

CITY OF SANTA FE

QUARTERLY FINANCIAL PERFORMANCE REPORT

As of September 30, 2019



CITY OF SANTA FE – QUARTERLY FINANCIAL REPORT

TABLE OF CONTENTS

	<u>Page #</u>
I. QUARTERLY REVENUE UPDATE	
A. Executive Summary	3
B. <u>Chart 1</u> : City of Santa Fe Total Gross Receipts Tax (GRT), September 2019.....	4
C. <u>Table 1</u> : City of Santa Fe Total Gross Receipts, September 2019	4
D. <u>Table 2</u> : GRT Distribution Variance by Industry Sector, Quarterly Comparison.....	5
E. <u>Table 3</u> : GRT Budget to Actual Comparison, FY 18 through FY 20	5
F. <u>Chart 2</u> : GRT Historical Five-Year Comparison.....	6
G. <u>Chart 3</u> : City of Santa Fe GRT by Industry Sector.....	6
H. <u>Chart 4</u> GRT Distribution, September 2019.....	7
I. <u>Chart 5</u> : GRT Distribution vs. Historical Average, September 2019	7
J. <u>Chart 6</u> : Historical GRT Distribution - Actual.....	8
K. <u>Chart 7</u> : Historical GRT Distribution, July 2018 through September 2019	8
L. <u>Chart 8</u> : 2016-2019 Lodgers Tax Revenue Comparison.....	9
M. <u>Chart 9</u> : Unemployment Rate, FY 2014-2019, Seasonally Adjusted.....	10
II. REVENUE/EXPENDITURE PROJECTIONS	
A. Executive Summary	11
B. <u>Table 4</u> : All Funds – Operating Budget Summary and Projections	12
C. <u>Chart 10</u> : FY 2019-20 All Funds Projections.....	13
D. <u>Chart 11</u> : FY 2019-20 General Fund Projections.....	13
E. <u>Table 5</u> : General Fund – Budget Summary and Projections	14
III. INVESTMENT PORTFOLIO	
A. <u>Chart 12</u> : Total Return Annualized	16
B. <u>Table 6</u> : Portfolio Changes by Quarter.....	16
C. <u>Chart 13</u> : Portfolio Composition by Security Type.....	17
D. <u>Chart 14</u> : Investment Income	17
E. <u>Chart 15</u> : Total Interest Income by Month	18
F. <u>Chart 16</u> : Change in Market Value by Month	18
G. <u>Chart 17</u> : Total Investment Income by Month	19
H. <u>Chart 18</u> : Cumulative Return	19
I. <u>Chart 19</u> : Portfolio by Security Type	20
J. <u>Chart 20</u> : Portfolio by Maturity.....	20
K. <u>Chart 21</u> : Money Market Funds	21
L. <u>Chart 22</u> : Securities by Issuers	21
M. <u>Chart 23</u> : Bank CDs	22
N. <u>Chart 24</u> : Duration at Quarter End	22
O. <u>Chart 25</u> : Weighted Average Maturity at Quarter End.....	23
P. Investment Strategy	23
Q. <u>Table 7</u> : Portfolio Holdings Report	24
R. <u>Table 8</u> : Collateral for Demand Deposits.....	24

I. CITY OF SANTA FE – QUARTERLY REVENUE UPDATE

City of Santa Fe Gross Receipts & Lodgers' Tax Update

Q1 Fiscal Year 2020

July – September 2019 Distribution

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 first quarter of fiscal year 2020, inclusive of July through September 2019 distributions.

The gross receipts activity reported in the first quarter of the fiscal year, climbing the peak of the summer tourist season, typically presents an annual cyclical uptick in consumer activities in the hospitality and tourism economic sectors. Total gross receipts total gross receipts generated by all sectors within the City of Santa Fe for the first quarter were particularly high, reported at \$1.58 billion, up approximately 15.7 percent from \$1.36 billion reported for the first quarter of FY2019. Receipts were particularly strong in nearly all of the sectors, including retail trade, finance, insurance and information services, construction, professional, scientific and technical services and arts, entertainment and recreation sectors. The first quarter of FY2020 GRT distribution, the amount of actual tax revenue collected by the State and distributed to the City, totaled \$34.8 million and represents an increase of six percent from the first quarter of FY2019. A large portion of this increase may be attributed to the food distributions reported. Food and medical deductions were reported higher than normal as well. An inquiry placed with the Taxation and Revenue Department regarding this increase has stated that a few large taxpayers in the commercial food sector, amended nearly 36 months of food deductions on prior month returns, resulting in substantial revenue inflow. Additionally, ongoing conversations with Taxation and Revenue have stated that large variances observed in receipts reported during the first quarter of FY2020 were due to amended taxpayer returns, resulting in additional one-time revenue during the quarter.

The month of September during the first quarter also presented the implementation of the distribution of internet sales tax, which went into effect July 1, through the guidance of House Bill 6 (HB6) approved during the 2019 legislative session. In an attempt to establish a process for collecting tax revenue for online internet sales, HB6 instructs TRD to initiate collections and subsequent distributions to the municipalities. HB6 created a distribution in the amount of \$1.25 million per month to municipalities. The estimated amount distributed to each municipality is based upon the 2010 decennial population census. For the next 24 months, the City will receive an estimated monthly internet sales distribution of \$62,367.96. In year 2021, TRD will evaluate the actual internet sales revenue generated, calculate balances due to the municipalities and provide adjusting distributions, put into place accurate percentages for distribution, and bring the revenue in line with legislation. (TRD's announcement of the implementation of this distribution has been attached for reference.)

FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2019-2020

Chart 1

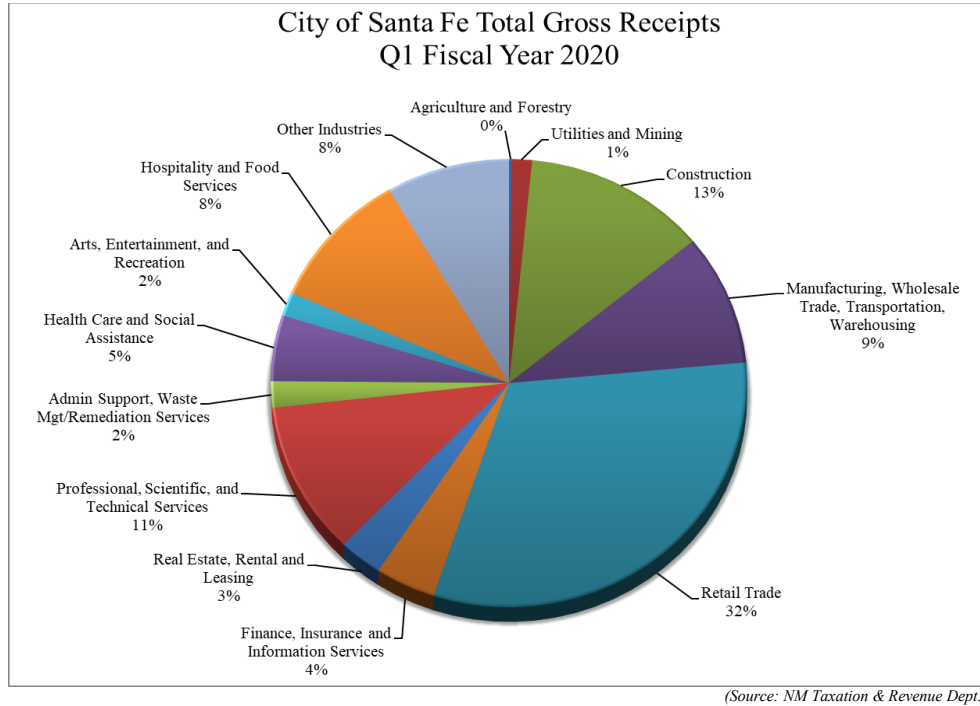


Table 1

City of Santa Fe Total Gross Receipts (Quarter to Quarter Comparison)				
	Q1 FY2019	Q1 FY2020	YOY \$ Change	YOY % Change
Agriculture and Forestry	\$2,870,174	\$2,811,396	(\$58,778)	-2.05%
Utilities and Mining	\$23,806,956	\$21,716,555	(\$2,090,401)	-8.78%
Construction	\$175,890,214	\$197,656,312	\$21,766,098	12.37%
Manufacturing, Wholesale Trade, Transportation, Warehousing	\$129,922,703	\$149,103,177	\$19,180,474	14.76%
Retail Trade	\$386,448,024	\$499,033,001	\$112,584,977	29.13%
Finance, Insurance and Information Services	\$57,757,190	\$64,685,755	\$6,928,565	12.00%
Real Estate, Rental and Leasing	\$47,697,139	\$46,986,298	(\$710,841)	-1.49%
Professional, Scientific, and Technical Services	\$147,478,610	\$173,829,037	\$26,350,427	17.87%
Admin Support, Waste Mgt/Remediation Services	\$26,623,657	\$29,998,250	\$3,374,593	12.68%
Health Care and Social Assistance	\$62,608,262	\$75,045,838	\$12,437,576	19.87%
Arts, Entertainment, and Recreation	\$20,539,537	\$26,719,612	\$6,180,075	30.09%
Hospitality and Food Services	\$155,064,754	\$157,725,826	\$2,661,072	1.72%
Other Industries	\$128,067,175	\$133,011,120	\$4,943,945	3.86%
All Industries	\$1,364,774,395	\$1,578,322,177	\$213,547,781	15.65%

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

(Table 1 presents the total gross receipts generated by business sectors within the City of Santa Fe. The resulting tax revenue is remitted to the State based on a percentage of total gross receipts.)

Table 2

City of Santa Fe GRT Distribution Variance by Industry Sector FY 2019 vs. FY 2020				
Category	Q1 FY19	Q1 FY20	\$ Variance	% Variance
Agriculture, Forestry, Hunting, Fishing	66,268	65,884	(384)	-0.58%
Mining	1,051	-	(1,051)	-100.00%
Utilities	595,718	544,474	(51,244)	-8.60%
Construction	3,821,787	4,184,909	363,122	9.50%
Manufacturing	508,863	546,279	37,417	7.35%
Wholesale	630,433	788,126	157,692	25.01%
Retail	7,697,769	8,016,644	318,876	4.14%
Transportation & Warehousing	80,939	68,759	(12,180)	-15.05%
Information and Cultural Industries	1,077,005	1,157,292	80,286	7.45%
Finance & Insurance	426,075	398,600	(27,474)	-6.45%
Real Estate, Rental & Leasing	843,665	903,932	60,267	7.14%
Professional, Scientific, Technical	2,382,237	2,528,615	146,378	6.14%
Management of Companies	18,268	34,059	15,791	86.44%
Admin & Support, Waste Mgt.	450,002	549,028	99,025	22.01%
Educational Services	91,870	111,620	19,750	21.50%
Health Care and Social Assistance	1,391,703	1,386,810	(4,892)	-0.35%
Arts, Entertainment & Recreation	430,792	508,901	78,109	18.13%
Accommodation & Food	4,507,081	4,541,998	34,917	0.77%
Other Services	2,478,497	2,559,776	81,278	3.28%
Public Administration	2,418	6,307	3,889	0.00%
Unclassified	180,453	205,611	25,158	13.94%
State Reimb-Food/Med Tax	5,027,480	5,570,150	542,670	10.79%
Muni. Equivalent Distribution	75,772	118,276	42,503	56.09%
Total Distribution	32,786,145	34,796,048	2,009,903	6.13%

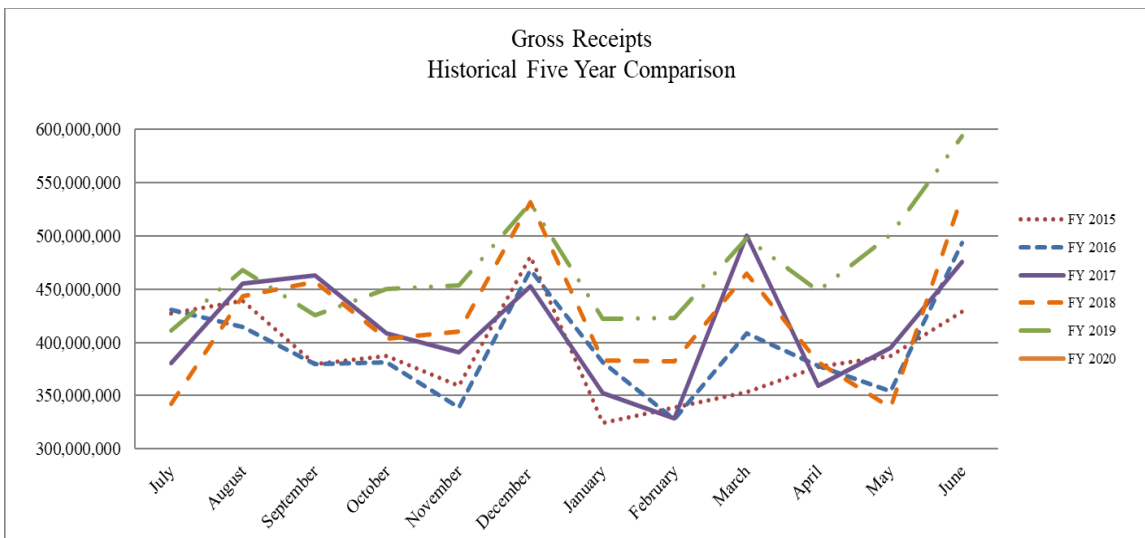
*(Data Source: NM Taxation & Revenue Dept. Please note a two month lag in data provided per reporting from TRD. Amounts currently unaudited.)
 (The gross receipts tax distribution is the amount of actual tax revenue collected by the State and distributed to the municipality.)*

