

City of Santa Fe, New Mexico

memo

DATE: October 17, 2016

TO: Finance Committee

VIA: Adam Johnson, Interim Finance Director

FROM: Christina Keyes, Treasury Officer



ITEM AND ISSUE:

City of Santa Fe Gross Receipts Tax Update through July 2016

BACKGROUND AND SUMMARY:

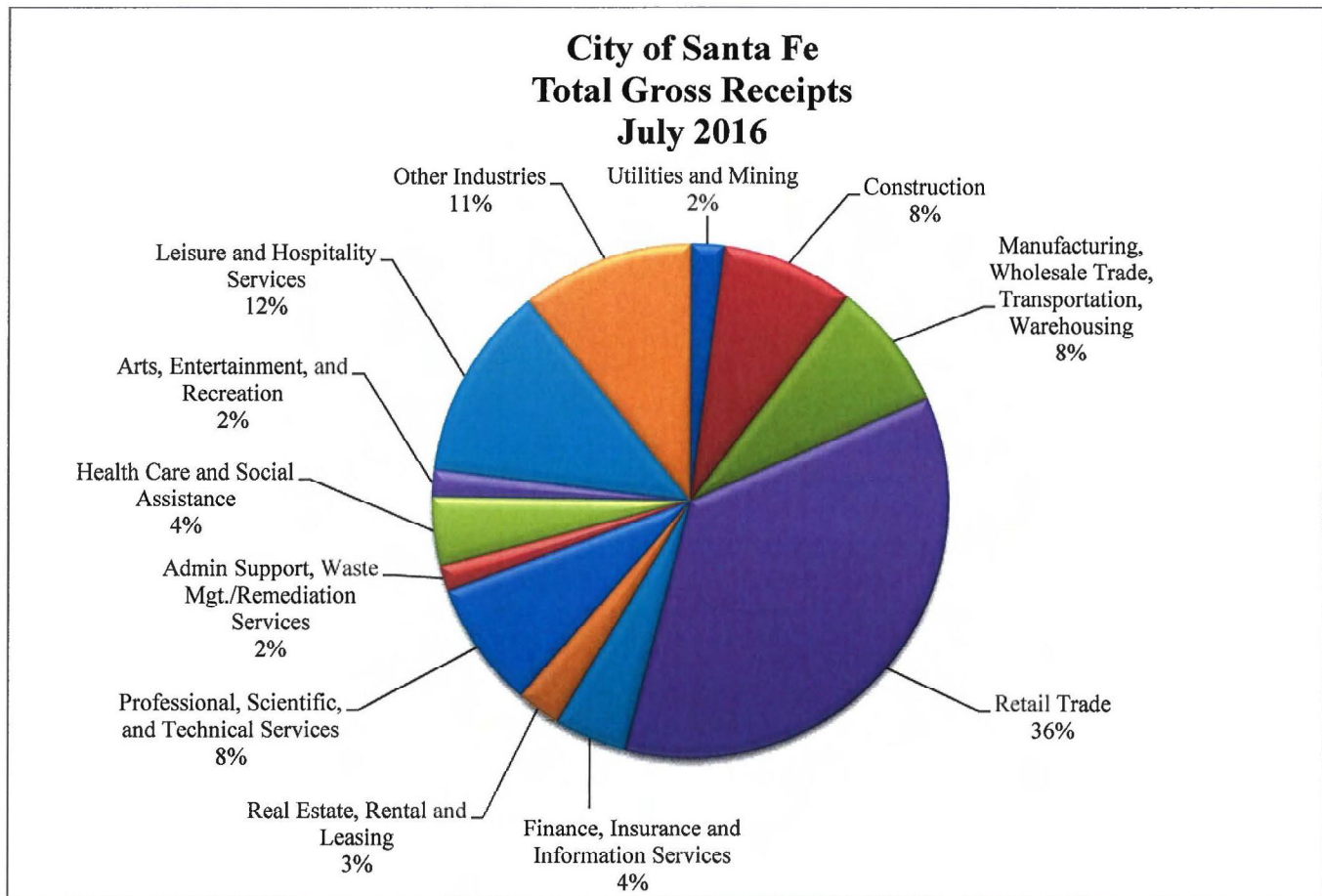
The following provides a brief summary of the Gross Receipts Tax (GRT) for the City of Santa Fe. The New Mexico Taxation and Revenue Department (TRD) reports the monthly tax receipts collection activity data. The following overview covers the GRT activity for the month of July 2016, reported in September 2016.

