises. Growth in the number of customers for all franchises is small as both household and business formation is limited due to slow housing construction and the weak economy. Telephone franchise revenues are expected to continue their decline. The natural gas franchise is expected to show growth with increases in natural gas prices forecast by GI and by a rate increase of 6% that is expected in FY/13. The electric franchise is held to slow growth in the number of customers. Electricity franchise revenue could grow more rapidly if rate increases are allowed by the Public Utility Commission. Other franchise revenues include other telecommunications companies. FY/12 is revised down from the budgeted level to reflect FY/11 actual receipts. Growth from FY/13 to FY/16 is limited to zero. Cable franchise revenues for FY/12 are revised down to the level received in FY/11 and limited to 1% annual growth in the remainder of the forecast.

The Albuquerque Bernalillo County Water Utility Authority (ABCWUA) now has a 4% franchise fee. Revenues are dependent on increases in the number of customers as well as weather. They were granted a rate increase that went into effect in July of 2011 and is expected to increase revenues 4% in FY/12. In the remainder of the forecast revenues are held at this level. It is expected that any growth in customers will be offset by water conservation.

Payments-In-Lieu-Of-Taxes (PILOT). PILOT revenues are kept at the FY/12 budgeted level. The decrease in FY/12 is mostly due to the economic slowdown. Rates are kept at the FY/12 level for the remainder of the forecast.

Building Permits. Building inspection permit revenues reached a peak in FY/06. Between FY/06 and FY/10 the level of permits has fallen 63%. In FY/11 revenue flattened and came in above the estimated level. Based on the growth in the first five months of FY/12 it is now expected that building permits revenue will decrease about 3.8% from FY/11 actual receipts. In FY/13 permits are expected to remain at the FY/12 level and only as the economy recovers will construction come back, with 5% growth in FY/14 and 10% in both FY/15 and FY/16.

As a note, major construction projects planned by the state or the federal government, or road projects do not fall under the City of Albuquerque permitting process and the City receives no permit revenue. GRT is paid both by the state and the federal governments on construction projects.

Other Permits. Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of City right of way, and other miscellaneous fees. FY/12 revenue is kept at the budgeted. In FY/13 growth is limited to 1% and the growth in the remainder of the forecast is 2% reflecting growth in 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.

There may be one time revenues that occur as grants, but these are primarily reimbursements of expense, for example a State repayment for fire department expenses for fires on State lands.

The other source of intergovernmental revenue is the state shared municipal road gas tax. Since this is a fixed tax declines in usage reduce revenues. FY/11 revenues were better than originally anticipated, and FY/12 is expected to reach the budgeted level. It is expected that higher gasoline prices will limit the future growth in revenue.

In total growth for this category remains flat from FY/13 to FY/16.

Charges for Services. Charges for services include fees charged for entry into City venues and services provided to citizens. It also includes some revenues for charges to other governmental entities. In FY/12 revenues are expected at a level below the budget due primarily to the collection of attorney's fees charged to the risk management program that are less than expected. FY/13 is held flat, and with no major venues opening, and growth in the remainder of the forecast is limited to 1.5%; the expected growth in population.

Internal Service. In FY/12 revenues are kept at the budget level. FY/13 is kept at this same level and then increases are allowed in the out years based on wage and salary compensation as forecast by GI.

Indirect Overhead. Indirect overhead in FY/12 is left at the budgeted level. It is kept at this level for FY/13 with no expectation of pay increases. The out years are increased at the rate of wage and salary compensation as forecast by GI.

CIP-Funded Positions. FY/12 remains at budget and FY/13 is increased due to an increase in positions as well as changes in expense for other employee benefits. Growth for the remainder of the forecast is based on wage and salary compensation as forecast by GI.

Miscellaneous. This includes fines, rental of City property and "other miscellaneous". The FY/12 revenues are reduced by $525 thousand as some of the revenues appear to be one time. Revenues are kept flat for the remainder of the forecast.

Interest Earnings. Interest earnings have been at extremely depressed levels. FY/12 is kept at the budgeted level and the growth occurs in the remainder of the forecast as interest rates are expected to grow.

Interfund Transfers. Interfund transfers for FY/12 are down compared to previous years as there are no large one-time transfers. FY/13 is reduced from FY/12 by $1.7 million. Two one-time transfers will not occur in FY/12: $775 thousand from the closing of the False Alarm Fund and a $300 transfer from the Open and Ethical Elections Fund. A reduction of $647 thousand is due to the termination of the STOP red light camera program and the transfers from that fund to pay for the administrative hearing office and other general fund expenses associated with the program. Transfers are kept at the FY/13 level for the remainder of the forecast as most of the transfers have no adjustment for inflation built into them.

Table 5

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

	Audited	Unaudited	Budget	Five year					Growth Rates				
	FY/10	FY/11	FY/12	FY/12	FY/13	FY/14	FY/15	FY/16	FY/12	FY/13	FY/14	FY/15	FY/16
State Shared 1.225% and compensating	168,486	173,638	177,372	177,632	182,961	189,547	197,508	205,210	2.3%	3.0%	3.6%	4.2%	3.9%
Local GRT (w/o public safety)	83,790	80,363	83,119	82,212	84,678	87,726	91,411	94,976	2.3%	3.0%	3.6%	4.2%	3.9%
GRT 1/4 Public Safety*	35,584	34,449	34,226	35,240	36,297	37,604	39,182	40,711	2.3%	3.0%	3.6%	4.2%	3.9%
Total GRT	281,668	288,450	294,717	295,084	303,936	314,877	328,101	340,897	2.3%	3.0%	3.6%	4.2%	3.9%
Property Taxes	72,628	74,581	74,899	75,957	76,716	78,250	79,815	81,411	1.8%	1.0%	2.0%	2.0%	2.0%
Cable TV	4,187	4,234	4,300	4,234	4,276	4,319	4,362	4,406	0.0%	1.0%	1.0%	1.0%	1.0%
Electric	7,273	7,707	8,543	8,285	8,368	8,494	8,621	8,750	7.5%	1.0%	1.5%	1.5%	1.5%
Gas	4,752	3,963	4,720	4,082	4,286	4,453	4,662	4,867	3.0%	5.0%	3.9%	4.7%	4.4%
Telecommunications	264	228	266	227	227	227	227	227	-0.3%	0.0%	0.0%	0.0%	0.0%
Telephone	2,269	2,055	1,963	1,963	1,904	1,847	1,792	1,738	-4.5%	-3.0%	-3.0%	-3.0%	-3.0%
Water Authority Franchise	5,141	5,346	5,556	5,556	5,556	5,556	5,556	5,556	3.9%	0.0%	0.0%	0.0%	0.0%
Franchise (subtotal)	23,887	23,532	25,348	24,347	24,617	24,896	25,220	25,544	3.5%	1.1%	1.1%	1.3%	1.3%
PILOT	1,541	1,722	1,657	1,657	1,657	1,657	1,657	1,657	-3.8%	0.0%	0.0%	0.0%	0.0%
Building Permits	4,575	4,624	4,458	4,518	4,518	4,745	5,220	5,743	-2.3%	0.0%	5.0%	10.0%	10.0%
Other Licenses/Fees	4,680	5,004	4,948	4,948	4,998	5,097	5,199	5,302	-1.1%	1.0%	2.0%	2.0%	2.0%
Other Intergovl	5,626	5,185	4,715	4,745	4,745	4,745	4,745	4,745	-8.5%	0.0%	0.0%	0.0%	0.0%
Charges for Services	16,540	17,880	18,635	18,135	18,135	18,406	18,678	18,956	1.4%	0.0%	1.5%	1.5%	1.5%
Internal Service	1,516	1,205	1,403	1,403	1,403	1,433	1,467	1,502	16.4%	0.0%	2.1%	2.4%	2.4%
Indirect Overhead	12,540	12,728	12,977	12,977	12,977	13,250	13,555	13,879	2.0%	0.0%	2.1%	2.3%	2.4%
CIP-Funded Positions	10,751	12,066	12,344	12,344	12,513	12,775	13,070	13,383	2.3%	1.4%	2.1%	2.3%	2.4%
Other Miscellaneous	3,540	763	1,464	939	829	829	829	829	23.1%	-11.7%	0.0%	0.0%	0.0%
Interest on Invest	268	217	320	320	330	556	1,871	3,076	47.6%	3.1%	68.5%	236.5%	64.4%
Interfund Transfers	17,409	6,189	4,509	4,509	2,787	2,787	2,787	2,787	-27.1%	-38.2%	0.0%	0.0%	0.0%
Total Revenue	457,168	454,146	462,394	461,883	470,161	484,303	502,214	519,711	1.7%	1.8%	3.0%	3.7%	3.5%
Non-Recurring Revenue	9,379	3,034	1,075	1,185	-	-	-	-	-60.9%	-100.0%			
Recurring Revenue	447,789	451,112	461,319	460,698	470,161	484,303	502,214	519,711	2.1%	2.1%	3.0%	3.7%	3.5%

EXPENDITURE OUTLOOK

EXPENDITURE ESTIMATING METHODOLOGY

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/12 through FY/16. For the current fiscal year ending June 30, 2012, expenses are projected using the original appropriation as a base. The base is adjusted to account for subsequent mid-year adjustments such as additional positions funded with offsetting revenue.