Table 3

Fiscal Year	Budgeted GRT	Actual GRT
FY18	\$103.6	\$110.8
FY19	\$105.6	\$113.2
FY20	\$112.1	\$34.0

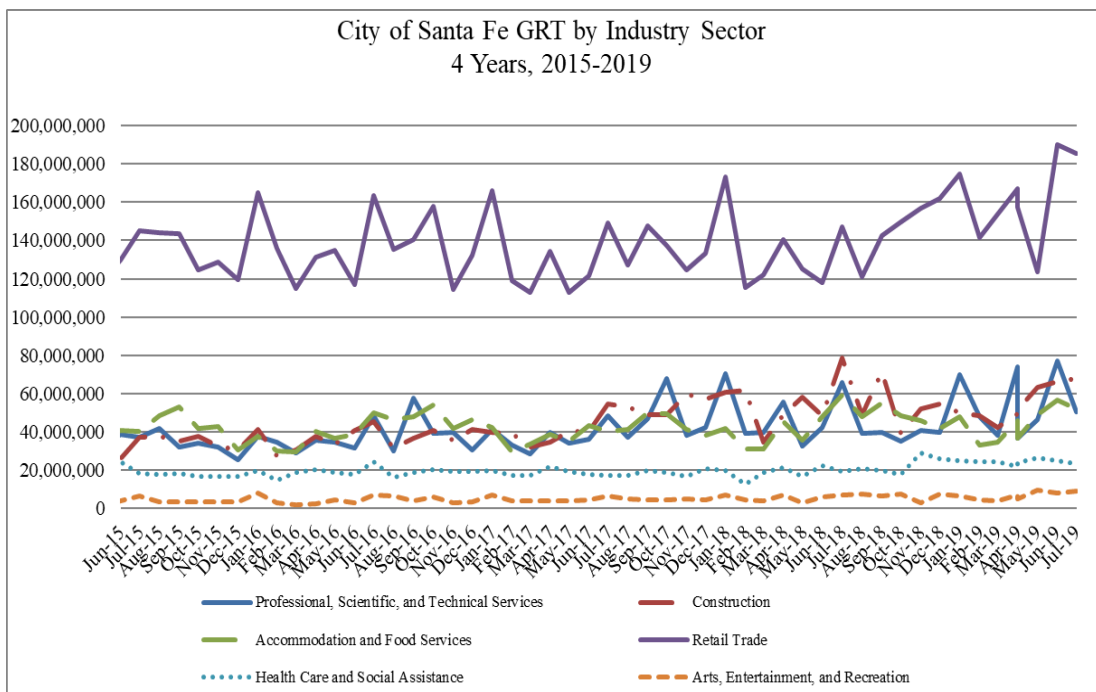
*(Data Source: City of Santa Fe Finance Department)
 (FY20 Actual GRT presents receipts for Q1 only)*

Chart 2



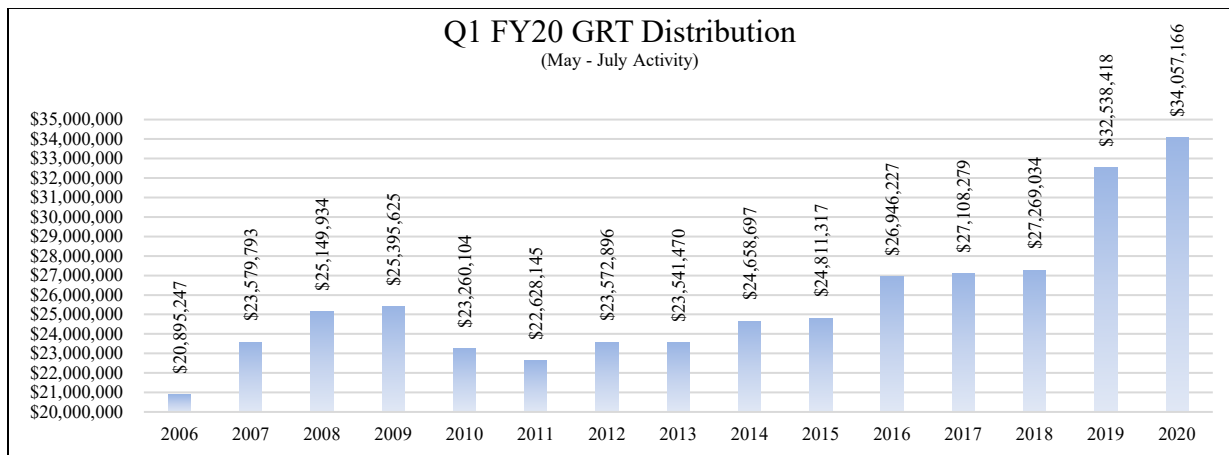
(Data Source: NM Taxation & Revenue Dept.)

Chart 3



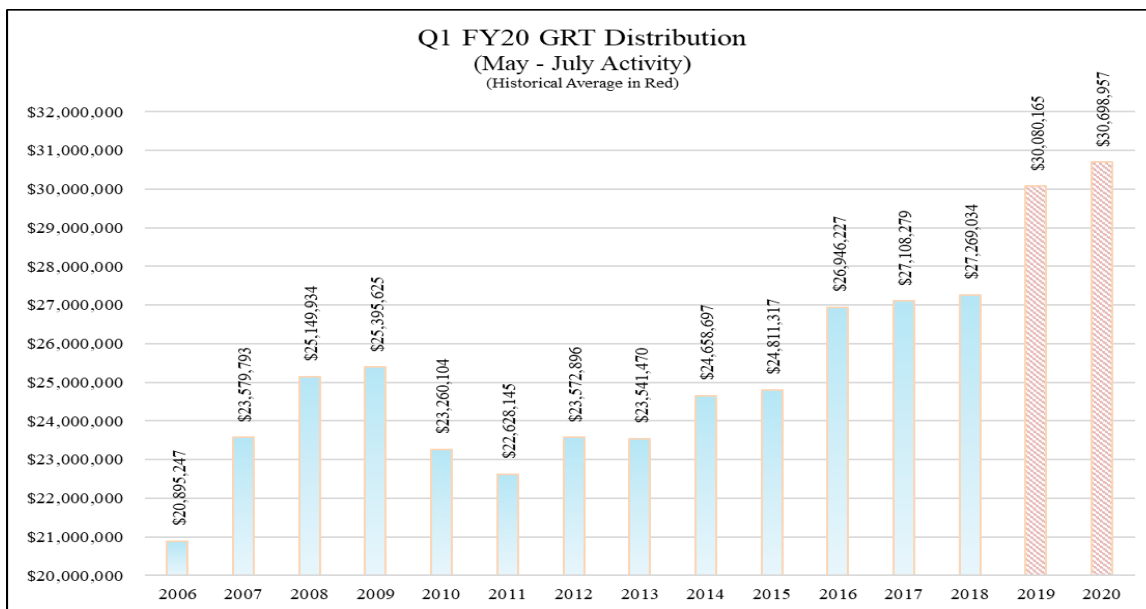
(Data Source: NM Taxation & Revenue Dept.)

Chart 4



(Data Source: NM Taxation & Revenue Dept.)
(FY2006-2018 audited amounts. FY2019-2020 unaudited amounts.)

Chart 5



(Data Source: NM Taxation & Revenue Dept.)
(FY2006-2018 audited amounts. FY2019-2020 unaudited amounts.)

Chart 6

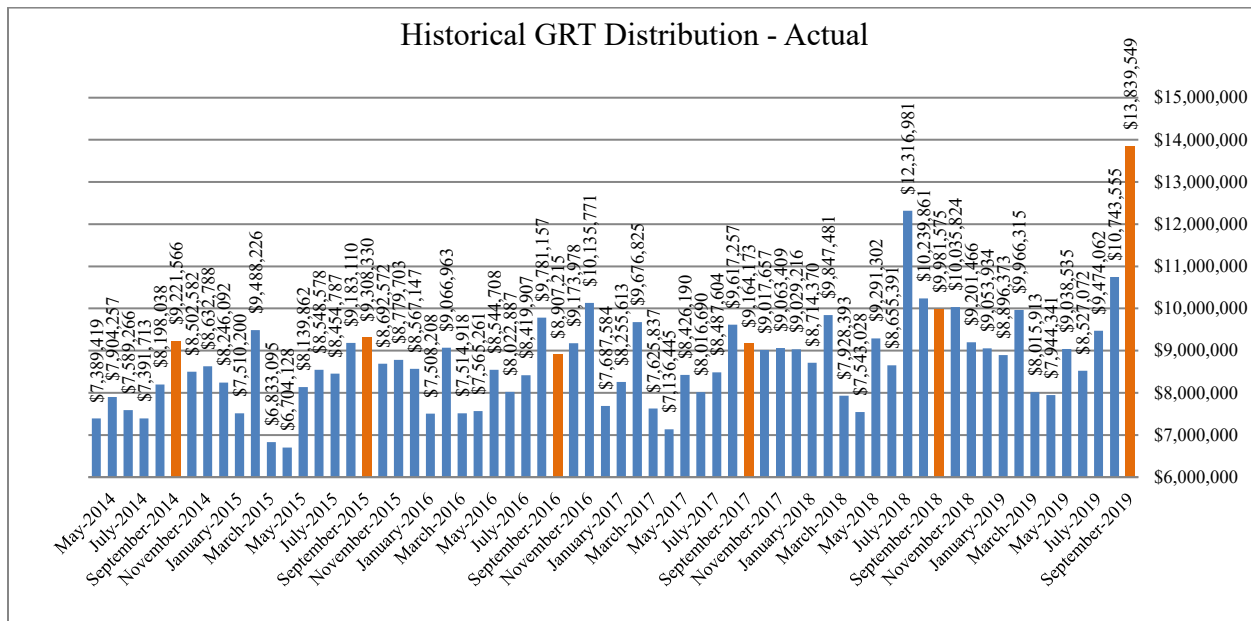


Chart 6 presents the monthly distributions received each month for the last five years. July and August 2018 and September 2019 received distributions with additional revenues resulting from amended taxpayer returns. Chart 7 presents the monthly distributions while showing the same three months smoothed with historical averages. This method presents how the monthly distributions compare historically, without the one-time additional distributions.