INFORMATIONAL UPDATE:

June and July gross receipts activity tend to be some of the strongest months of the year. Total gross receipts for July 2016 were \$380.4 million. The leading sector in gross receipts activity is attributed to retail activity within the city. Over the last ten years, the retail sector alone generates on average \$138 million in gross receipts during July. The spike in summer activity is attributed to various arts and culture festivals, drawing strong attendance by residents and tourists. Retail gross receipts in July 2016 were reported at \$135.2 million, approximately six percent below July 2015. The leisure and hospitality services sector also reported solid gross receipts of \$46.3 million. Additional strength was reported in the arts, entertainment and recreation and administration, management and remediation services sectors. The sectors of professional, scientific and technical services, construction and real estate, rental and leasing were all down from the previous July. The overall decline across all sectors was four percent or 400 thousand in distributions (see Table 3).

In July, the Workforce Solutions Department (DWS) reported total non-seasonally adjusted employment in Santa Fe increased by 0.9 percent. Growth was observed primarily in the private sector with the strongest gains in the leisure and hospitality industries. These sectors typically trend up in the summer months due to increased levels of services provided to visitors and tourists. Employment gains were also reported in the retail, construction, manufacturing and professional and business services sectors during the month. Education and health services, the largest industry sector in the city, grew by approximately 4.7 percent, while retail increased by 3.4 percent and leisure and hospitality grew by 1.9 percent. Employment gains were offset by a decline in the financial activities sector, while manufacturing, wholesale trade, transportation, warehousing and utilities, and professional and business services held steady at July 2015 levels.

Table 1



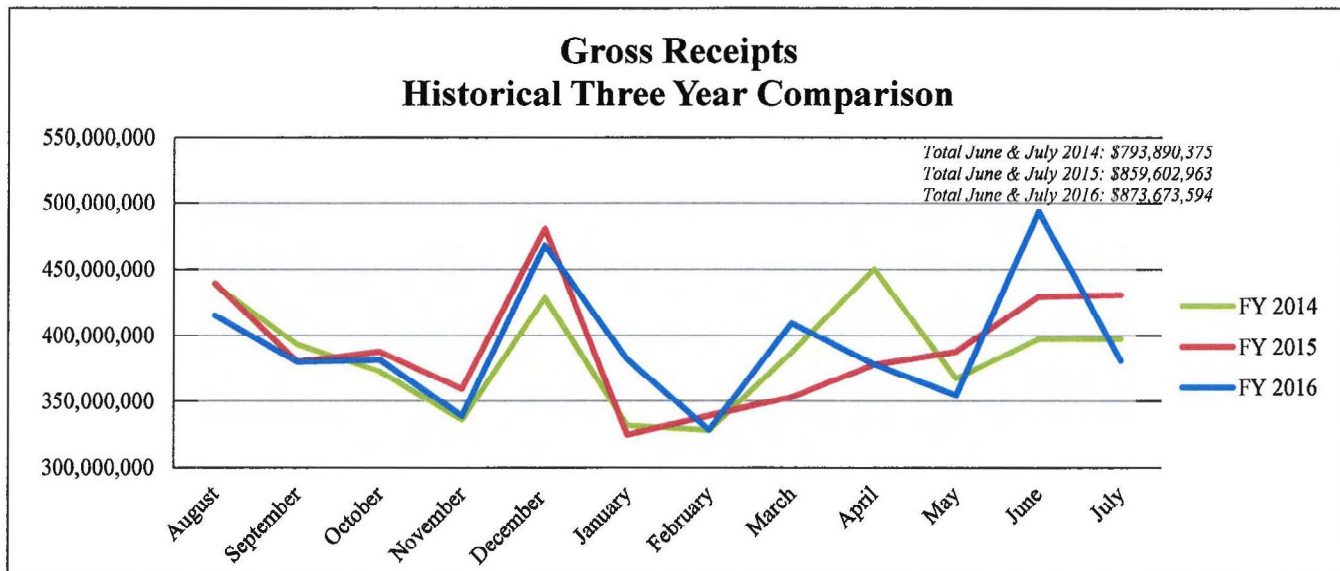
Data Source: NM Taxation & Revenue Dept.