FY/13 estimated costs are, for the most part, derived independently of FY/12 estimates. The FY/13 forecast is fashioned using the latest available information, including actual position information updated in early November with vacant positions assumed fully funded. Additionally, all subsidized funds and other funds receiving transfers from the General Fund were analyzed independently before adjustments were made for this General Fund forecast. The FY/13 expenditure estimates do not reflect any administrative initiatives to balance to projected revenues.

The forecast beyond FY/13 is largely driven by inflation factors applied to the FY/13 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of Global Insight (GI) except for some changes made to selected rates to better reflect local costs. Three separate scenarios of national and local economic activity are factored into the methodology to present baseline, optimistic, and pessimistic scenarios of anticipated 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/13	FY/14	FY/15	FY/16
CPI - All Urban Consumers, All Items	CPI-U	1.5%	2.1%	2.3%	2.0%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	1.9%	2.1%	2.3%	2.4%
Price Index Consumer Exp Medical Care	MEDICAL	2.2%	2.5%	2.5%	2.7%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	-1.0%	1.6%	1.8%	1.4%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	1.2%	1.9%	2.1%	2.0%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	5.0%	3.9%	4.7%	4.4%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	1.8%	2.3%	3.3%	-0.4%
PPI - Fuels & Related Products, Electric Power	ELECT	2.4%	3.6%	3.3%	2.5%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	1.6%	2.0%	2.3%	2.3%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.7%	1.3%	1.4%	1.0%
Growth of Gross Receipts Tax Revenue	GRT	3.0%	3.6%	4.2%	3.9%

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

	UNAUDITED ACTUAL FY/11	REVISED APPROP FY/12	FORECASTS FY/13	FY/14	FY/15	FY/16
RESOURCES:						
Recurring Revenue	451,112	460,698	470,161	484,303	502,214	519,711
% Change Recurring Revenue		2.1%	2.1%	3.0%	3.7%	3.5%
Total Non-recurring	3,034	1,185	0	0	0	0
TOTAL REVENUES	454,146	461,883	470,161	484,303	502,214	519,711
% Change Total Revenue		1.7%	1.8%	3.0%	3.7%	3.5%
BEGINNING FUND BALANCE	45,163	53,240	44,381	32,966	19,114	7,566
TOTAL RESOURCES	499,309	515,123	514,543	517,269	521,328	527,277
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	441,586	460,140	481,557	497,211	513,742	527,494
% Change Recurring Appropriation		4.2%	4.7%	3.3%	3.3%	2.7%
Non-recurring Exp/App:						
One-time Items	4,483	10,602	20	944	20	2,348
Total Non-recurring	4,483	10,602	20	944	20	2,348
TOTAL EXPEND/APPROP	446,069	470,742	481,577	498,155	513,762	529,842
UNADJUSTED FUND BALANCE	53,240	44,381	32,966	19,114	7,566	(2,566)
ADJUSTMENTS:						
Encumbrances	(2,871)	0	0	0	0	0
Unrealized Gains on Investments	9	9	9	9	9	9
Other Accounting Adjustments	(57)	(57)	(57)	(57)	(57)	(57)
TOTAL ADJUSTMENTS	(2,919)	(48)	(48)	(48)	(48)	(48)
ADJUSTED FUND BALANCE	50,321	44,333	32,918	19,066	7,518	(2,614)
RESERVES:						
1/12th Operating Reserve	38,461	38,992	40,131	41,513	42,814	44,154
Reserve for the Cost of Labor	0	1,538	1,538	1,538	1,538	1,538
Increase to Reserve	0	200	400	600	800	1,000
TOTAL RESERVES	38,461	40,730	42,069	43,651	45,152	46,692
UNRESERVED FUND BALANCE	11,860	3,603	(9,151)	(24,585)	(37,634)	(49,306)

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

	UNAUDITED ACTUAL FY/11	REVISED APPROP FY/12	FORECASTS FY/13		FY/14		FY/15		FY/16	
PERSONNEL	310,892	326,570	331,418	1.5%	338,425	2.1%	346,093	2.3%	354,296	2.4%
OPERATING	70,132	71,876	71,512	-0.5%	72,976	2.0%	74,755	2.4%	76,517	2.4%
CAPITAL	859	0	0	na	0	na	0	na	0	na
TRANSFERS	62,522	69,058	69,943	1.3%	71,942	2.9%	73,739	2.5%	74,835	1.5%
ADDITIONAL ITEMS FACTORED	1,664	3,238	8,704	na	14,812	70.2%	19,175	29.5%	24,195	26.2%
GRAND TOTAL	446,069	470,742	481,577	2.3%	498,155	3.4%	513,762	3.1%	529,842	3.1%

This forecast does not assume any reductions in recurring expenses for FY/13. An overall increase of 2.3% in total expenses is reflected for FY/13 as compared to FY/12.

The 1.5% increase in personnel includes annualized costs for Fire Station 7 as well as unfunded positions created mid-year. While there is no direct wage increase built in for City employees, this forecast does include a carry-forward reserve of a $1.5 million for salary increases subject to negotiation by the unions. The overall benefit rate goes up with an estimated single digit percent increase in the cost of health, dental and vision, as well as a slight increase for life insurance. The GASB requirements for the capturing of post-employment benefits obligations and State legislation result in higher Retiree Health Care costs.

Operating costs are reduced by 0.5% as one-time funding for FY/12 is removed from the base. There is no capital built into the FY/13 forecast. Transfers to other funds from the General Fund increase by approximately 1.3% in FY/13 and include the increase in the benefit rate for all subsidized funds. The transfer to Open Space Fund increases by $1.1 million due to reduced interest earnings in the Open Space Trust Fund. The transfer for Transit services in the General Fund increases $656 thousand in this forecast. This includes moving 11 grant funded positions to the enterprise fund along with increased benefit costs. Other fund transfer increases include the transfer to the Gas Tax Road Fund for $250 thousand, as well as transfers to Parking, Lodger's Tax and Hospitality Tax Funds to support debt service.

The forecast includes the continued transfer of the equivalent of .25 mil of property tax to debt service through FY/15. The assumption is the revenue stream will either be used to directly fund needed infrastructure projects or the debt service on bonds sold for the same purpose. Finally, the forecast includes $2 million per year to pay for operating costs of capital improvement projects such as new facilities, parks, and medians coming-on-line through FY/16.

.

Table D below presents the history of compensation adjustments by union series.

TABLE D

UNION	2013	* 2012	2011	2010	2009	2008	2007	2006	2005	** 2004	Total
CPI Urban	1.50%	1.80%	1.50%	0.24%	1.58%	3.4%	3.4%	3.4%	3.7%	4.1%	24.6%
Blue Collar - Local 624 - AFSCME, AFL-CIO	0.0%	0.0%	-1.77%	3.0%	3.0%	3.5%	3.5%	3.2%	3.2%	0.0%	17.6%
Clerical and Technical - AFSCME 2962	0.0%	0.0%	-1.21%	3.0%	3.0%	3.5%	3.5%	3.2%	3.2%	0.0%	18.2%
Fire Firefighters Union	0.0%	0.0%	-2.47%	5.0%	5.0%	4.5%	4.5%	3.2%	3.2%	3.0%	25.9%
J Series - Security Staff ****	0.0%	0.0%	-1.17%	3.0%	3.0%	3.5%	3.5%	3.2%	3.2%	0.0%	18.2%
Bargaining Management	0.0%	0.0%	-2.29%	3.0%	3.0%	3.5%	3.5%	3.2%	3.2%	0.0%	17.1%
Non-Bargaining Management	0.0%	0.0%	-2.79%	3.0%	3.0%	3.5%	3.5%	3.2%	3.2%	0.0%	16.6%
Albuq. Police Officers Assoc. ***	0.0%	0.0%	-2.41%	9.1%	11.4%	4.5%	4.5%	3.9%	3.9%	0.0%	34.9%
United Transportation - Local 1745	0.0%	0.0%	-0.48%	3.0%	3.0%	3.5%	3.5%	3.2%	3.2%	0.0%	18.9%

* The 2012 budget has a reserve set aside pending labor negotiations. This reserve is the equivalent of a one percent for employees earning under $50 thousand

** Bonus negotiated with unions via MOU dependent upon years of service

*** 2010 Increase given mid-year. Percentage reflected for 2010 is Annualized.

**** In 2011 J-Series transport officers and M-Series transport sergeants were moved to APOA.

REVENUES AND EXPENDITURES UNDER ALTERNATIVE SCENARIOS

ALTERNATIVE SCENARIOS

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

GI prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. Added to this are possible local events, primarily losses or gains in employment that are not incorporated in the baseline. These events are presented below in the 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 changes in revenue are substantial and have a dramatic impact on the unreserved fund balance. The optimistic scenario has revenue growth that is near expense growth and the unreserved fund balance is positive in FY/16. The pessimistic scenario has revenue growth well below the expense growth and has a negative unreserved fund balance in FY/12, and a $30 million shortfall in FY/13.