Chart 7

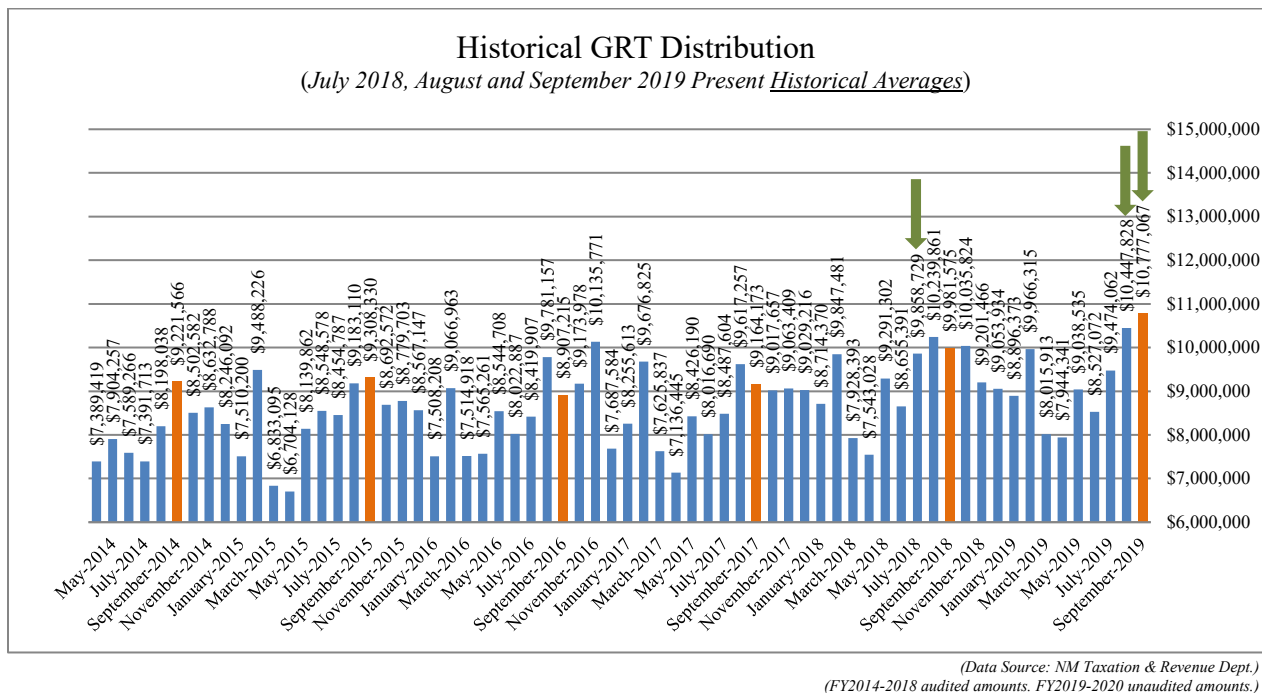
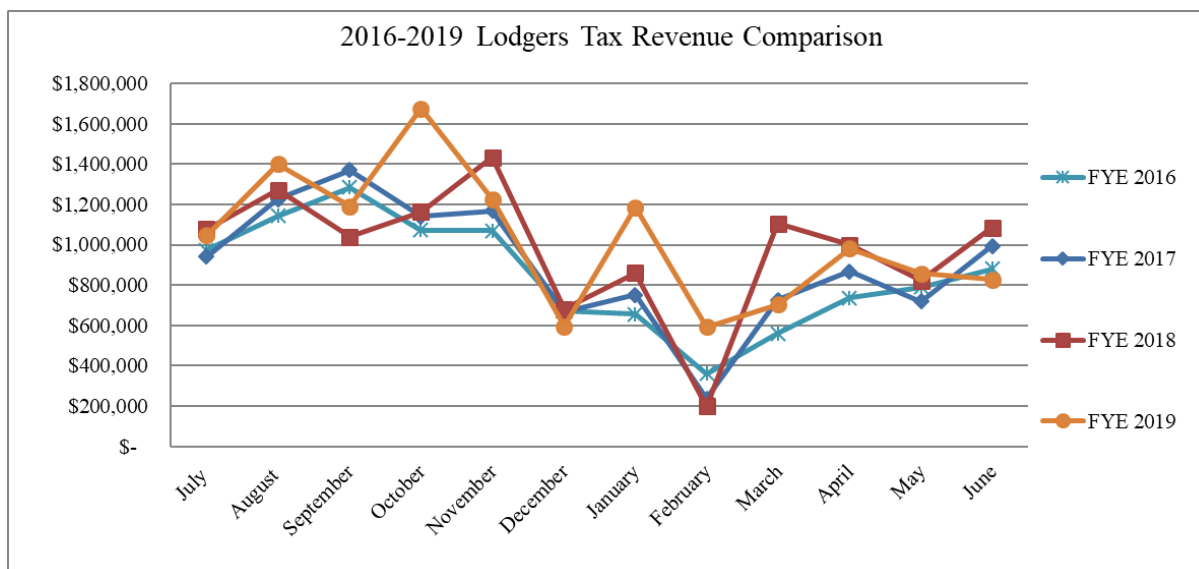


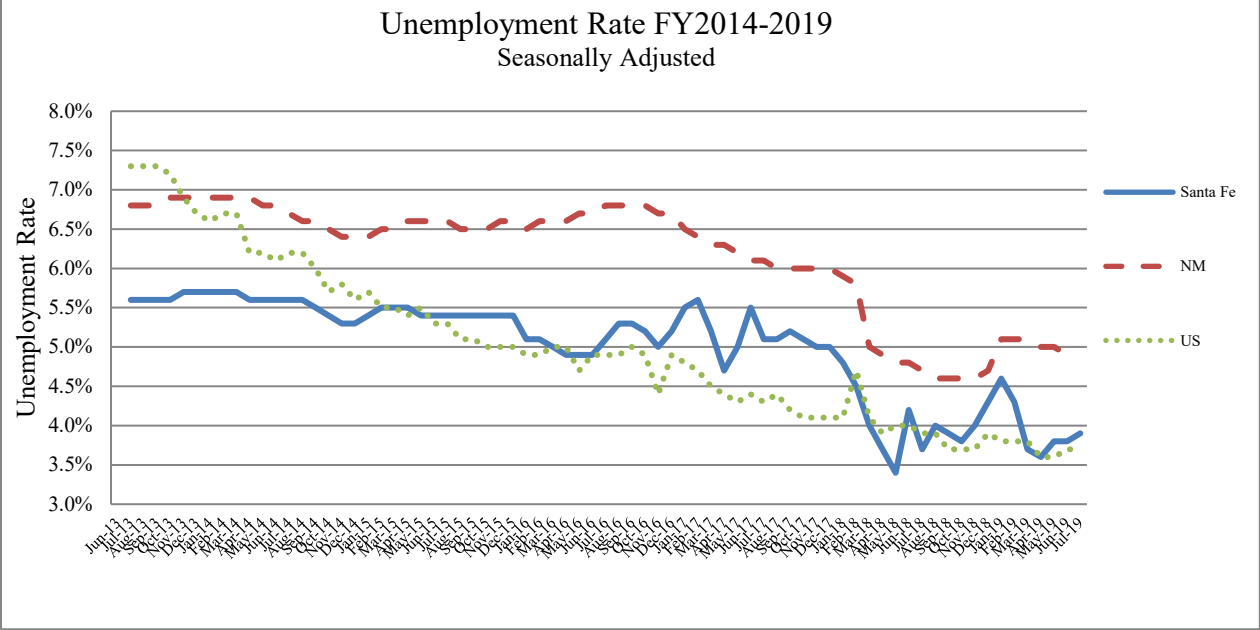
Chart 8



Lodgers Tax collections are generated from hotels, motels and short term rentals within the City of Santa Fe. Lodger's tax is remitted for revenue generated from lodging at a taxable premise within the City limits. Five percent (5%) of the lodger's tax is an imposed occupancy tax and two percent (2%) is a convention center fee for a total of seven percent (7%) of gross taxable rent paid to vendors. The lodger's tax, guided by City ordinance, provides funding "...for the purpose of advertising, publicizing and promoting facilities, tourist attractions and acquisition, construction and maintenance of tourist attractions and recreational facilities, and for all other legally permissible purposes...". Through June 2019, the City collected \$12.3 million for FY2019 in lodger's tax revenue; a steady annual increase of 4.6 percent over FY2018. The City collected \$4.8 million in Lodgers Tax in the first quarter of FY2020.

Employment is a strong economic indicator of the health of an economy. The Santa Fe MSA (metropolitan statistical area) has reported some growth in certain sectors, yet remains behind historical levels achieved during 2006-2007. In July, the New Mexico Department of Workforce Solutions (DWS) reported total non-seasonally adjusted, total nonfarm employment in Santa Fe was up 0.3 percent, or 200 jobs in aggregate from the previous year. Leisure and hospitality reported the largest private sector jobs gains of 200 jobs or 2.5 percent. Mining and construction, manufacturing and miscellaneous other services each added 100 jobs. Trade, transportation and utilities decreased by 400 jobs or 3.7 percent. Education and health services also reported jobs decreases during the month. Job gains in the local government sector offset job losses in the state government sector. The seasonally adjusted unemployment rate for New Mexico was reported at 4.9 percent; while Santa Fe was 3.9 percent in July 2019, an increase from 3.7 percent reported in July 2018. These levels have not been observed at length since July 2008, prior the market crash leading to the great recession.

Chart 9



(Data Source: City of Santa Fe – Finance Dept. and NM Dept. Workforce Solutions)

II. CITY OF SANTA FE – REVENUE/EXPENDITURE PROJECTIONS

This report is a summary of financial results for the City through the first quarter of the fiscal year. It provides summarized information on how the City's financial sources and uses have performed to date by department and major categories. Significant financial developments and budget variances are highlighted and explained. The report also includes a projection of revenues and expenditures to the end of the fiscal year based on year-to-date activity and historical trends.

HIGHLIGHTS

Overall, in FY20 the City's revenue performance are expected to meet FY19 budgeted levels. The State has initiated payments to municipalities for internet sales that were mandated in 2019 legislation, House Bill 6. Gross receipts tax distributions were substantially higher than anticipated (see Section I – Quarterly Revenue Update). This increase is a result of both a collection of previously unreported food GRT distributions and amended returns. Other revenue sources like Franchise Tax, Lodgers' Tax and Miscellaneous Revenues are performing above budgeted expectations. Property Tax received is close to double the historical amount, while many other revenue sources such as Property Tax, Other Taxes, and Ambulance Fees are projected to be at budgeted levels. Overall revenues are trending above budgeted levels.

On the expenditures side, the projections are largely based on past usage history in more 'discretionary' accounts such as contractual services, repairs/maintenance and supplies. It is important to note projections for both revenues and expenditures are based on one quarter of the fiscal year; therefore, it is likely that some revenue or expenditure trend predictions will change in subsequent financial forecasts as the fiscal year progresses and clear patterns emerge. As reflected in the table, current actual expenditures exceed revenues by close to \$10 million. This is consistent with trends that the City has experienced in prior fiscal years for the first quarter. Currently, expenditures are trending slightly below budgeted levels.

GENERAL FUND

Major revenue categories in the General Fund such as Property Tax, Ambulance Fees, GRT receipts, Planning & Land Use Fees and Miscellaneous Revenues are projected in line with budgeted levels, with overall revenue anticipated to exceed the FY20 budget. Overall, General Fund expenditures are expected to be slightly below budgeted levels. As noted above, the fiscal year is still quite young, and more definitive positive or negative trends will emerge later in the year. The Finance Department will continue to closely monitor the City's revenue and expenditure profile, and recommend adjustments where necessary, to ensure that the City's financial goals are met in the most efficient and effective manner possible.

FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2019-2020

ALL FUNDS - OPERATING BUDGET SUMMARY & PROJECTIONS

Table 4

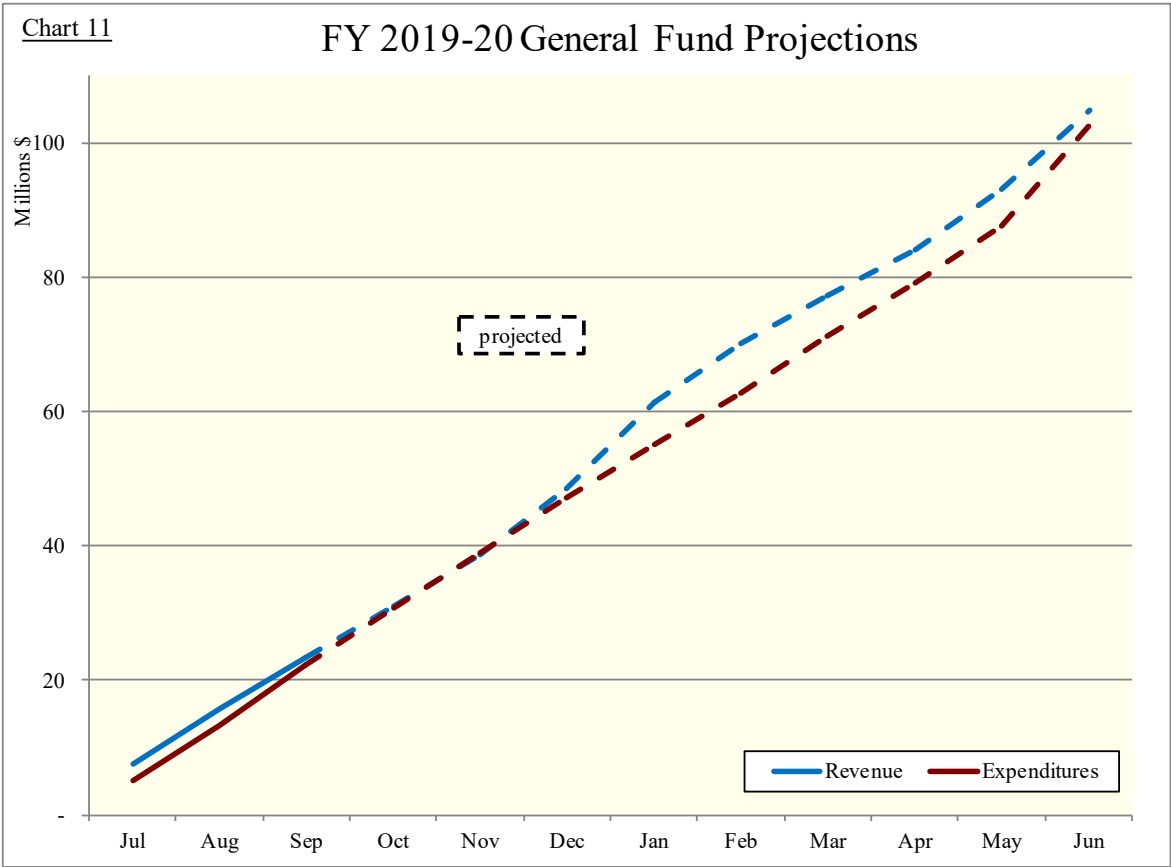
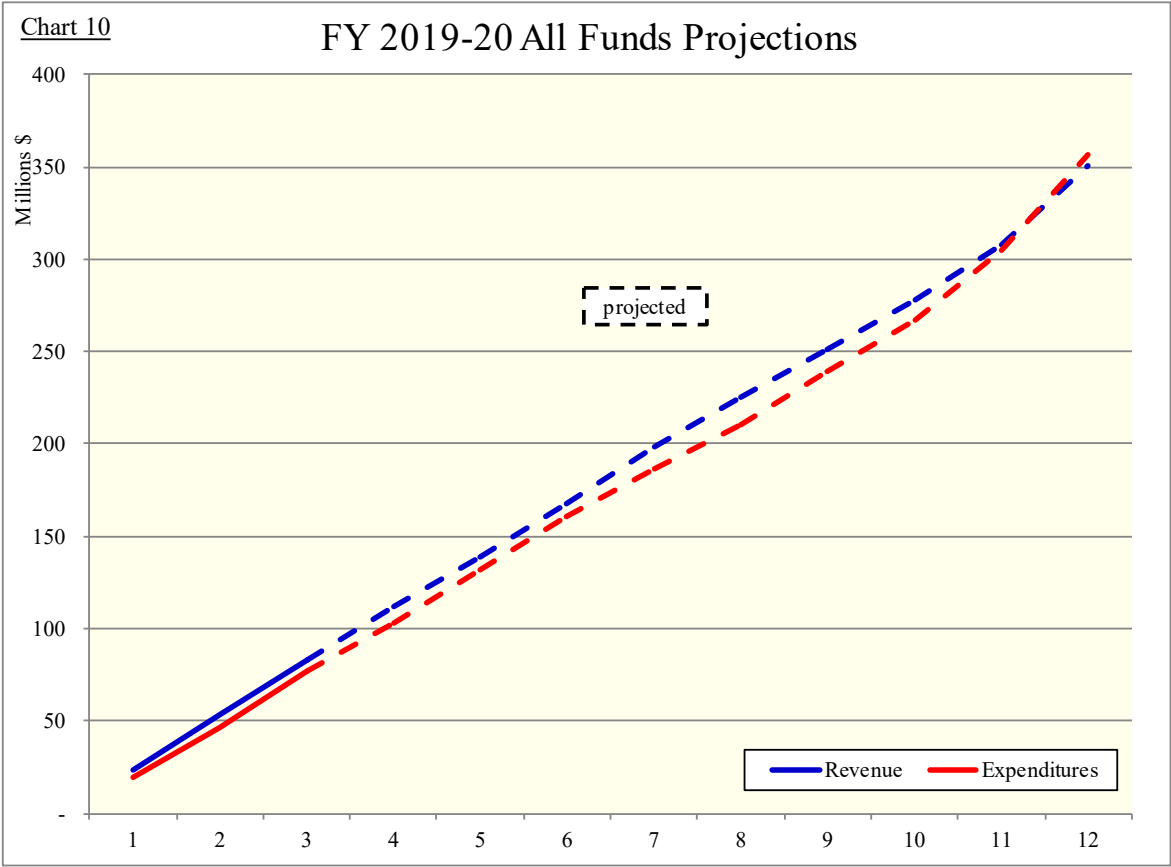
DESCRIPTION	FISCAL YEAR 2018/2019 ACTUAL	FISCAL YEAR 2019/2020				
		APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
BEGINNING BALANCE	148,800,264	156,591,182	156,591,182	156,591,182	156,591,182	
<i>Revenues:</i>						
Gross Receipts Tax	110,878,967	112,104,293	112,104,293	34,940,298	112,104,293	0%
Property Tax	10,784,753	13,173,548	13,173,548	145,112	13,173,548	0%
Franchise Fees	4,845,849	5,312,033	5,312,033	361,835	5,312,033	0%
Lodgers' Tax	12,265,515	12,800,423	12,800,423	4,834,233	12,800,423	0%
Gasoline Tax	1,367,389	1,589,326	1,589,326	249,533	1,589,326	0%
Other Taxes	516,210	602,960	602,960	44,091	602,960	0%
Licenses & Permits	3,868,957	4,476,182	4,476,182	1,112,676	4,476,182	0%
Ambulance Fees	2,497,386	2,800,000	2,800,000	694,225	2,800,000	0%
Insurance Premiums/Deductibles	28,112,352	30,557,104	30,557,104	5,753,046	30,557,104	0%
Parking Fees	5,587,612	5,183,963	5,183,963	1,510,655	5,183,963	0%
Recreation Fees	3,233,988	3,518,518	3,518,518	419,344	3,518,518	0%
Solid Waste Fees	19,353,254	21,145,892	21,145,892	4,435,239	21,145,892	0%
Wastewater Fees	12,257,854	13,814,227	13,814,227	2,839,962	13,814,227	0%
Water Fees	29,744,437	40,063,377	40,437,264	9,222,787	40,437,264	0%
Other Fees/Services**	38,667,951	27,278,540	27,252,629	2,074,315	27,252,629	0%
Fines & Forfeitures	1,081,304	1,135,255	1,135,255	246,997	1,135,255	0%
Miscellaneous Revenues***	28,707,763	3,961,519	4,416,519	957,497	4,416,519	0%
Interest on Investments	108,443	2,799,043	2,799,043	26,844	2,799,043	0%
State Grants	3,329,808	5,237,179	5,262,178	936,891	5,262,178	0%
Federal Grants	2,652,508	4,196,940	4,504,092	90,347	4,504,092	0%
SF County/Other Grants	208,172	80,244	9,046,184	22,232	9,046,184	0%
Transfers In	63,119,430	65,523,152	67,108,131	-	67,108,131	0%
Subtotal - Revenues	383,189,902	377,353,718	389,039,764	70,918,161	389,039,764	0%
TOTAL RESOURCES	531,990,166	533,944,900	545,630,946	227,509,343	545,630,946	
<i>Expenditures:</i>						
Salaries	75,625,665	80,396,516	82,936,956	18,820,073	82,936,956	0%
Benefits	38,207,222	41,134,650	42,400,951	8,775,877	42,400,951	0%
Contractual Services	20,221,782	24,177,696	27,669,460	10,339,283	27,669,460	0%
Utilities	12,573,546	14,010,891	15,341,121	4,464,867	15,341,121	0%
Repairs & Maintenance	7,072,704	7,732,314	8,278,457	2,570,316	8,278,457	0%
Supplies	11,127,715	13,826,684	13,701,066	4,996,663	13,701,066	0%
Insurance	33,210,689	33,782,577	34,233,616	10,036,218	34,233,616	0%
Travel & Training	1,155,195	1,612,351	1,635,883	598,467	1,635,883	0%
Other Operating	37,572,854	36,679,358	37,347,830	4,442,752	37,347,830	0%
Capital Purchases	5,851,268	11,817,243	14,821,721	7,321,781	14,821,721	0%
Land & Building	6,165,558	1,414,415	8,320,582	4,299,034	8,320,582	0%
Debt Service-Principal	19,423,661	21,406,207	21,406,207	2,625,654	21,406,207	0%
Debt Service-Interest	11,387,506	10,833,140	10,833,140	746,552	10,833,140	0%
Transfers Out	95,803,619	67,523,152	70,178,131	-	70,178,131	0%
TOTAL EXPENDITURES	375,398,983	366,347,194	389,105,121	80,037,538	389,105,121	0%
ENDING BALANCE	156,591,182	167,597,706	156,525,825	147,471,805	156,525,825	

*Includes year-to-date actuals plus encumbrances; excludes CIP funds

**Other Fees/Services include: Internal Service Charges; Airport Fees; Police/Court Fees; Transit Fees; Land Use Fees; and various other fees/services

***Miscellaneous Revenues are primarily comprised of Bond Proceeds. This category also includes: Bond Premiums; Sales Revenue; Reimbursements; Refunds; Advertising Income; Insurance Recoveries; Rental Income; and other miscellaneous revenues

PROJECTIONS ANALYSIS



FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2019-2020

GENERAL FUND SUMMARY & PROJECTIONS

Table 5

DESCRIPTION	FISCAL YEAR	FISCAL YEAR 2019/2020				
	2018/2019 ACTUAL	APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
BEGINNING BALANCE	7,684,220	9,511,458	9,511,458	9,511,458	9,511,458	
<i>Revenues:</i>						
Gross Receipts Tax	65,312,138	70,382,213	70,382,213	22,037,131	70,382,213	0%
Property Tax	8,351,923	11,157,228	11,157,228	116,418	11,157,228	0%
Franchise Fees	4,831,197	5,292,033	5,292,033	361,835	5,292,033	0%
Other Taxes	451,466	531,116	531,116	44,091	531,116	0%
Licenses & Permits	3,830,105	4,430,688	4,430,688	1,111,041	4,430,688	0%
Ambulance Fees	2,497,386	2,800,000	2,800,000	694,225	2,800,000	0%
Planning/Land Use Fees	265,748	915,173	915,173	42,821	915,173	0%
Recreation Fees	357,953	415,037	415,037	90,543	415,037	0%
Reimbursed Expenditures**	4,793,972	5,522,170	5,522,170	6,194	5,522,170	0%
Other Fees/Services	269,063	536,832	536,832	23,121	536,832	0%
Fines & Forfeitures	220,332	273,314	273,314	2,169	273,314	0%
Miscellaneous Revenues	248,797	71,590	71,590	36,562	71,590	0%
Interest on Investments	-	80,964	80,964	-	80,964	0%
State/Other Grants	567,271	522,196	522,196	34,551	522,196	0%
Transfers In	1,070,509	1,979,908	1,979,908	-	1,979,908	0%
Subtotal - Revenues	93,067,861	104,910,462	104,910,462	24,600,704	104,910,462	0%
TOTAL RESOURCES	100,752,081	114,421,920	114,421,920	34,112,162	114,421,920	
<i>Expenditures:</i>						
Salaries	41,930,069	45,079,003	45,169,996	10,318,402	45,169,996	0%
Benefits	21,300,286	22,612,237	22,681,149	4,786,558	22,681,149	0%
Contractual Services	3,448,683	5,468,916	5,456,868	1,804,761	5,456,868	0%
Utilities	3,617,137	4,273,117	4,273,117	1,407,144	4,273,117	0%
Repairs & Maintenance	627,444	1,189,742	1,192,490	287,465	1,192,490	0%
Supplies	2,456,034	2,999,261	2,912,857	1,021,002	2,912,857	0%
Insurance	3,325,902	3,262,221	3,262,221	-	3,262,221	0%
Travel & Training	200,826	560,496	555,996	225,071	555,996	0%
Other Operating	8,823,475	9,119,715	9,159,790	192,399	9,159,790	0%
Capital Purchases	949,446	1,887,319	2,092,682	25,356	2,092,682	0%
Land & Building	60,760	118,410	118,410	78,244	118,410	0%
Transfers Out	4,500,562	5,712,392	5,712,392	-	5,712,392	0%
TOTAL EXPENDITURES	91,240,623	102,282,829	102,587,968	20,146,401	102,587,968	0%
ENDING BALANCE	9,511,458	12,139,091	11,833,952		11,833,952	
<i>State-Mandated Minimum</i>						
<i>General Fund Balance***</i>	<i>7,691,363</i>	<i>8,047,536</i>	<i>8,047,536</i>		<i>8,047,536</i>	
<i>Equivalent # Days of Operation</i>	<i>38</i>	<i>46</i>	<i>45</i>		<i>45</i>	