Table 2

City of Santa Fe GRT Distribution Variance by Industry Sector FY 2017 vs. FY 2016				
Category	July 2016-2017	July 2015-2016	\$ Variance	% Variance
Agriculture, Forestry, Hunting, Fishing	12,697	12,843	(146)	-1%
Mining	347	-	347	100%
Utilities	198,431	214,791	(16,360)	-8%
Construction	699,568	711,705	(12,137)	-2%
Manufacturing	118,928	154,992	(36,064)	-23%
Wholesale	132,638	120,606	12,032	10%
Retail	2,454,214	2,570,313	(116,099)	-5%
Transportation & Warehousing	24,012	20,646	3,366	16%
Information and Cultural Industries	335,720	323,691	12,029	4%
Finance & Insurance	92,606	120,195	(27,589)	-23%
Real Estate, Rental & Leasing	240,153	264,224	(24,071)	-9%
Professional, Scientific, Technical	604,808	712,889	(108,081)	-15%
Management of Companies	20,450	14,134	6,316	45%
Admin & Support, Waste Mgt.	81,338	73,697	7,641	10%
Educational Services	18,089	59,142	(41,053)	-69%
Health Care and Social Assistance	369,676	417,618	(47,942)	-11%
Arts, Entertainment & Recreation	82,562	62,460	20,102	32%
Accommodation & Food	1,344,152	1,320,528	23,624	2%
Other Services	853,514	1,025,806	(172,292)	-17%
Public Administration	45,203	-	45,203	100%
Unclassified	251,891	72,361	179,530	248%
State Reimb-Food/Med Tax**	918,312	994,880	(76,568)	-8%
Muni. Equivalent Distribution	25,159	40,809	(15,650)	-38%
Total Distribution	8,924,468	9,308,330	(383,862)	-4%

Data Source: NM Taxation & Revenue Dept. Please note a two month lag in data provided per reporting from TRD.

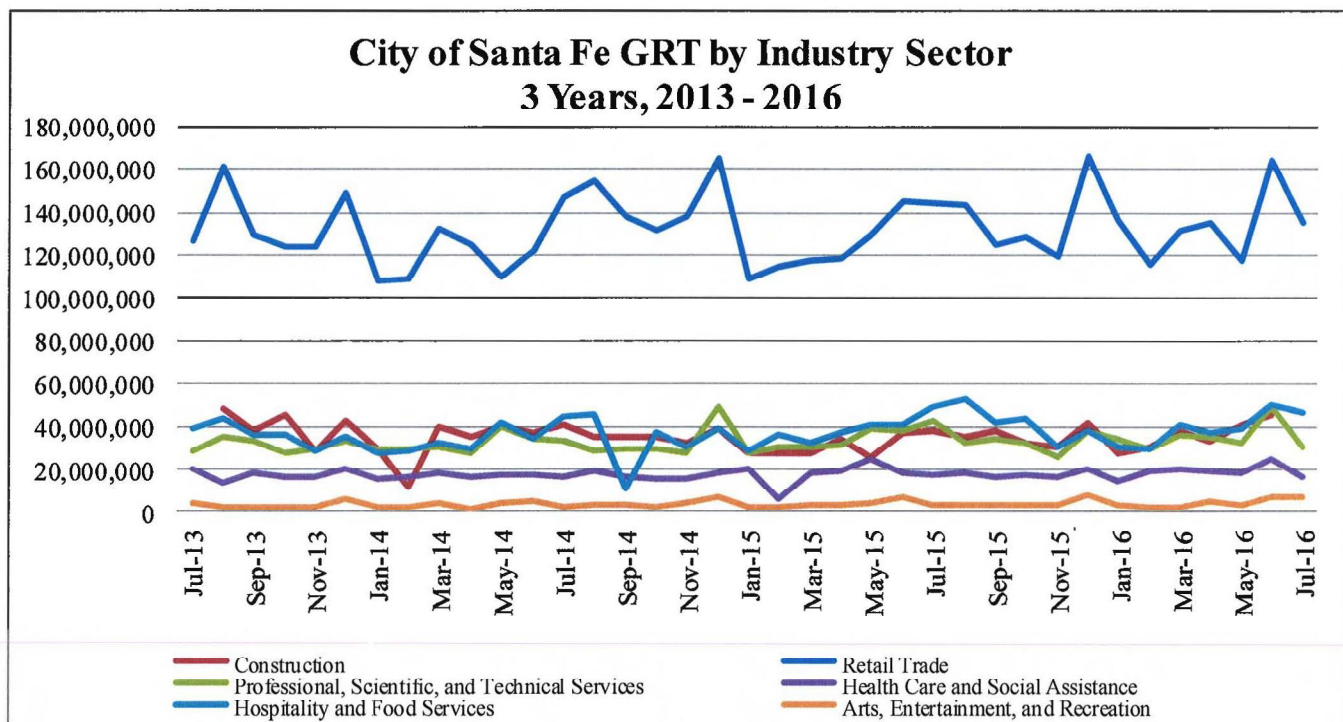
Table 3



Data Source: NM Taxation & Revenue Dept.