The alternative scenarios are based on the October 2011 forecast from FOR-UNM and GI. BBER had run the FOR-UNM model for these alternatives. Results from the October and November baseline forecasts are quite similar, so it is appropriate to use these already developed scenarios.

OPTIMISTIC SCENARIO

This scenario is based on the GI high growth scenario that is assigned a probability of 10%. This economy experiences a more robust recovery with strong growth lower unemployment.

National Assumptions

- Real GDP growth is 3.5% at the end of FY/12 and approaches 4% in FY/13.
- Inflation rates are low, wage pressure is held in check by low inflation and productivity increases.
- The rescue programs at the U.S. treasury are successful and banks begin lending more money.
- Oil prices increase more in the near term, but are lower than the baseline after 2013.
- The unemployment rate starts tailing off sooner than the baseline and falls to 6.5% by FY/15.

Local Assumptions

- The national scenario drives up residential building permits and construction employment. Employment growth is more pronounced, even without any add factoring in of positive local employment.

Specific Revenue Assumptions

- Building permits revenue expands more rapidly in the future years.
- The rate of change in GRT base in FY/12 is similar to the baseline, but jumps to 4.2% in FY/13. In FY/13 GRT is $4.2 million above the baseline.
- Property tax is allowed to grow at 2.5% after FY/12.
- Franchises revenues have larger growth rates due to higher levels of household and business formation and increases in use.
- Building permits increase almost 1,000 units per year above the baseline scenario, driving both GRT and building permit revenue.

Optimistic Scenario Factors

GLOBAL INSIGHT OPTIMISTIC SCENARIO						
		2012	2013	2014	2015	2016
All Items	CPI-U	3.0%	1.8%	1.8%	1.6%	1.3%
Employment Cost Index-Wages & Salary	WAGES	2.2%	2.2%	2.2%	2.3%	2.6%
Medical Care	MEDICAL	1.9%	2.3%	1.9%	1.9%	2.3%
New Cars	NEWAUTO	2.8%	0.4%	1.3%	0.4%	0.0%
Trasportation	Autorep	2.2%	1.3%	1.5%	1.5%	1.5%
Natural Gas	NATGAS	0.8%	5.0%	3.9%	4.7%	4.4%
Gasoline & Oil	FUEL	11.6%	-1.1%	-0.1%	-0.3%	-4.2%
Electricity Chained Price Index	ELECT	2.8%	2.8%	3.2%	2.4%	1.7%
PRICE INDEX-Govt Consumption Noncompensation	GOVT	2.7%	1.9%	2.0%	2.0%	2.0%
Tires/Tubes/Accessories/Parts	TIRES	3.5%	1.1%	0.6%	0.4%	0.2%

General Fund Revenues

	Five year					Growth Rates				
	FY/12	FY/13	FY/14	FY/15	FY/16	FY/12	FY/13	FY/14	FY/15	FY/16
Gross Receipts	295,373	308,074	323,786	338,356	351,890	2.4%	4.3%	5.1%	4.5%	4.0%
Taxes	102,037	104,395	106,797	109,283	111,835	2.2%	2.3%	2.3%	2.3%	2.3%
Shared	4,745	4,745	4,745	4,745	4,745	-8.5%	0.0%	0.0%	0.0%	0.0%
Permits	9,466	9,742	10,315	11,461	12,191	-1.7%	2.9%	5.9%	11.1%	6.4%
Charges for Services	18,135	18,135	18,406	18,678	18,956	1.4%	0.0%	1.5%	1.5%	1.5%
Intra City	18,889	17,167	17,470	17,809	18,168	-6.1%	-9.1%	1.8%	1.9%	2.0%
Misc	1,784	1,794	2,020	3,335	4,540	82.1%	0.6%	12.6%	65.1%	36.1%
CIP Funded	12,344	12,513	12,776	13,068	13,380	2.3%	1.4%	2.1%	2.3%	2.4%
Total Revenue	462,773	476,565	496,315	516,734	535,706	1.9%	3.0%	4.1%	4.1%	3.7%
Total non-recurring	1,185	0	0	0	0	-60.9%	-100.0%	0.0%	0.0%	0.0%
Recurring Revenue	461,588	476,565	496,315	516,734	535,706	2.3%	3.2%	4.1%	4.1%	3.7%

TABLE 2
FIVE YEAR FORECAST
GENERAL FUND - OPTIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000's)

	UNAUDITED ACTUAL FY/11	REVISED APPROP FY/12	FORECASTS FY/13	FY/14	FY/15	FY/16
RESOURCES:						
Recurring Revenue	451,112	461,588	476,565	496,315	516,734	535,706
% Change Recurring Revenue		2.3%	3.2%	4.1%	4.1%	3.7%
Total Non-recurring	3,034	1,185	0	0	0	0
TOTAL REVENUES	454,146	462,773	476,565	496,315	516,734	535,706
% Change Total Revenue		1.9%	3.0%	4.1%	4.1%	3.7%
BEGINNING FUND BALANCE	43,132	51,209	43,240	39,495	39,364	44,906
TOTAL RESOURCES	497,278	513,982	519,806	535,809	556,099	580,612
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	441,586	460,140	480,291	495,502	511,172	524,781
% Change Recurring Appropriation		4.2%	4.4%	3.2%	3.2%	2.7%
Non-recurring Exp/App:						
One-time Items	4,483	10,602	20	943	20	2,350
Total Non-recurring	4,483	10,602	20	943	20	2,350
TOTAL EXPEND/APPROP	446,069	470,742	480,311	496,445	511,192	527,131
UNADJUSTED FUND BALANCE	51,209	43,240	39,495	39,364	44,906	53,481
ADJUSTMENTS:						
Encumbrances	(2,871)	0	0	0	0	0
Unrealized Gains on Investments	9	9	9	9	9	9
Other Accounting Adjustments	(57)	(57)	(57)	(57)	(57)	(57)
TOTAL ADJUSTMENTS	(2,919)	(48)	(48)	(48)	(48)	(48)
ADJUSTED FUND BALANCE	48,290	43,192	39,447	39,316	44,858	53,433
RESERVES:						
1/12th Operating Reserve	38,461	38,992	40,026	41,370	42,599	43,928
Reserve for the Cost of Labor	0	1,538	1,538	1,538	1,538	1,538
Increase to Reserve	0	200	400	600	800	1,000
TOTAL RESERVES	38,461	40,730	41,964	43,508	44,937	46,466
UNRESERVED FUND BALANCE	9,829	2,462	(2,517)	(4,192)	(79)	6,967

PESSIMISTIC SCENARIO

This scenario is based on the GI pessimistic alternative that is assigned a probability of 40%. In their December forecast GI lowered this probability to 35%. In this scenario the financial crisis worsens particularly in Europe and the economy falls back into recession. Unemployment increases to over 10% in FY/13 and FY/14 and only comes down to 8% by FY/16. Oil prices are near the baseline in the short run due to weakness in global demand, but then increase due to pessimistic assumptions about supply. This ends up making inflation worse than the baseline after 2011, which limits the Federal Reserve Bank's ability to use monetary policy to expand the economy, though in FY/16 10-year Treasury bond rates are above the baseline.

National Assumptions

- GDP growth slides back to negative for three quarters making this a true "double dip" recession. FY/12 has near zero growth and FY/13 is negative.
- The housing market remains weak for a longer period.
- Job growth remains below growth in the labor force. Unemployment averages 10.3% in FY/13 and FY/14 and only falls below 8% in FY/16.
- Consumer confidence plunges and consumption falls.
- Inflation is above the baseline beginning in FY/14.