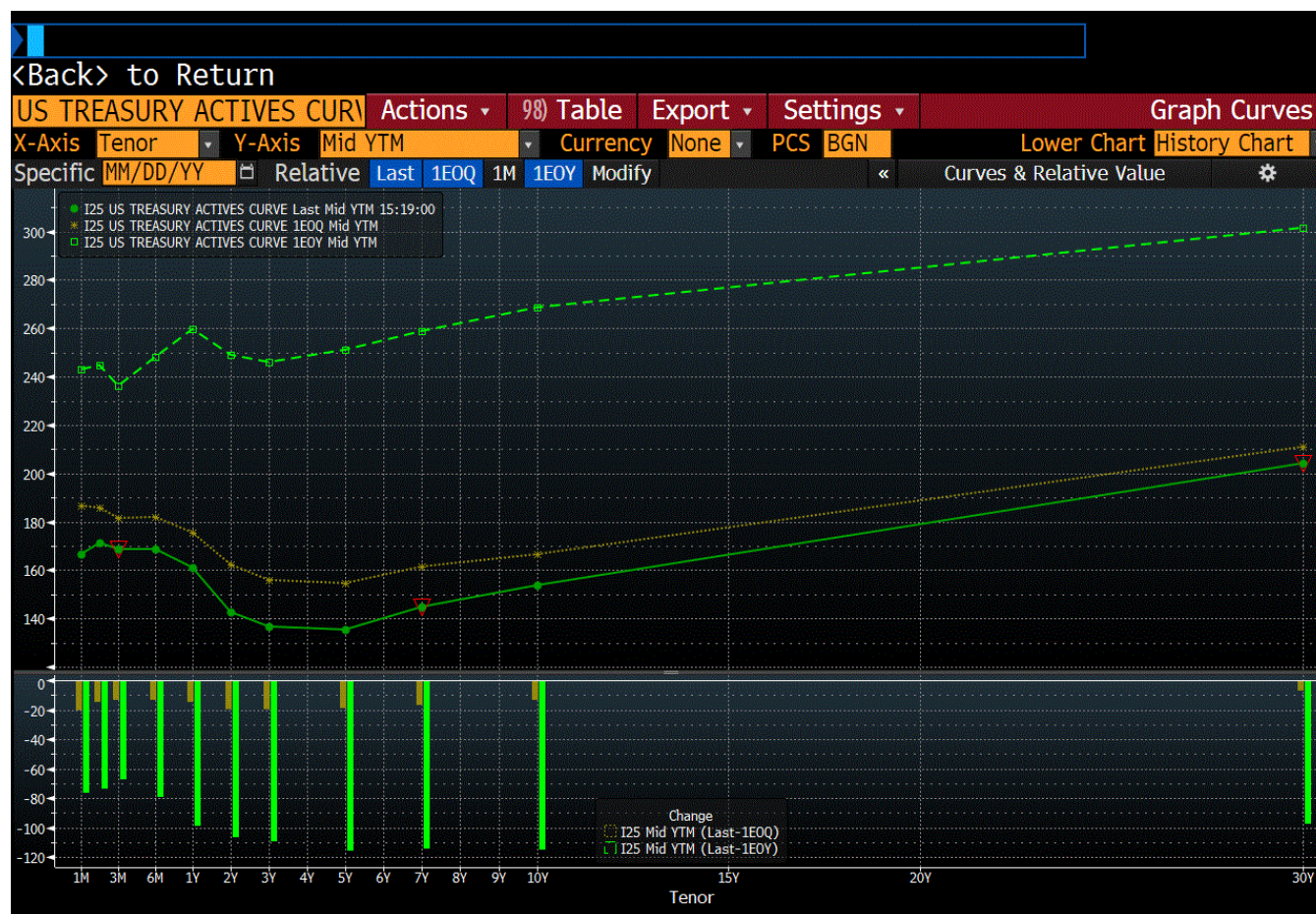
*Includes year-to-date actuals plus encumbrances

**Reimbursed Expenditures are mostly comprised of internal charges to various City Divisions for services provided by GF Departments such as Finance, ITT, & HR

***Minimum balance defined as 1/12 (1 month) budgeted annual General Fund expenditures excluding transfers

III. CITY OF SANTA FE INVESTMENT PORTFOLIO AS OF SEPTEMBER 30, 2019

The City's investment portfolio continued to have an annual yield in excess of a two percent for the first quarter of FY2020, even though the Federal Reserve has lowered interest rates twice in the City's first quarter and again in October. On July 31 and September 18, 2019 the Federal Reserve lowered the Fed Funds Rate from 2.50 percent to 2.0 percent, and did so a third time in October, as many expected. After a couple of years of raising rates, the Federal Reserve abruptly changed direction in the Spring of 2019, from a strong tightening mode where the market was expecting three rate increases in 2019, to one where the Federal Reserve has cut rates three times. Many economists cite the global trade tensions, Europe's lack of economic growth and a decline in China's GDP as the primary reasons for this change. Inflation continues to be lower than the Federal Reserve's target of two percent and US manufacturing data has taken a downturn in the past couple of months. Employment, retail sales and housing continue to be strong in spite of the apparent manufacturing slowdown. The following chart depicts three US Treasury Yield Curves: December 31, 2018, March 31, 2019 and October 8, 2019.



As for the City's investment portfolio, staff is allowing the securities to mature and roll off into the money market funds, currently yielding about two percent, but the yield will decline as the Federal Reserve cuts interest rates. Looking at the chart above, the inversion in short-term interest rates is a problem, and this is the reason staff is not re-investing farther out on the curve. Investors indicate short-term interest rates will fall much farther than their currently level, and staff does not think the market has it right. Short-term interest rates would have to fall well below one percent in the next year and remain there for a couple years for the market to be correct.

Chart 12

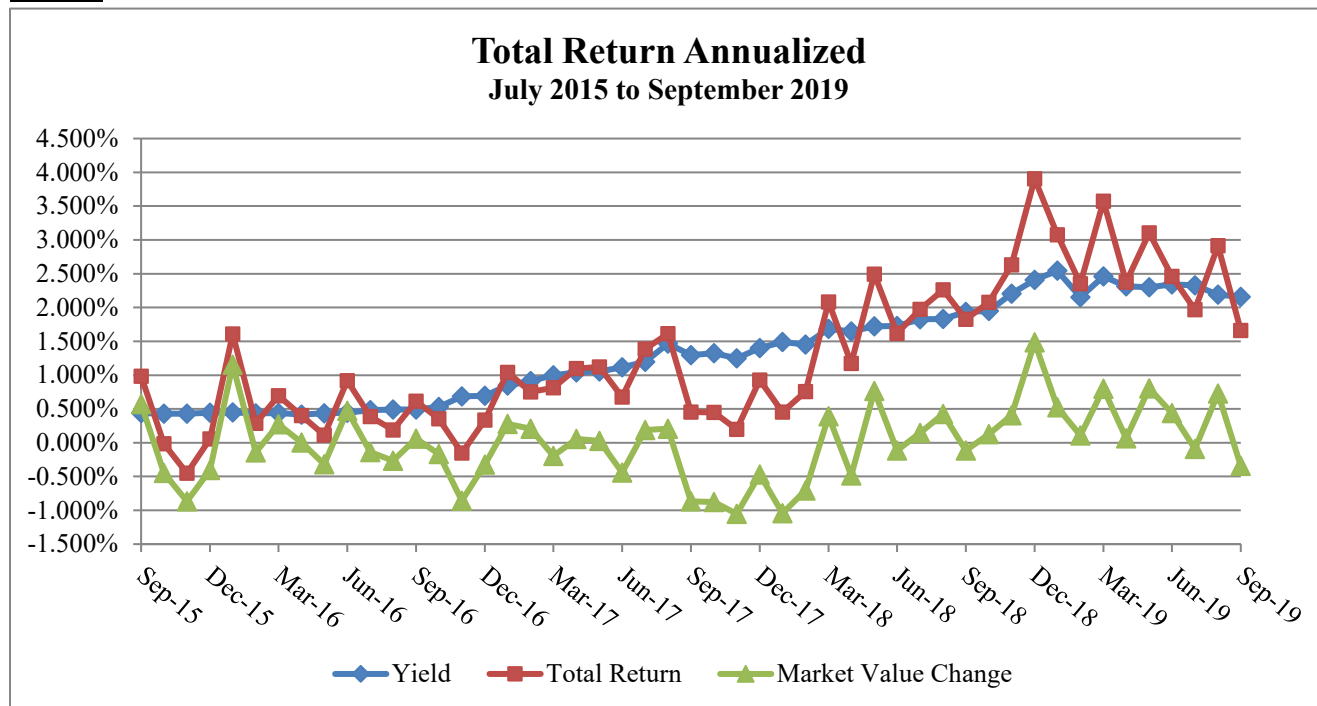


Chart 12 depicts the investment portfolio's monthly total return on an annualized basis and the two components that make up total return: yield and change in market value.

Table 6 summarizes what changed in the portfolio by quarter. Interest income is a function of higher yields and more funds invested.

Table 6

	Q1	Q2	Q3	Q4	YTD
Interest Income	1,399,033				1,399,033
Realized Gain/Loss	(87,175)				(87,175)
Change in Market Value	61,144				61,144
Fees	(1,675)				(1,675)
Transfers (Net)	-				-
Ending Balance Market	252,627,440				252,627,440

In Chart 13, the allocation to Money Market Funds increased due to maturities in bonds. The high balance in Money Market Funds currently serves the City well with the inverted yield curve; however, if the Federal Reserve continues to cut interest rates, the yield on those investments will decline in step with the rate cuts. With the inversion of the yield curve, the Federal Reserve would have to cut rates at least two more times before the yield on the money market funds would be equal or less than the two-year US Treasury.

Chart 14 depicts the two major components of investment income, interest and change in market value. As interest rates were rising, interest income grew commensurately and change in market value was usually a small negative. As interest rates declined, interest income continued its upward trend due to the positioning of the portfolio by staff, and the change in market value became a positive contributor to income as the duration of the portfolio declined. As the portfolio's duration declines (money market fund balance increases), interest rate risk declines, and change in market value swings decreases. The City's only municipal bond matured in the past quarter and staff does not anticipate any further investments in municipal bonds, especially tax-exempt bonds.

Chart 13

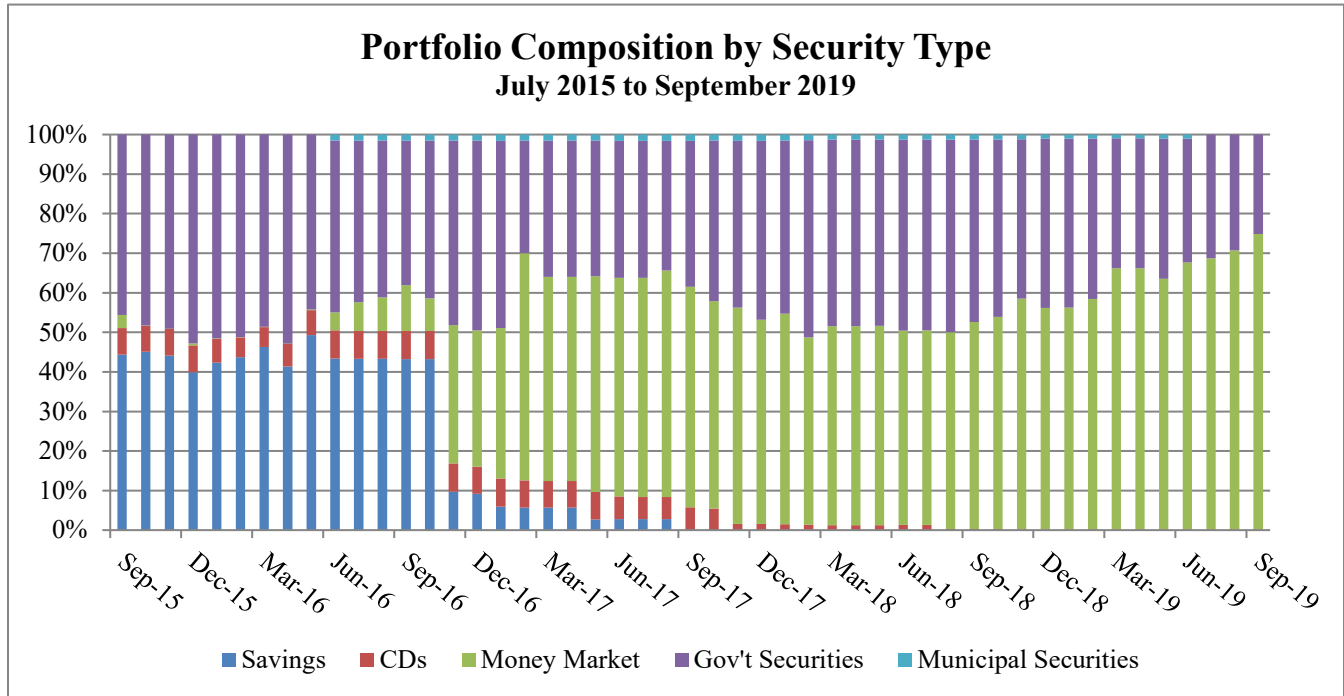
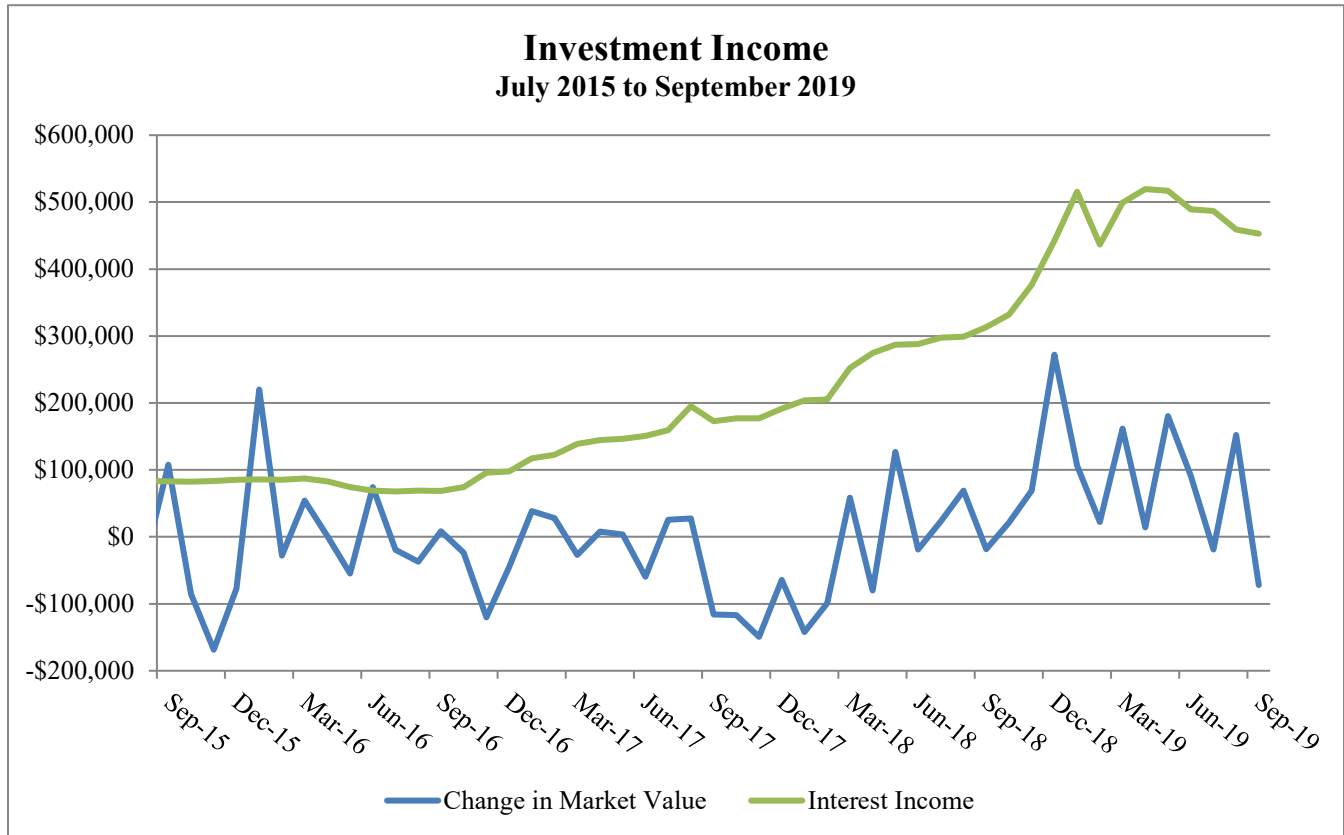