Strength in gross receipts observed in June reporting data appears to be unexplained at this time. Typically a seasonal boost contributes to an increase. Further research may be required for this spike in tax filing activity.

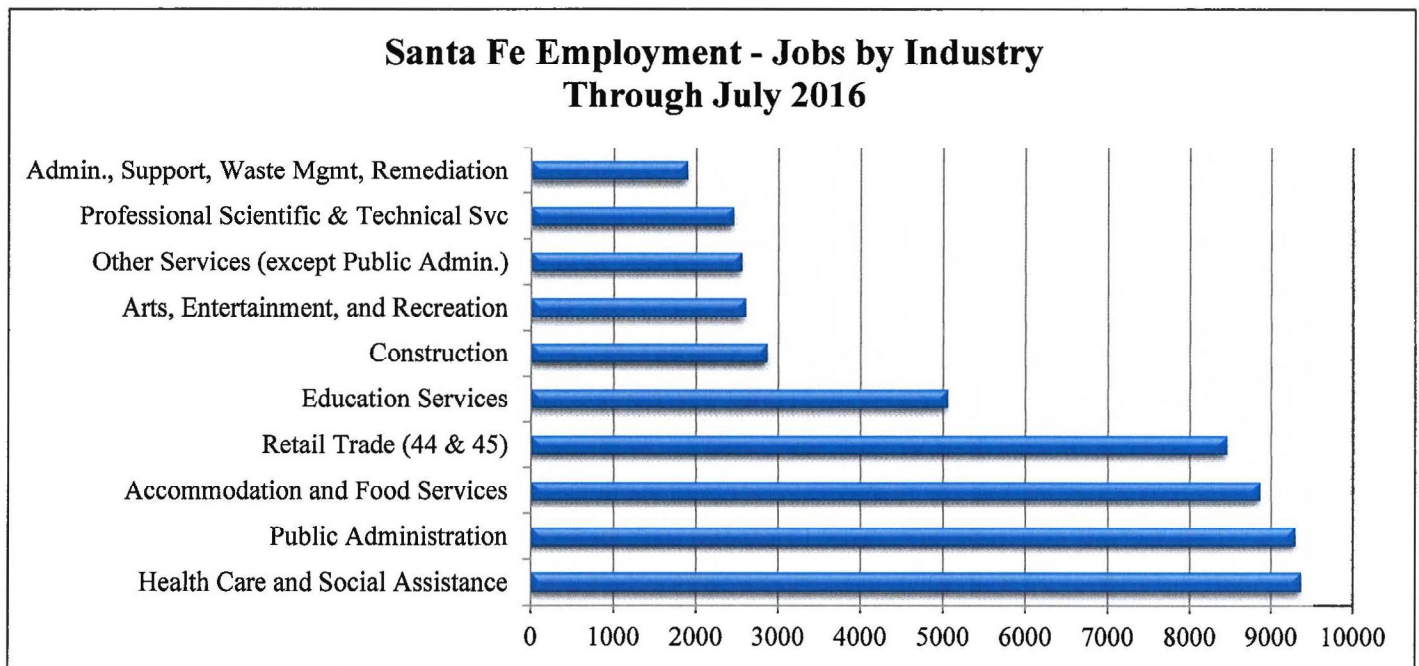
Table 4



Data Source: NM Taxation & Revenue Dept.

Employment is a strong indicator for the health of an economy. The Santa Fe MSA (metropolitan statistical area) is reporting some growth in certain sectors, yet remains behind historical levels achieved during 2006-2007. Recent employment growth has been reported at 0.9 percent over the year through July. The private sector grew by 800 jobs, or 1.7 percent while the public government sector partially offset gains with a loss of 200 jobs. As Santa Fe continues to recover from the recession, at a more tempered pace, the sectors of health care and social assistance, public administration and accommodation and food services support this growth.

Table 5



Unemployment levels within the Santa Fe MSA have been relatively flat during the first half of the 2016 fiscal year, hovering around 5.2 percent and dropping down in the second half. This was comparable with the national level of approximately 5 percent. Broader New Mexico unemployment levels during the same period averaged 6.4 percent, driven in part by losses in petroleum industry related jobs. In the months of July and August, Santa Fe MSA unemployment climbed to 5.1 and 5.3 percent respectively, as did New Mexico levels to 6.4 and 6.6 percent.

Table 6