Local Assumptions

- Employment is lower based on the weak national scenario.

Specific Revenue Assumptions

- The GRT model posts growth well below the baseline. Growth in FY/12 is 1.2% below the baseline and FY/13 is only 0.4% growth or 2.6% below the baseline. Growth exceeds the baseline for some of the out years, but GRT is still $5.8 million below the baseline in FY/16.
- Franchise fees are weaker due to slower growth.
- Building permit revenue is lower due to slower construction.

Pessimistic Scenario Factors

GLOBAL INSIGHT PESSIMISTIC SCENARIO					
	2012	2013	2014	2015	2016
All Items	1.9%	0.8%	2.7%	3.1%	2.2%
Employment Cost Index-Wages & Salary	1.6%	1.2%	1.4%	1.8%	2.2%
Medical Care	1.7%	2.2%	2.8%	2.7%	3.0%
New Cars	2.0%	-2.4%	1.9%	2.6%	2.0%
Trasportation	1.6%	0.7%	1.9%	2.3%	2.2%
Natural Gas	0.0%	7.5%	11.2%	5.1%	5.5%
Gasoline & Oil	-1.2%	-3.0%	12.2%	13.3%	0.6%
Electricity Chained Price Index	2.5%	1.6%	3.5%	4.1%	3.2%
PRICE INDEX-Govt Consumption Noncompensation	2.3%	1.2%	1.9%	2.3%	2.3%
Auto Parts and Acessories	2.6%	0.2%	2.0%	2.0%	1.4%

General Fund Revenues

	Five year					Growth Rates				
	FY/12	FY/13	FY/14	FY/15	FY/16	FY/12	FY/13	FY/14	FY/15	FY/16
Gross Receipts	291,623	292,789	304,794	320,948	335,070	1.1%	0.4%	4.1%	5.3%	4.4%
Taxes	101,480	101,691	102,780	103,929	105,093	1.6%	0.2%	1.1%	1.1%	1.1%
Shared	4,745	4,745	4,745	4,745	4,745	-8.5%	0.0%	0.0%	0.0%	0.0%
Permits	9,466	9,290	9,389	9,706	10,260	-1.7%	-1.9%	1.1%	3.4%	5.7%
Charges for Services	18,135	18,135	18,406	18,678	18,956	1.4%	0.0%	1.5%	1.5%	1.5%
Intra City	18,889	17,167	17,470	17,809	18,168	-6.1%	-9.1%	1.8%	1.9%	2.0%
Misc	894	904	1,130	2,445	3,650	-8.7%	1.1%	25.0%	116.4%	49.3%
CIP Funded	12,344	12,344	12,603	12,891	13,199	2.3%	0.0%	2.1%	2.3%	2.4%
Total Revenue	457,576	457,066	471,317	491,151	509,141	0.8%	-0.1%	3.1%	4.2%	3.7%
Non-Recurring	1,185	-	-	-	-	-60.9%	-100.0%	-	-	-
Recurring Revenue	456,391	457,066	471,317	491,151	509,141	1.2%	0.1%	3.1%	4.2%	3.7%

TABLE 2
FIVE YEAR FORECAST
GENERAL FUND - PESSIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000's)

	UNAUDITED ACTUAL FY/11	REVISED APPROP FY12	FORECASTS FY/13	FY/14	FY/15	FY/16
RESOURCES:						
Recurring Revenue	451,112	456,391	457,066	471,317	491,151	509,141
% Change Recurring Revenue		1.2%	0.1%	3.1%	4.2%	3.7%
Total Non-recurring	3,034	1,185	0	0	0	0
TOTAL REVENUES	454,146	457,576	457,066	471,317	491,151	509,141
% Change Total Revenue		0.8%	-0.1%	3.1%	4.2%	3.7%
BEGINNING FUND BALANCE	43,132	51,209	38,043	12,059	(14,417)	(35,851)
TOTAL RESOURCES	497,278	508,785	495,109	483,376	476,734	473,290
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	441,586	460,140	483,030	496,850	512,565	526,225
% Change Recurring Appropriation		4.2%	5.0%	2.9%	3.2%	2.7%
Non-recurring Exp/App:						
One-time Items	4,483	10,602	20	943	20	2,329
Total Non-recurring	4,483	10,602	20	943	20	2,329
TOTAL EXPEND/APPROP	446,069	470,742	483,050	497,793	512,585	528,554
UNADJUSTED FUND BALANCE	51,209	38,043	12,059	(14,417)	(35,851)	(55,265)
ADJUSTMENTS:						
Encumbrances	(2,871)	0	0	0	0	0
Unrealized Gains on Investments	9	9	9	9	9	9
Other Accounting Adjustments	(57)	(57)	(57)	(57)	(57)	(57)
TOTAL ADJUSTMENTS	(2,919)	(48)	(48)	(48)	(48)	(48)
ADJUSTED FUND BALANCE	48,290	37,995	12,011	(14,465)	(35,899)	(55,313)
RESERVES:						
1/12th Operating Reserve	38,461	38,992	40,254	41,483	42,715	44,046
Reserve for the Cost of Labor	0	1,538	1,538	1,538	1,538	1,538
Increase to Reserve	0	200	400	600	800	1,000
TOTAL RESERVES	38,461	40,730	42,192	43,621	45,053	46,584
UNRESERVED FUND BALANCE	9,829	(2,735)	(30,181)	(58,086)	(80,952)	(101,897)

Comparison of Scenarios—National and Local Variables

Indicator/FY	SCENARIO			Difference		
	Optimistic	Baseline	Pessimistic	Optimistic	Pessimistic	
Employment -Albuquerque MSA						**L**
2012	0.1%	0.5%	-0.5%	-0.4%	-1.0%	**O**
2013	1.9%	1.0%	0.2%	1.0%	-0.8%	**C**
2014	2.0%	1.4%	0.9%	0.5%	-0.5%	**A**
2015	1.7%	1.7%	1.3%	0.0%	-0.4%	**L**
2016	1.5%	1.6%	1.3%	-0.1%	-0.3%	
Unmployment Rate -Albuquerque MSA						
2012	7.3%	7.4%	7.5%	-0.1%	0.1%	
2013	6.9%	7.5%	8.3%	-0.6%	0.8%	
2014	6.3%	7.4%	8.7%	-1.0%	1.3%	
2015	5.7%	6.9%	8.3%	-1.2%	1.4%	
2016	5.2%	6.3%	7.8%	-1.2%	1.4%	
MSA Construction Employment						**I**
2012	-8.1%	-3.7%	-9.7%	-4.4%	-6.1%	**N**
2013	0.7%	-1.6%	-3.0%	2.3%	-1.5%	**D**
2014	4.0%	3.0%	2.0%	1.1%	-1.0%	**I**
2015	3.1%	3.5%	1.5%	-0.5%	-2.0%	**C**
2016	1.4%	3.0%	1.5%	-1.5%	-1.4%	**A**
Residential Housing Permits-Inside City						**T**
2012	1361	1134	722	227	(412)	**O**
2013	2410	1320	829	1,090	(491)	**R**
2014	3104	2045	1113	1,059	(932)	**S**
2015	3544	2824	1865	720	(959)	
2016	4297	3333	2469	965	(864)	
Real GDP						
2012	2.6%	1.7%	0.2%	0.9%	-1.5%	
2013	3.7%	1.8%	-0.3%	2.0%	-2.1%	
2014	3.8%	3.2%	2.4%	0.6%	-0.8%	
2015	3.7%	3.6%	3.2%	0.1%	-0.4%	
2016	3.3%	3.0%	2.5%	0.3%	-0.5%	
Unemployment Rate GDP						
2012	8.8%	9.2%	9.6%	-0.4%	0.4%	
2013	7.9%	9.2%	10.4%	-1.3%	1.2%	
2014	7.0%	8.7%	10.3%	-1.7%	1.6%	**N**
2015	6.2%	7.8%	9.5%	-1.6%	1.7%	**A**
2016	5.6%	7.2%	8.9%	-1.6%	1.7%	**T**
Price Index Consumer Price Index-Urban Consumers						**I**
2012	3.0%	2.7%	0.1%	0.3%	-2.6%	**O**
2013	1.8%	1.3%	0.8%	0.5%	-0.5%	**N**
2014	1.8%	1.9%	2.7%	-0.1%	0.8%	**A**
2015	1.6%	2.2%	3.1%	-0.6%	1.0%	**L**
2016	1.3%	2.0%	2.2%	-0.7%	0.3%	
Interest Rates-Federal Funds Rate						
2012	0.1%	0.1%	0.1%	0.0%	0.0%	
2013	0.4%	0.1%	0.1%	0.3%	0.0%	**I**
2014	2.4%	0.4%	0.1%	2.0%	-0.3%	**N**
2015	3.9%	2.3%	0.2%	1.6%	-2.0%	**D**
2016	4.0%	3.9%	1.8%	0.1%	-2.1%	**I**
Interest Rates-10 Year Treasury Bond						**C**
2012	2.8%	2.2%	1.7%	0.6%	-0.5%	**A**
2013	3.9%	2.6%	1.8%	1.3%	-0.8%	**T**
2014	4.4%	3.2%	2.6%	1.3%	-0.5%	**O**
2015	4.7%	4.1%	3.7%	0.7%	-0.4%	**R**
2016	4.9%	4.9%	5.1%	0.0%	0.2%	**S**
West Texas Intermediate Crude- Dollars per barrel						**L**
2012	86.03	75.20	70.15	10.83	(5.05)	
2013	92.47	89.42	80.97	3.05	(8.45)	
2014	85.44	89.58	102.37	(4.14)	12.79	
2015	83.17	104.02	107.12	(20.85)	3.10	
2016	87.02	103.70	110.66	(16.68)	6.97	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic -Baseline					Optimistic-Baseline				
	FY/12	FY/13	FY/14	FY/15	FY/16	FY/12	FY/13	FY/14	FY/15	FY/16
Gross Receipts	-3,461	-11,147	-10,083	-7,153	-5,827	289	4,138	8,909	10,255	10,993
Taxes	-481	-1,299	-2,023	-2,763	-3,519	76	1,405	1,994	2,591	3,223
Shared	0	0	0	0	0	0	0	0	0	0
Permits	0	-226	-453	-713	-785	0	226	473	1,042	1,146
Charges for Services	0	0	0	0	0	0	0	0	0	0
Intra City	0	0	0	0	0	0	0	0	0	0
Misc	-365	-255	-255	-255	-255	525	635	635	635	635
CIP Funded	0	-169	-172	-179	-184	0	0	1	-2	-3
Total Revenue	-4,307	-13,095	-12,986	-11,063	-10,570	890	6,404	12,012	14,520	15,995