Chart 14



The City's interest income averaged \$466,000 in the first quarter of FY2020, totaling \$1,399,033. There were no cash-flows in or out of the portfolio in the first quarter.

Chart 15

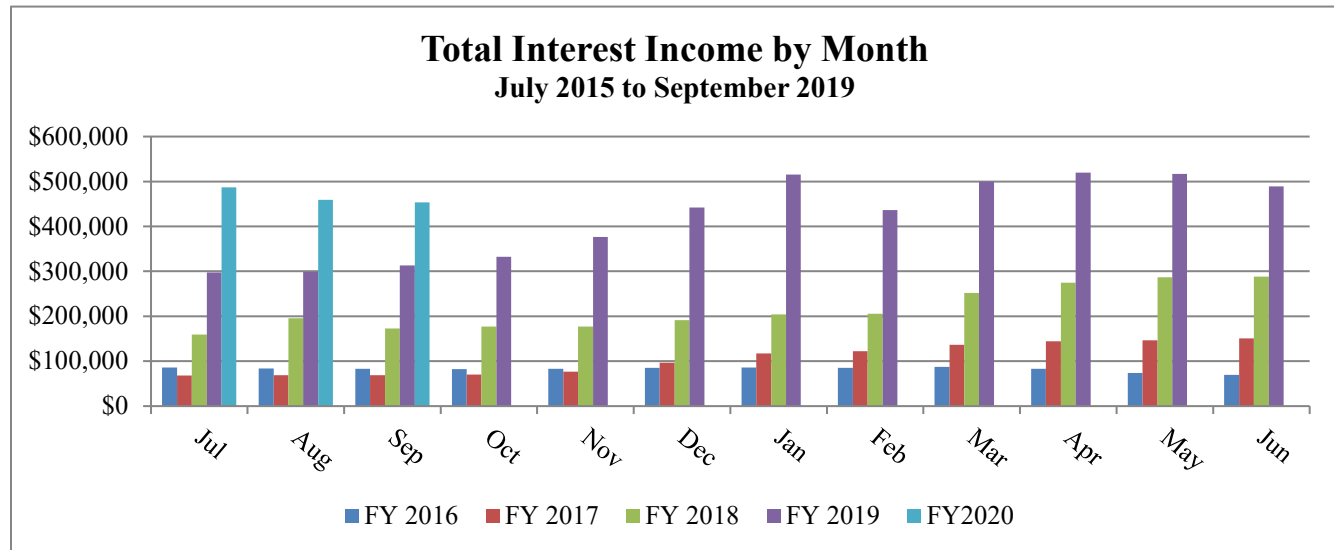


Chart 16

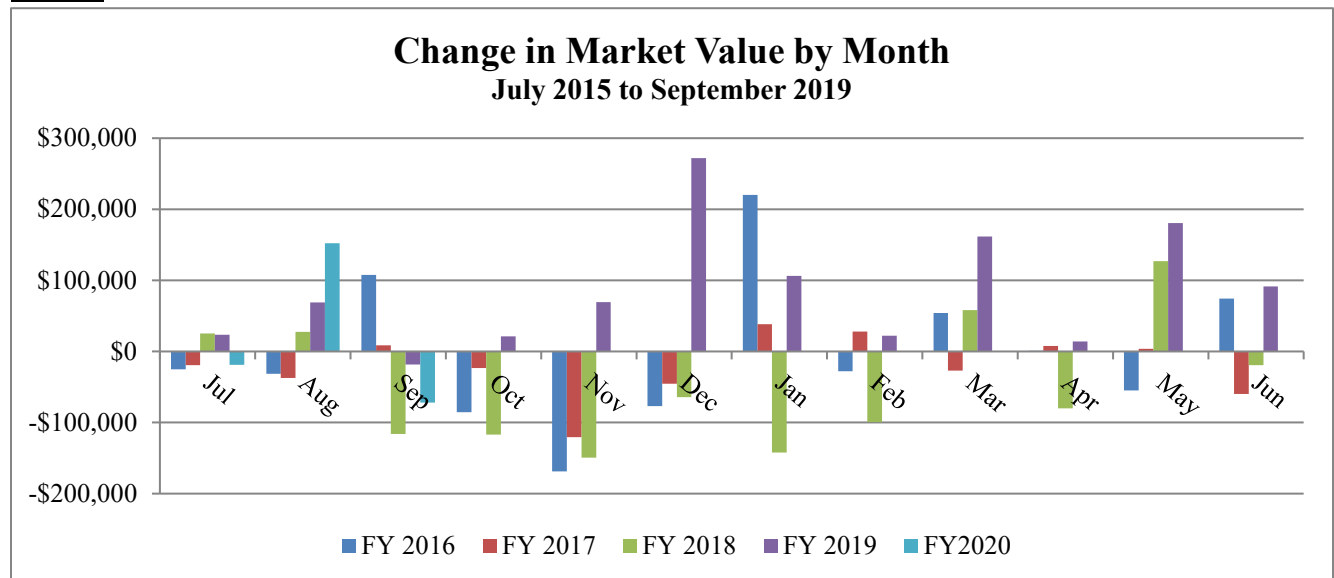
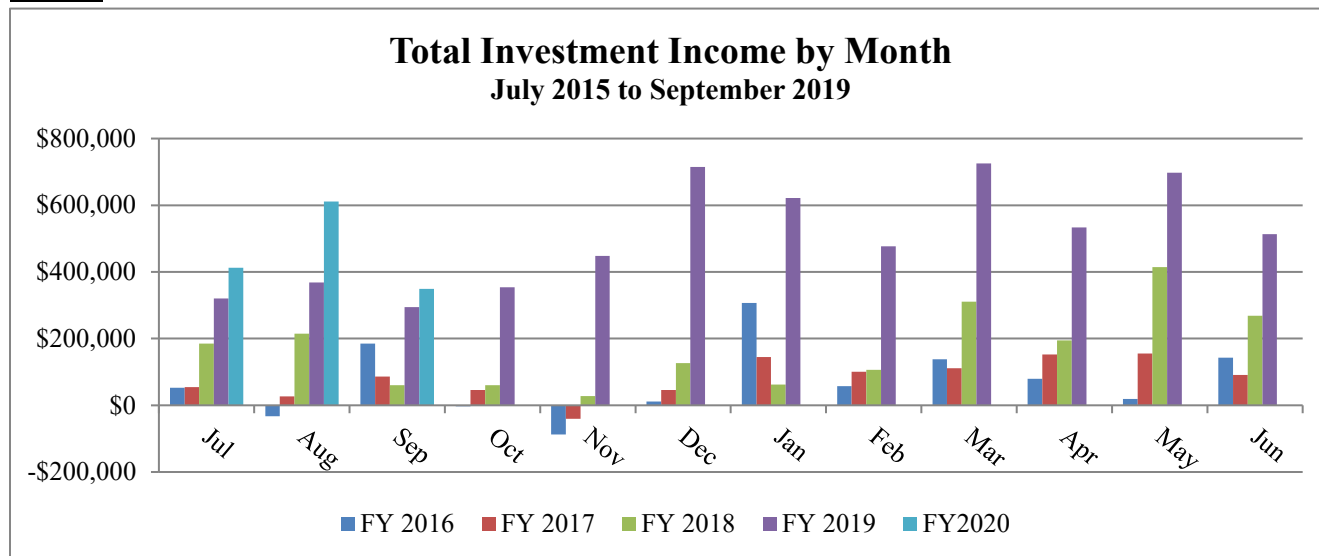


Chart 17



Total Investment Income, Chart 17, is the combination of Charts 15 and 16, interest income and changes in market value (both realized and unrealized). The three Federal Reserve interest rate cuts will reduce the City's interest income by over \$150,000 per month, and each additional cut will reduce monthly interest income by \$55,000, given the current balance in the portfolio.

Chart 18

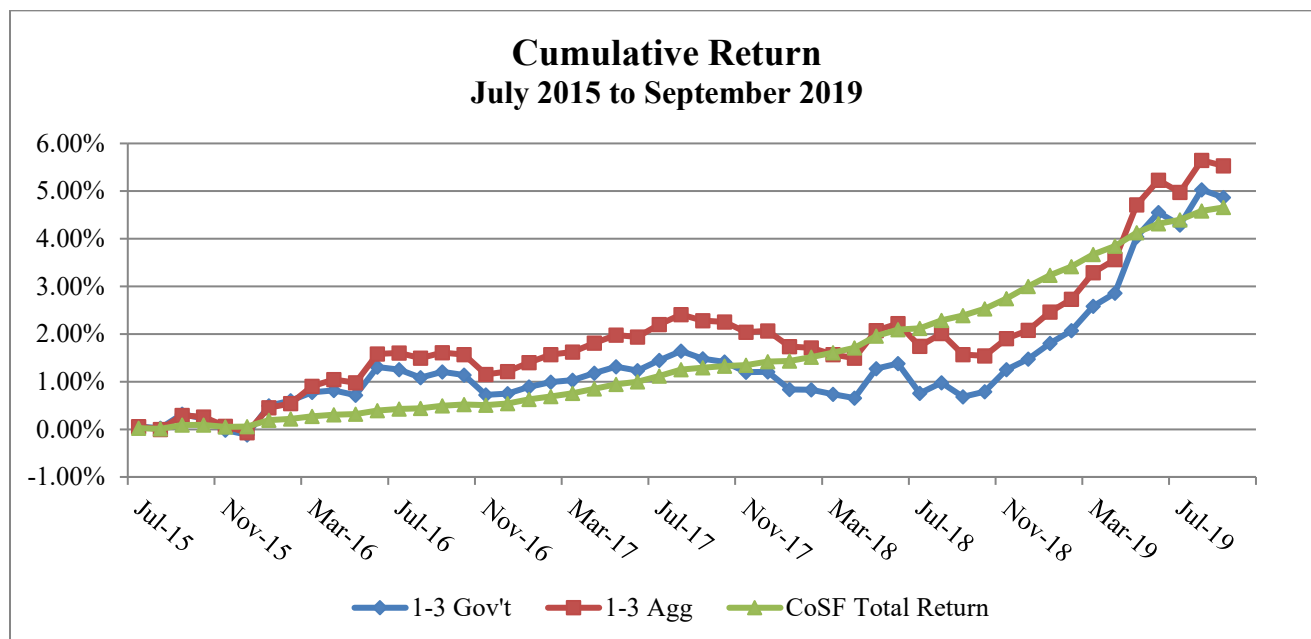
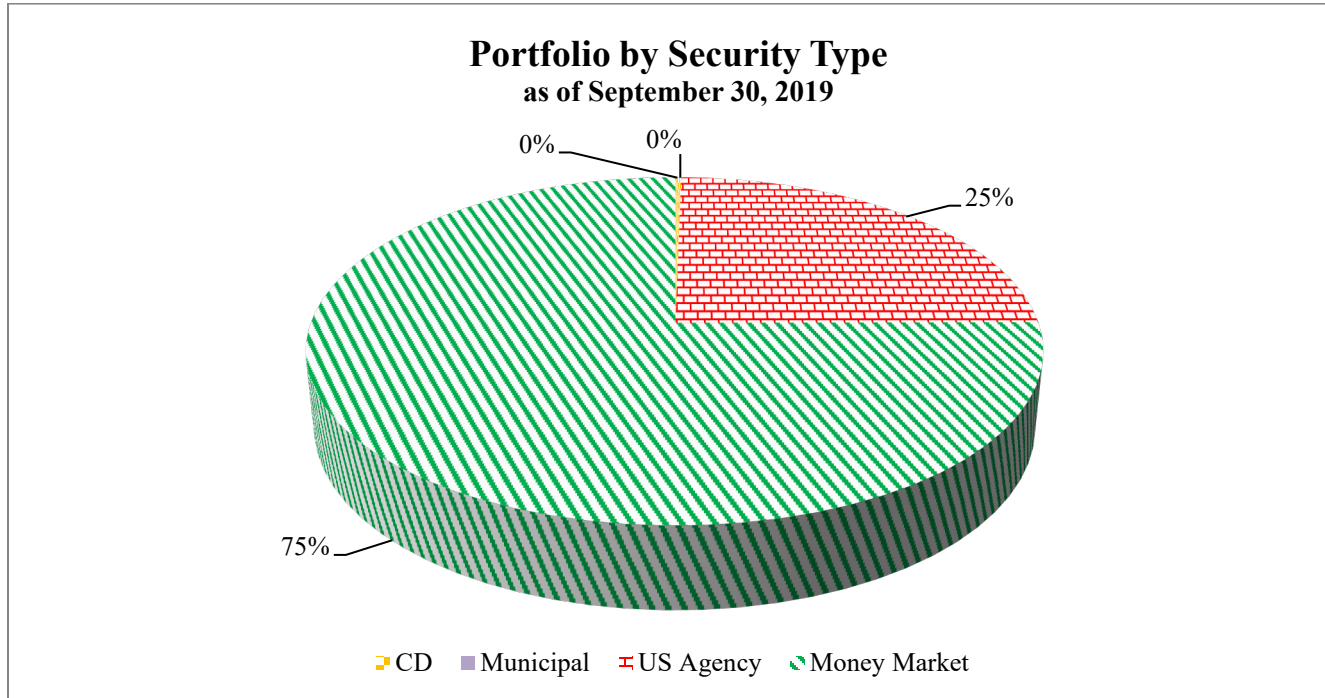


Chart 19 compares the City's investment returns to standard industry benchmarks for short-term investment portfolios: The Bloomberg 1-3 year Government and the Bloomberg 1-3 year Aggregate that includes investment grade securities including Corporate, Mortgage and other Asset Backed Securities. Both benchmarks out-performed the City's portfolio the past two quarters because their durations are substantially longer than the City's portfolio, and interest rates dropped dramatically. When interest rates rise in the future, the City portfolio will outperform the two benchmarks. The City's portfolio is positioned to capture yield and minimize capital risk.

Chart 19



Currently, Money Market Funds offer the highest return of all investments authorized in the City's investment policy. The inverted yield curve makes investing the City's portfolio more challenging, as it requires balancing interest rate risk and interest income. While the portfolio is generating a high level of interest income currently, staff's concern is future interest income. If the economy slows, and the Federal Reserve continues to cut short-term interest rates, the City's investment income will decline. However, locking in interest rates for the next two years would immediately reduce income and increase the portfolio's interest rate risk. Staff will continue to monitor interest rates and the economy.

Chart 20

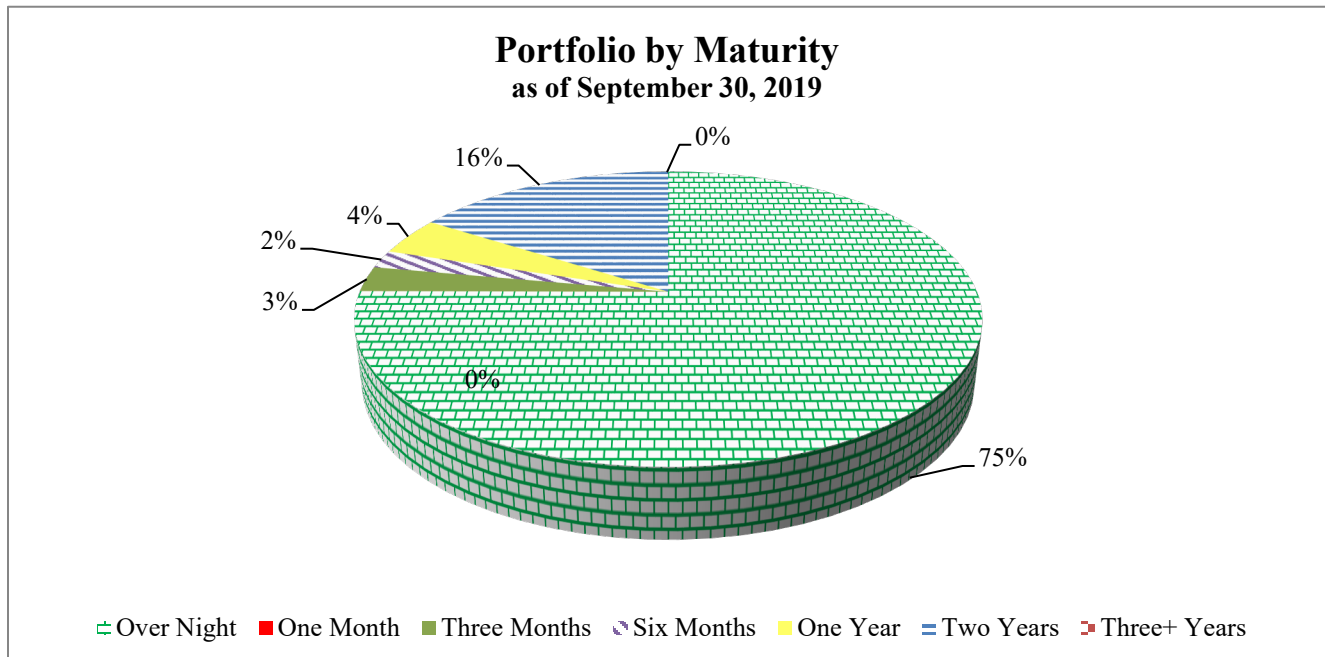
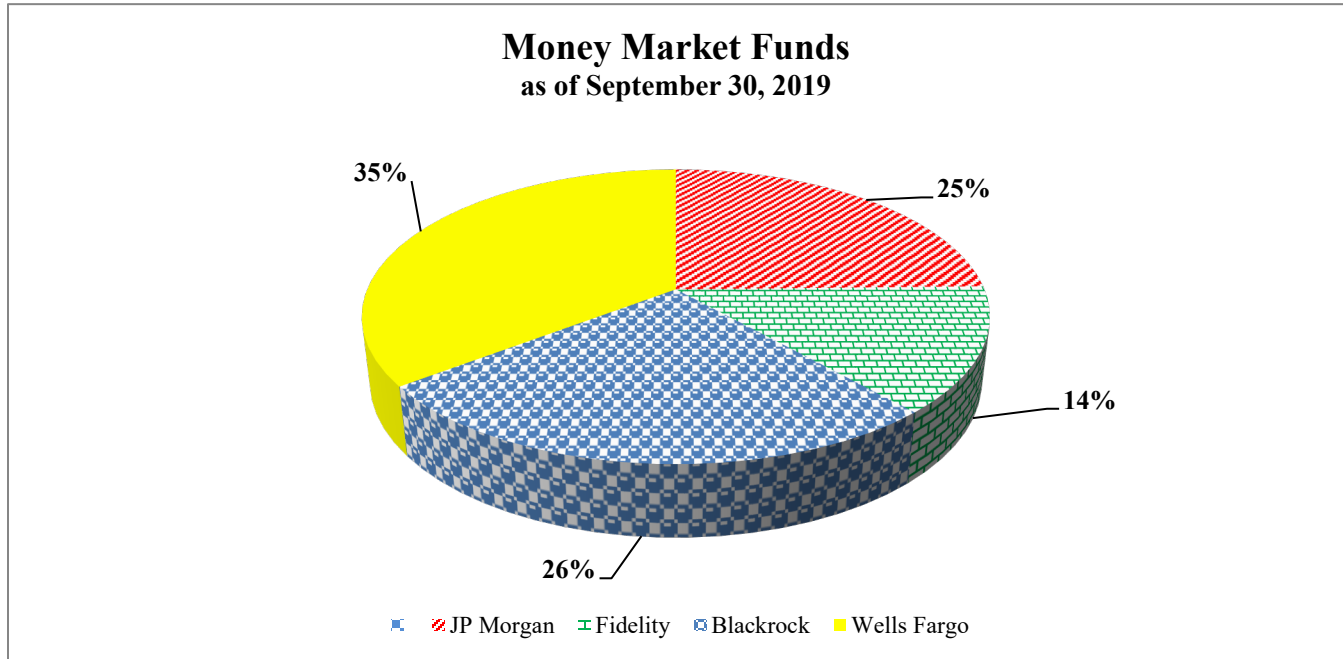


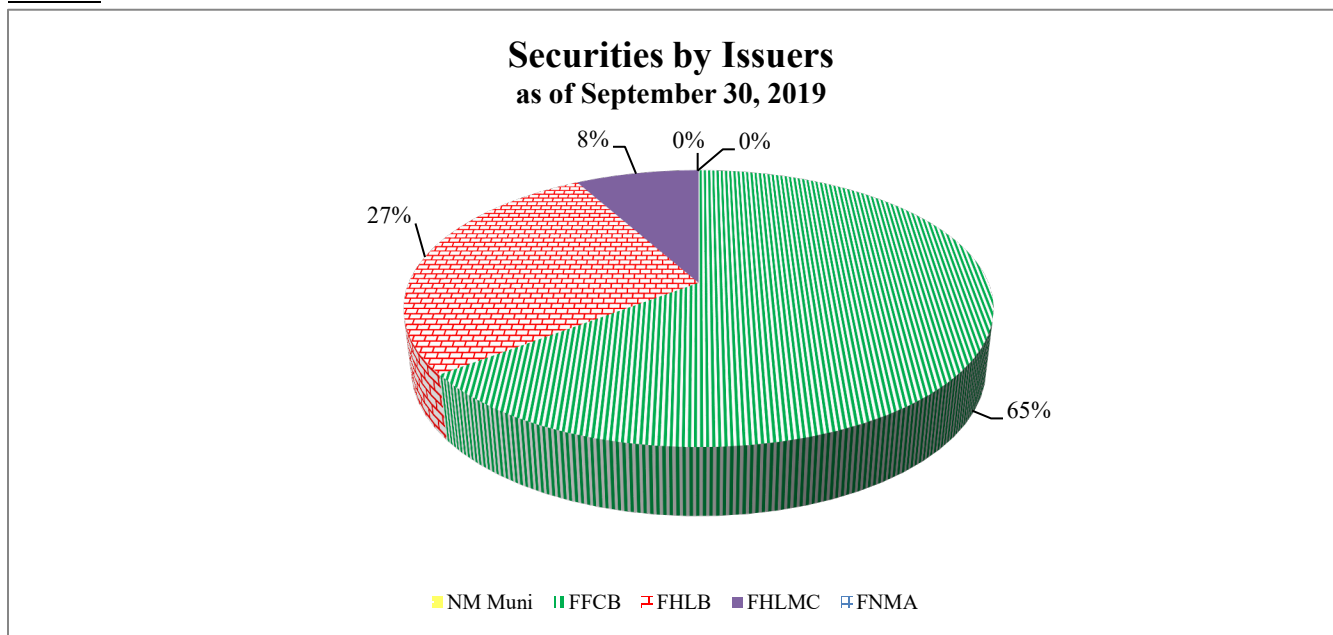
Chart 20 really demonstrates how much the City has invested in very short-term securities. The overnight slice of the pie is all Money Market Funds.