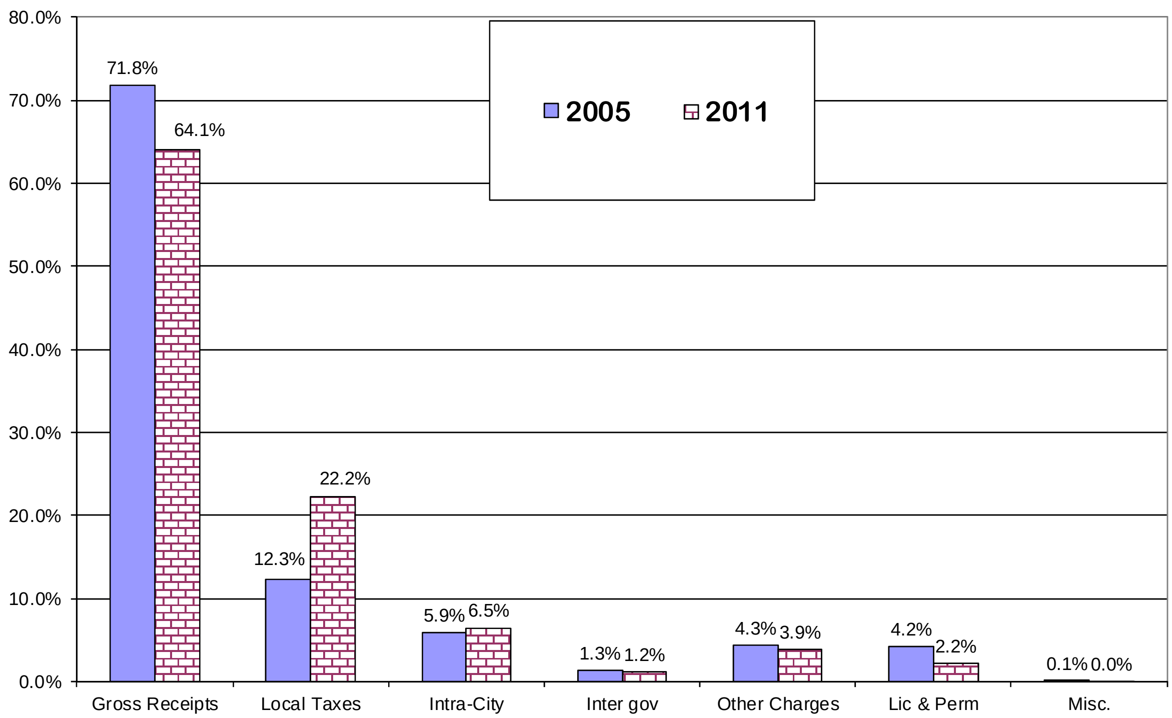
REVENUE HISTORY

GENERAL FUND REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/05 to FY/11 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. Recurring receipts in this period increased at a compound annual rate of 3.5%. The growth is boosted by the addition of 4 mills in property tax revenue (shifted from debt service), added as one mill in FY/04 and FY/09 and two mills in FY/10. Changes in Gross Receipts Tax include the introduction of the Public Safety Quarter Cent Tax in FY/05, which was offset by the decrease of a quarter cent in Basic Services GRT in January 2007 and July 2008. After adjusting for changes in GRT and property tax rates, the annual growth in the general fund recurring revenues from FY/05 to FY/11 is 2.1%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/05 and FY/11. The City's General Fund has become somewhat less reliant on the Gross Receipts Taxes and more reliant on local taxes (franchises and property tax). Licenses and permits have become less important primarily due to the fall in building permit revenues.

Shares of Recurring General Fund Revenues



The Albuquerque economy is affected by the national economy and follows the general trend in business cycles. The growth periods are somewhat accelerated as Albuquerque has drawn business and population faster than the national average.

Following the recession in FY/02 the Albuquerque economy showed substantial growth. In FY/04 GRT had strong growth of 9.2%, far exceeding the growth in the underlying economy. FY/05 experienced moderate growth in employment and GRT growth at 4.2% which was stronger than the estimate. In FY/06 the Albuquerque and New Mexico economies picked up with employment growth nearing 4% in early 2006. The construction industry led the economy with strong employment growth, resulting in growth in construction GRT, though other construction related revenues such as building permits and engineering fees fell primarily due to the slowdown in residential housing. Growth in base GRT in FY/07 was 8.4%, but in FY/08 it was flat, posting a small decline. Construction GRT decreased by about 20% as single family housing construction slowed by near 60%. This continued into FY/09 with the base of GRT down 5.5% followed by a 6% decline in FY/10. Revenue from building permits has leveled, but are at a much smaller level as single family housing continues at very low levels. Other revenues such as franchises fell or were limited due to the weak economy. In FY/11 GRT recovered and had growth of 3%. Employment in Albuquerque declined in FY/11 and continues to lag behind the recovery in the U.S.

In the period from FY/05 to FY/11, the General Fund has been affected by several changes in revenue. There were some changes in tax rates, a quarter cent GRT for public safety was added in FY/05 and a full year collected in FY/06. In FY/09 one mill in property tax was shifted from capital to operations and in FY/10 two additional mills were shifted. In January 2007 1/8th cent of Gross Receipts Tax was cut in conjunction with Bernalillo County taking over operations of the Metropolitan Detention Center (MDC) and raising County GRT by 1/8th cent. Another 1/8th cent tax cut took place in FY/09. Fees have remained relatively constant. There were some small new fees for inspections of body art establishments, and in FY/05 fines associated with the new red-light ordinance were instituted, but these were moved to their own fund in FY/09. A new court paid corrections fee was collected in FY/05, two years after the state redirected the original corrections fee to pay for a parking structure for the new Metropolitan court house. Since the aquarium/botanic gardens came on line in FY/97 no large venues have opened. For FY/11 the State suspended local distributions of the cigarette tax.

The specific changes for different revenue categories are discussed below, with gross receipts at the end of the section.

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

REVENUE SOURCE	FY/05	FY/06	FY/07	FY/08	FY/09	FY/10	Unaudited FY/11	GROWTH FY05 TO FY11	Compound ANNUAL RATE
GROSS RECEIPTS TAX	236,883	253,565	274,763	274,692	260,494	246,149	252,409	6.6%	1.1%
BASIC SERVICES	31,712	34,066	29,451	18,506	1,674	0	0	-100.0%	-100.0%
GRT PUBLIC SAFETY	28,923	34,066	36,933	37,011	35,584	34,070	34,449	19.1%	
LOCAL COMPENSATING TAX					694	1,449	1,592		
TOTAL GRT	297,519	321,697	341,147	330,209	298,445	281,668	288,450	-3.0%	-0.5%
OTHER LOCAL TAXES	49,998	54,024	56,514	60,418	71,866	98,056	99,836	99.7%	12.2%
LICENSES AND PERMITS	15,534	15,797	13,901	11,792	9,470	9,255	9,628	-38.0%	-7.7%
OTHER INTERGOV'L AID	5,267	6,489	5,348	5,940	6,033	5,626	5,185	-1.6%	-0.3%
INTRA-CITY CHARGES(1)	23,207	22,514	21,117	21,685	23,167	24,806	25,999	12.0%	1.9%
OTHER SERVICE CHARGES	17,571	18,572	18,058	17,610	17,250	16,540	17,350	-1.3%	-0.2%
INTEREST EARNINGS	1,590	3,014	4,050	3,332	1,347	268	217	-86.4%	-28.3%
MISCELLANEOUS	228	1,812	9,208	183	247	78	126	-44.9%	-9.5%
INTERFUND TRANSFERS	2,112	2,140	2,791	3,615	9,613	17,409	6,189	193.0%	19.6%
TOTAL REVENUES	413,027	446,060	472,134	454,784	437,437	453,707	452,980	9.7%	1.6%
LESS NON-RECURRING(2)	12,980	8,527	18,238	23,906	9,379	11,869	3,034	-76.6%	-21.5%
RECURRING REVENUES	400,047	437,533	453,896	430,878	428,058	441,838	449,946	12.5%	2.0%

NOTES:

(1) Includes CIP funded positions

(2) Includes transfers from transportation infrastructure tax Fund 340, onetime gross receipts revenues, sales of property and other one time events.

Local Taxes. This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category increased its share of total recurring revenues from 12.4% in FY/05 to 22.4% in FY/11. Property tax revenues increased at a compound rate of 19.1%, mostly due to the shift of three mills in property taxes from debt service to operating; one mill in FY/09 and two in FY/10. The underlying growth taking out the shift in mills is still strong at 5.9%. Franchise revenues grew at a compound annual rate of 1% for the period. The gas franchise revenues decrease reflecting a dramatic decline in the price of natural gas in FY/11. The electric franchise had the strongest growth with annual average growth of 5.1%. This was due mostly to increased rates in FY/09 and FY/11. The water franchise agreement of 4% signed in FY/05, has grown primarily due to population growth and has had an average increase of 1.9%. PILOT, not including the Water Authority, had annual growth of 7.7% due to general revenue growth and an increase in GRT rates from the addition of a quarter cent in GRT as well as a rate increase in Solid Waste in FY/11.

Intergovernmental Assistance. Intergovernmental revenues other than GRT accounted for 1.3% of General Fund recurring receipts in FY/05 and 1.2% in FY/11. Municipal gasoline tax revenue increased an average of 1.5%, while other recurring revenue decreased about 1.8%. Motor vehicle fees were flat. The State stopped the Cigarette tax revenues distribution in FY/11, a loss of approximately $400 thousand. The General Fund received a new revenue source in State-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and the State legislature reassigned this distribution and it will go to the County beginning in FY/12.

Other Charges (Charges for Services). Revenues from other charges accounted for 4.3% of General Fund recurring revenues in FY/05 and 3.9% in FY/11. 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 increased from $1.7 million in FY/05 to $2.2 million in FY/11 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. Charges for police over-time services are an offset to pay officers for private use; it remained relatively flat at around $1 million, until increases in the overhead rate and increased use of over-time brought revenues up to $1.4 million in FY/05 and FY/06. In FY/07 revenues were over $1.5 million and $1.8 million in FY/09 FY/10, and FY/11. In FY/04 a new alarm ordinance resulted in increases in the fines that are kept in the General Fund. In FY/05, $382 thousand was transferred to the General Fund, up from approximately $150 thousand under the previous ordinance. In FY/09, collections were $255 thousand, an amount similar to the past several years. Additionally, in FY/03 with the opening of the City's new crime lab, Bernalillo County began paying an annual amount of approximately $550 thousand for crime lab services, up from approximately $100 thousand. Additionally in FY/11 the County also began paying the City approximately $600 thousand for the City police for security at metropolitan court. Reimbursements from the County for library services in the unincorporated areas has remained relatively flat; a reflection that the City is not operating any additional libraries for the County. The BioPark, that includes the zoo, aquarium, and botanic gardens, had revenues of $3.4 million in FY/11. With annual growth of 3.6% in this period, the BioPark was one of the few City venues to increase attendance during the recession.

Intra-City Revenues. These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other interfund transfers, excluding PILOT. In FY/05 these accounted for 5.9% of recurring revenues and 6.5% in FY/11. The increase is due primarily to new ongoing transfers and use of CIP funded positions. Indirect overhead has declined and partially offset the growth in this category. Revenues for CIP funded positions increased substantially in FY/10 and FY/11 as both parks and the department of municipal development made more use of CIP funded positions. These positions are associated with capital projects at the BioPark, parks, roads, sewer, and other construction projects in the CIP program.

Interfund transfers in total can vary substantially due to onetime transfers from other funds. In FY/10 and FY/11 the closing of projects in special assessments districts yielded transfers to the General Fund of $7.3 million and $2.3 million respectively. In FY/08 large transfers were due mainly to transfers from the newly created photo-enforcement fund. Transfers from the photo-enforcement fund pay for the costs of operating the programs; largely the cost of the administrative hearing office.

Revenues from internal service charges over the past ten years have decreased dramatically as charges have been moved to separate funds. In FY/05 through FY/11 annual revenues were about $1 million. In FY/10 revenues are about $1.4 million with most of the revenue coming from a contract the Parks and Recreation Department has to provide landscape maintenance at the Sunport.

Indirect overhead revenues in FY/05 were $14.9 million; in FY/11 revenues are estimated at $12.7 million. This decrease is a combination of operating and capital overhead.

Licensing, Permit Fees. The share for this category was 4.2% in FY/05 and 2.2% in FY/11. The decrease in share of revenue is due to the fall in building permit revenue. In FY/05 revenue was nearly $12 million and in FY/11 revenue was only $4.6 million; a 61% decrease. Other licenses and permits increased 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 during FY/11.

Miscellaneous. This category has the same share of 0.2% in both FY/05 and FY/11. FY/04 included $2.2 million of one-time money from an IRB settlement. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings have fallen as short term rates are now near zero. In FY/07 miscellaneous revenues increased due to the STOP photo enforcement program. Fines for the program were over $9 million. In FY/08 these revenues were moved with related expenses to a new fund. The other regular source of income is rental of City property. This has remained relatively stable with increases at about the rate of inflation.

Gross Receipts Tax. The Gross Receipts Tax remains the major contributor to the General Fund making up 69% of recurring revenues in FY/09. In January 2007 and July 2008 there were 1/8th cent cuts in the basic services ¼ cent tax. 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.

The following table provides a summary of the GRT from FY/02 to FY/11 as a revenue source for the City of Albuquerque. The locally imposed GRT consists of the municipal imposed ½ cent (2 quarters), basic services ¼ cent, public safety ¼ cent, infrastructure 1/16 cent and currently the transportation infrastructure ¼ cent. Only the transportation infrastructure tax is not in the General Fund. The transportation tax was imposed for ten years from January 2000 through December 30, 2009. An extension of the tax was passed in the October 2009 election, but didn't go into effect until July of 2010, because of collection time and the City accrual of revenue, 11 months of the tax was counted in FY/11. This same quarter cent tax was previously used for quality of life and open space. In FY/07, 1/8th cent of the basic services tax was cut in January 2007. Due to the GASB accrual seven months of revenue were actually booked in FY/07. In the FY/08 budget, the remaining 1/8th cent of the basic services tax was cut beginning in July 2008. In FY/09 one month of this tax was booked. In FY/09 the City began receiving a share of the compensating tax. The City's share in FY/09 was $694 thousand and was phased in to a larger percentage and was $1.5 million in FY/11.

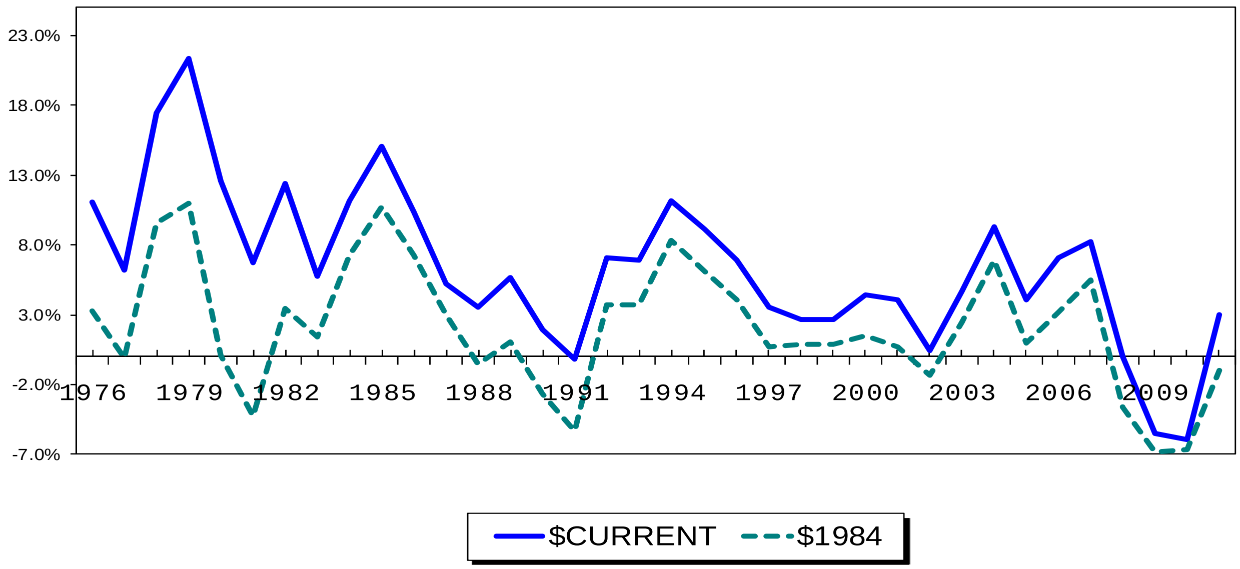
The compound annual growth of Gross Receipts Tax revenues in the General Fund is 2.5% in the period FY/01 to FY/10. The growth from the addition of the ¼ cent for public safety tax is offset by the two 1/8th cent tax cuts in January 2007 and July 2008. In order to look at the growth in the tax base and ignore changes in tax rates and other technical changes, it is best to look at the one-percent distribution. The one-percent distribution had annual growth of 2.3% in this period. After adjusting for inflation the one-percent distribution showed no growth. The rapid growth in the period prior to FY/07 was largely offset by three negative years FY/08 was -0.5%, FY/09 was -5.1% and FY/10 was down 6.0%. In FY/11 positive growth of 3% was achieved, but there was still no growth in real terms.

GROSS RECEIPTS TAX REVENUES, FY'S 2002 - 2011
($000's)

DETAIL ON GROSS RECEIPTS:	FY/02	FY/03	FY/04	FY/05	FY/06	FY/07	FY/08	FY/09	FY/10	FY/11	FY'S 02-11 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:												
MUNICIPAL IMPOSED 1/2 CENT	55,034	57,569	62,778	65,333	70,079	76,302	76,098	73,129	70,062	71,049	29.1%	2.9%
BASIC SERVICES 1/4 CENT	26,557	27,916	30,442	31,712	34,066	29,451	18,506	1,674	0	0	-100.0%	
first 1/8th	13,279	13,958	15,221	15,856	17,033	18,467	18,506	1,674	0	0	-100.0%	-100.0%
Second 1/8 (9)	13,279	13,958	15,221	15,856	17,033	10,984	0	0	0	0	-100.0%	-100.0%
PUBLIC SAFETY 1/4 CENT(8)				28,923	34,066	36,933	37,011	35,584	34,070	34,449		
INFRASTRUCTURE 1/16 CENT (2)	6,643	6,983	7,612	7,961	8,542	9,236	9,243	8,734	8,199	8,443	27.1%	2.7%
	88,234	92,468	100,832	133,930	146,753	151,922	140,858	119,121	112,330	113,941	29.1%	2.9%
STATE SHARED RECEIPTS												
1% DISTRIBUTION (3)	110,715	115,901	126,639	131,767	141,128	152,730	152,654	144,247	135,604	138,592	23.0%	2.3%
.35%/.225% DISTRIBUTION (3,4)	24,915	26,082	28,499	29,653	31,759	34,370	34,353	32,456	30,516	31,183	22.9%	2.3%
Municipally Shared Compensating Tax								694	1,449	1,510		
	135,631	141,984	155,138	161,420	172,887	187,100	187,007	177,397	167,569	171,285	24.0%	2.4%
TOTAL TAX RECEIPTS	223,865	234,452	255,970	295,350	319,640	339,022	327,865	296,518	279,899	285,226	25.6%	2.6%
PENALTY & INTEREST	1,858	1,562	2,464	2,169	2,057	2,057	2,344	1,928	1,769	2,464	25.8%	2.6%
TOTAL GENERAL FUND DISTRIBUTION	225,723	236,013	258,434	297,519	321,697	341,079	330,209	298,445	281,668	287,689	25.6%	2.6%
MUNICIPAL IMPOSED 1/4 CENT												
TRANSPORTATION2000 (7)	26,557	27,916	30,442	31,712	34,066	36,933	37,011	35,036	19,660			
TRANSPORTATION2010 (7)										30,626		
	26,557	27,916	30,442	31,712	34,066	36,933	37,011	35,036	19,660	30,626	-25.8%	-3.3%
TOTAL GROSS RECEIPTS TAX REVENUES(1)	252,281	263,930	288,875	329,231	355,763	378,012	367,220	333,481	301,328	318,315	20.2%	2.1%

(1) After adjustments in compliance with GASB.
(2) The Municipal Infrastructure Gross Receipts Tax went into effect July 1, 1992, with the first distribution in September..
(3) Administrative fee on distributions above the 1/2 cent (1/4 and 1/16 cent distributions) increased from three to five percent in FY/98. It returned to three percent in FY/01.
(4) Effective August 1, 1992, the State took back 1/8th cent of their distribution of State shared receipts to municipalities.
(5) Quality of Life Tax sunset December 31, 1996.
(6) 1/4 Cent for Open Space and Park Development went into effect July 1, 1997. Tax sunset June 30, 1999.
(7) 1/4 Cent Transportation Infrastructure Tax has two authorities (2000) in effect January 1, 2000 and sunset December 31, 2009 and 2010 July 1, 2010 to June 30, 2019
(8) Went into effect July 2004, 11 months received in FY/05
(9) Was cut effective January 2007
(10) Was cut effective July 2008

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2011



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. 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 national recessions. Following the slowdown in FY/91, the Albuquerque economy boomed, construction was strong, lead by the construction at Intel, DOE and military facilities. In addition, manufacturing experienced a boom in the semiconductor industry. In FY/95, the economy began slowing as the Intel project was completed and construction began tapering off. Sandia National Labs began reducing local purchases in 1995 as employment declined from 8,100 in FY/95 to about 6,600 in FY/00. Engineering and management services declined over 3% in 2 years. As about 90% of the semiconductor production in New Mexico was dependent on Asian markets, the Asian financial crisis that began in the fall of 1997 hit New Mexico hard. Major semiconductor manufacturers (Intel, Philips, Sumitomo, Motorola) all had slowdowns and layoffs. Over 2,300 jobs were lost in the manufacturing industry from FY/97 to FY/00; about 500 of these jobs were from Levi Strauss who also was affected by the crisis. Certainly there were secondary affects as producers who usually made large local purchases of inputs to their manufacturing process did not do so or deferred them. In FY/01 manufacturing made a bit of a turn, and then in FY/02, driven by the national recession, employment declined for three straight quarters. In FY/03 the economy turned and employment grew by about 1%, though manufacturing continued to lose jobs. Manufacturing from FY/01 to FY/04 lost about 4,900 jobs. This included slowdowns at EMCORE, Motorola selling its capacity and Philips shutting down its New Mexico operations. In FY/05 there was some improvement in the economy, but construction remained the strong point and manufacturing remained weak. The manufacturing employment turned in FY/06 as employment gained 3% and in FY/07 increased again at a rate of 2.9%. This was the result of gains in employment at several manufacturing firms including Eclipse Aviation, Advent Solar, Meralat, TempurPedic, and Emcore. Growth in construction flattened at the end of FY/07. This slowdown is in large part due to the slowdown in the permits for single-family housing. In FY/08 the slowdown in single-family housing slowed dramatically. With this the GRT related to construction contracted by about 20%. This slide continued through FY/11 and construction GRT in FY/11 was 48% below construction GRT in FY/07.

The one-percent distribution demonstrates how these events affected GRT revenues. From FY/97 to FY/99 the real growth in the one-percent distribution was less than 1%. FY/00 was a stronger year at 1.6% real growth. FY/01 again slowed to 0.7% growth caused in large part by the higher inflation rate of 3.4%. There was growth of 0.4% in FY/02, resulting in a negative real (inflation adjusted) growth rate. In FY/03 the turn around in the economy was reflected by a nominal 4.7% growth rate (2.4% in real terms). In FY/04 growth exceeded all expectations at 9.2%; this was with 1% growth in employment and low inflation. Some of the growth can be explained by the annexation of existing retail, but much of the growth remains unexplained. In FY/05 growth was 4%, but inflation for the year averaged 3%, making real growth an anemic 1%. In FY/06 growth increased to 7.1% making real growth a relatively strong 3.2%. In FY/08 GRT declined 0.3%, as the economy began slowing. It should be noted that real growth from 1976 to 2008 was 2.5% while the last 10 years averaged only 2.4%.

Changes to Gross Receipts Tax Base

Between FY/99 and FY/11 the state legislature has exempted or allowed deductions from the Gross Receipts Tax base 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, and
- Compensating tax credit for electric generation.

ACCURACY OF THE REVENUE ESTIMATES

ACCURACY OF THE REVENUE ESTIMATES

A summary of information on the accuracy of the General Fund revenue estimates over the past ten years is presented below. The first set of columns reports the accuracy of the 4-month revised estimates, which are prepared in February and March of the year in question in conjunction with the compilation of the Mayor's Budget for the next fiscal year. The second set of columns present the error of the 6 month revised estimates that are prepared as part of the Five-Year Forecast presented in December during the fiscal year in question. The final set of columns report the differences between the actual results and the budget estimates prepared in February and March of the prior year. In each case, the figures are presented for the Gross Receipts Tax, for total recurring receipts, and for non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are always fully reimbursed, with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/11.

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 2011(Unaudited Results)						
Gross Receipts Tax	476,987	0.4%	1,930,987	1.7%	1,036,987	0.9%
Recurring Revenues Less CIP	195,641	0.0%	2,170,372	0.5%	(2,591,672)	-0.6%
Non-Recurring	-	0.0%	(731)	-24.1%	313	10.3%
FISCAL YEAR 2010						
Gross Receipts Tax	1,584	0.6%	(8,721)	-3.1%	(21,302)	-7.6%
Recurring Revenues Less CIP	328	0.1%	(11,195)	-2.6%	(28,818)	-6.7%
Non-Recurring	-	0.0%	849	7.2%	5,637	47.5%
FISCAL YEAR 2009						
Gross Receipts Tax	(3,212)	-1.1%	(3,212)	-1.1%	(21,090)	-7.1%
Recurring Revenues Less CIP	(5,426)	-1.3%	(5,425)	-1.3%	(25,121)	-6.0%
Non-Recurring	(1,300)	-13.9%	(771)	-8.2%	(771)	-8.2%
FISCAL YEAR 2008						
Gross Receipts Tax	47	0.0%	(3,773)	-1.1%	(11,388)	-3.4%
Recurring Revenues Less CIP	(4,232)	-1.0%	(8,346)	-2.0%	(23,663)	-5.6%
Non-Recurring	4,447	18.3%	2,214	9.1%	6,116	25.1%
FISCAL YEAR 2007						
Gross Receipts Tax	2,952	0.9%	9,507	2.8%	13,759	4.0%
Recurring Revenues Less CIP	2,603	0.6%	9,670	2.1%	12,564	2.8%
Non-Recurring	-	0.0%	7,626	41.8%	8,400	46.1%
FISCAL YEAR 2006						
Gross Receipts Tax	5,380	1.7%	6,974	2.2%	13,283	4.1%
Recurring Revenues Less CIP	10,095	2.3%	16,919	3.9%	25,986	6.0%
Non-Recurring	281	3.3%	6,442	75.5%	0	0.0%
FISCAL YEAR 2005						
Gross Receipts Tax	3,172	1.1%	3,172	1.1%	15,476	5.2%
Recurring Revenues Less CIP	3,725	0.9%	4,305	1.1%	11,903	3.0%
Non-Recurring	4,743	36.9%	4,519	35.2%	10,164	79.1%
FISCAL YEAR 2004						
Gross Receipts Tax	8,571	3.3%	8,571	3.3%	17,742	6.9%
Recurring Revenues Less CIP	10,125	2.9%	10,103	2.8%	17,809	5.0%
Non-Recurring	-372	-4.6%	(921)	-11.4%	4,849	59.9%
FISCAL YEAR 2003						
Gross Receipts Tax	4,626	2.0%	4,647	2.0%	(1,374)	-0.6%
Recurring Revenues Less CIP	5,139	1.6%	5,729	1.8%	(5,531)	-1.7%
Non-Recurring	640	20.0%	(200)	-6.3%	640	20.0%
FISCAL YEAR 2002						
Gross Receipts Tax	(5,735)	-2.5%	(5,735)	-2.5%	(8,760)	-3.9%
Recurring Revenues Less CIP	(4,051)	-1.3%	(12,496)	-4.1%	(16,938)	-5.6%
Non-Recurring	0	0.0%	0	0.0%	2,707	79.5%

ACTUAL AND ESTIMATED GENERAL FUND REVENUES FOR FY/11

All figures in $1,000's

	UNAUDITED	ESTIMATES								
	ACTUAL	2nd Revision (March 2011)			1st Revision (Dec. 2010)			Approved Budget (May 2010)		
REVENUE SOURCES:	FY/11	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Gross Receipts Taxes	288,450	286,692	(1,758)	-0.6%	282,865	(5,585)	-1.9%	287,439	(1,011)	-0.4%
Property Taxes	74,581	74,619	38	0.1%	74,158	(423)	-0.6%	75,043	462	0.6%
Telephone Franchise	2,055	2,088	33	1.6%	2,100	45	2.2%	2,300	245	11.9%
Electric Franchise	7,707	7,911	204	2.7%	7,932	225	2.9%	7,400	(307)	-4.0%
Gas Franchise	3,963	4,720	757	19.1%	4,514	551	13.9%	3,996	33	0.8%
Cable Franchise	4,234	4,254	20	0.5%	4,300	66	1.6%	4,300	66	1.6%
Other Franchise	228	266	38	16.9%	831	603	265.1%	831	603	265.1%
Water Utility	5,346	5,346	0	0.0%	5,115	(231)	-4.3%	5,115	(231)	-4.3%
PILOT (excluding Water)	1,722	1,722	0	0.0%	1,722	0	0.0%	1,722	0	0.0%
Building Permits	4,624	4,398	(226)	-4.9%	4,564	(60)	-1.3%	4,115	(509)	-11.0%
Other Licenses/Fees	5,004	4,879	(125)	-2.5%	4,511	(493)	-9.8%	4,339	(665)	-13.3%
Other Intergov'l	5,185	4,975	(210)	-4.1%	5,118	(67)	-1.3%	5,518	333	6.4%
Charges for Services	17,350	17,455	105	0.6%	18,336	986	5.7%	18,336	986	5.7%
Internal Service	1,205	1,461	256	21.2%	1,431	226	18.7%	1,503	298	24.7%
Indirect Overhead	12,728	12,728	0	0.0%	12,977	249	2.0%	12,977	249	2.0%
Fines and Forfeitures	12,066	12,066	0	0.0%	12,066	0	0.0%	11,266	(800)	-6.6%
Interest on Invest	114	120	6	5.1%	150	36	31.4%	150	36	31.4%
Other Miscellaneous	217	270	53	24.6%	750	533	246.0%	1,000	783	361.3%
Interfund Transfers	649	1,262	613	94.6%	1,289	640	98.7%	1,389	740	114.1%
CIP Funded Positions	6,189	6,189	0	0.0%	6,718	529	8.5%	6,669	480	7.8%
TOTAL REVENUE	453,617	453,421	(196)	0.0%	451,447	(2,170)	-0.5%	455,408	1,791	0.4%
LESS: NON-RECUR	3,034	11,869	8,835	291.2%	11,020	7,986	263.2%	6,232	3,198	105.4%
RECURRING REVENUE	450,583	441,552	(9,031)	-2.0%	440,427	(10,156)	-2.3%	449,176	(1,407)	-0.3%