Chart 21



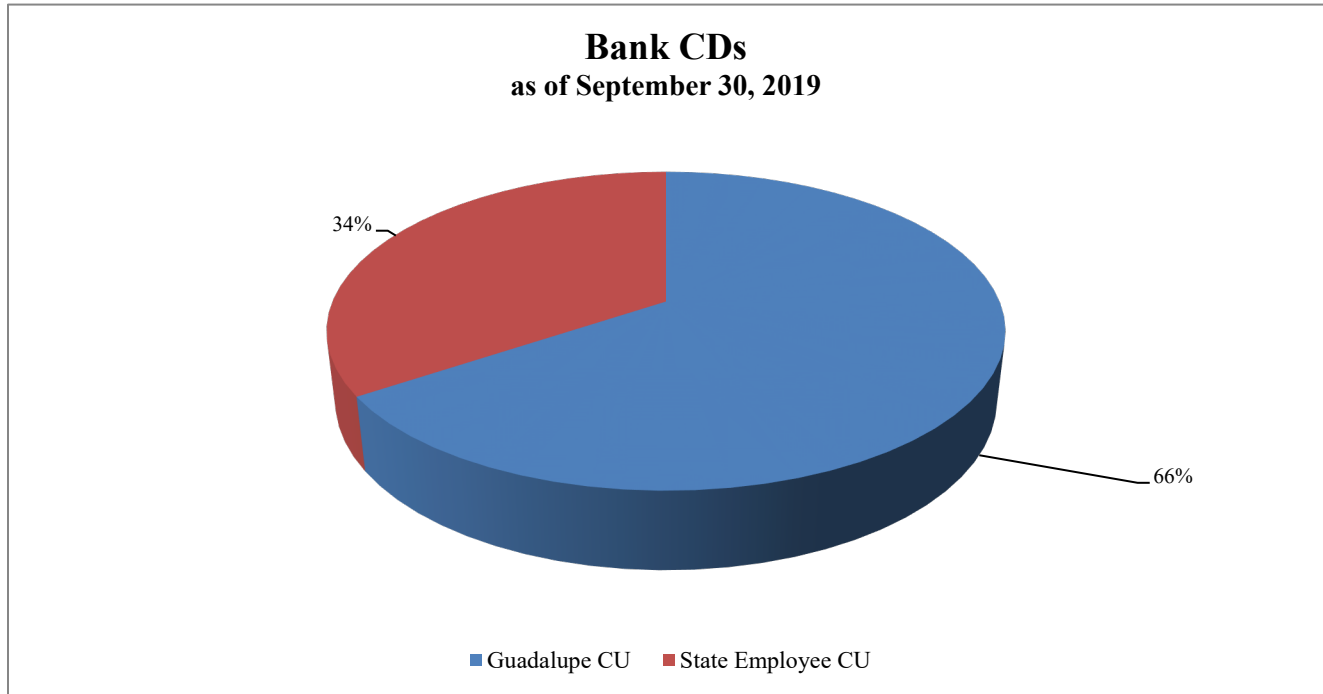
The JP Morgan, Fidelity and Blackrock money market funds are Prime Funds, which invest in Commercial Paper, Yankee CDs, Corporate Notes, and Mortgage products as well as US Treasury and Agency securities. Wells Fargo Government Money Market fund invests only in US Government and US Government Agency securities. Staff will be moving funds from the Wells Fargo Government fund and allocating to the Prime funds or purchasing floating rate US Agency notes.

Chart 22



Staff has not purchased a new security since November 2018. As securities mature, proceeds are deposited into Money Market funds.

Chart 23



The City continues to offer Certificates of Deposits to Banks and Credit Unions within the city limits.

The portfolio's duration and weighted average maturity reflects the Treasury Department's investment strategy to avoid taking interest rate risk, because extending maturities it not an attractive alternative from a yield perspective.

Chart 24

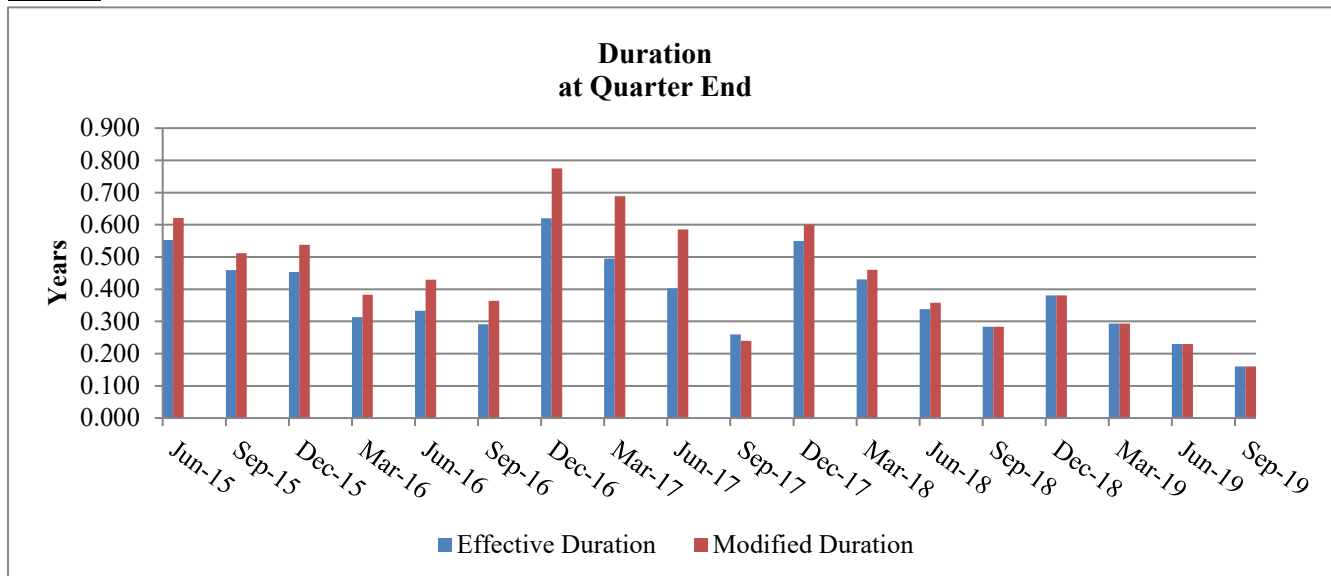
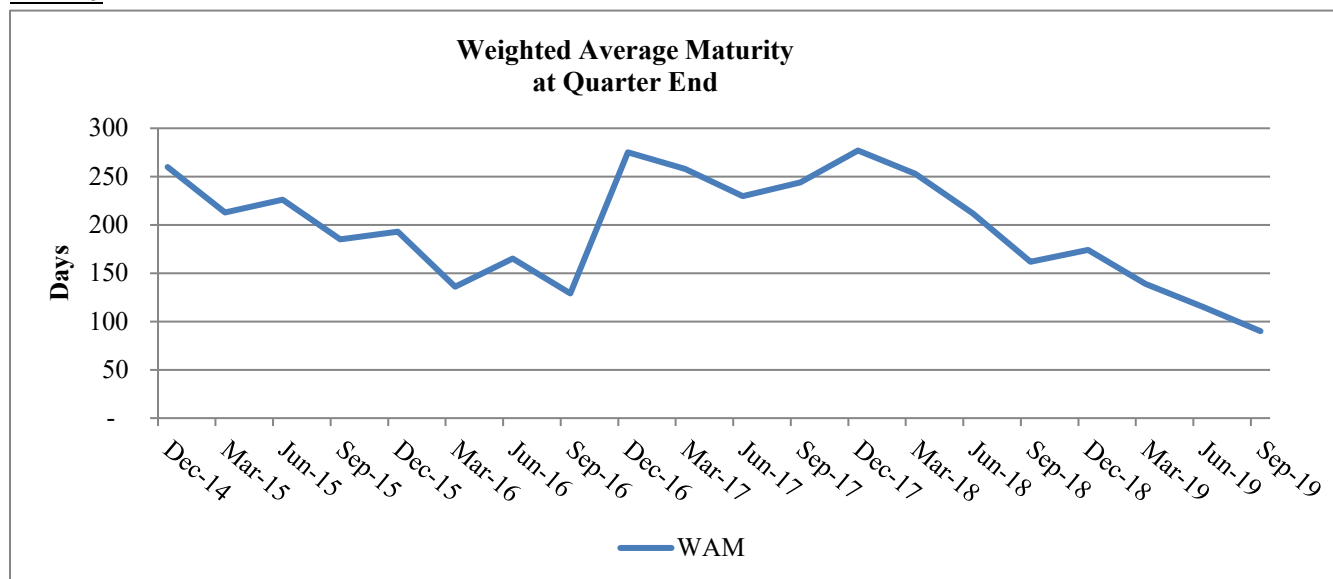


Chart 25



Investment Strategy

The inverted yield curve is the primary issue affecting investment strategy. To move out the yield curve will immediately and significantly cut investment income. What does the inverted curve tell investors? The two year US Treasury is currently yielding 1.6 percent and money market funds are yielding 2.0 percent; that tells investors that the market (all investors) believes that the Federal Reserve will cut short-term interest over the next two years to a point where the two-year average will equal 1.6 percent. So if short-term interest rates held steady for one year at 2.0 percent, the second year would only yield 1.2 percent, implying 75 basis points of additional Federal Reserve rate cuts. While there are many moving pieces in the global geo-political arena such as trade negotiations, BREXIT, US Presidential and Congressional elections, and impeachment hearings, the US economy has remained strong in face of a global economic slowdown. It is hard to imagine a scenario where the Federal Reserve would be forced to cut interest rates as much as the inverted yield curve expects; therefore, something else is driving US interest rates down. Many investors are pointing to the negative yields in Europe that are forcing European investors to buy US Treasuries. The US yield curve has a substantial inversion in short-term securities, but at least investors are earning some income. Negative yields means investors are paying the German government to hold their money.

Staff is recommending not extending the duration of the portfolio at current interest rates. However, staff is looking to purchase securities with lower yields than the money market funds are currently paying. However, staff is evaluating purchasing fixed rate securities with maturities less than one year and floating rate securities.

FINANCIAL PERFORMANCE REPORT: FIRST QUARTER FY 2019-2020

Table 7

City of Santa Fe								
Portfolio Holdings Report								
As of September 30, 2019								
							Modified	Effective
Issuer	Par Value	Market Value	Book Value	Coupon	YTM	Maturity Date	Duration	Duration
Guadalupe CU	490,000	490,000	490,000	2.62%	2.62%	08/01/2020	0.548	0.548
State Employee CU	256,556	256,556	256,556	2.43%	2.43%	07/21/2019	1.546	1.546
Total CDs	746,556	746,556	746,556		2.55%		0.891	0.891
Blackrock Prime Inst #24	49,806,398	49,806,647	49,806,398		2.04%		-	-
JP Morgan Prime MM Fund #3605	46,803,032	46,803,125	46,803,032		2.03%		-	-
Fidelity Prime MM Port #2014	26,077,945	26,078,023	26,077,945		1.98%		-	-
Wells Fargo Bank MM	62,406,790	62,406,790	62,406,790		1.84%		-	-
Wells Fargo Bank Restricted	4,773,148	4,773,148	4,773,148		1.95%		-	-
Total Money Market	189,867,313	189,867,734	189,867,313		1.96%		-	-
Federal Home Loan Bank	5,000,000	4,989,100	5,003,550	1.63%	1.60%	09/11/2020	1.415	1.415
Federal Home Loan Bank	5,000,000	4,994,100	4,953,800	1.13%	1.44%	11/29/2019	0.650	0.650
Federal Home Loan Bank	2,000,000	1,998,640	1,995,780	1.38%	1.45%	11/15/2019	0.611	0.611
Farmer Mac	5,000,000	5,004,350	5,017,750	2.21%	2.21%	02/03/2021	0.250	0.250
Federal Home Loan Bank	5,000,000	5,047,350	4,989,550	2.88%	1.44%	08/20/2019	0.386	0.386
Federal Farm Credit Bank	10,000,000	9,989,100	10,000,000	2.04%	2.99%	09/11/2020	1.406	1.406
Federal Farm Credit Bank	10,000,000	10,107,600	9,990,365	2.75%	1.34%	06/14/2019	0.202	0.202
Federal Farm Credit Bank	5,000,000	5,001,900	5,000,000	2.60%	1.36%	06/14/2019	0.202	0.202
Federal Farm Credit Bank	10,000,000	10,108,600	9,986,200	2.80%	1.53%	09/13/2019	0.452	0.452
Federal Home Loan Mtg Corp	5,000,000	5,040,450	4,980,550	2.38%	1.52%	09/13/2019	0.452	0.452
Total Federal Government	62,000,000	62,281,190	61,917,545	22%	1.76%	438381.00	0.621	0.621
Total Portfolio	252,613,869	252,895,479	252,531,413		1.91%	438,381.00	0.156	0.156

Table 8

City of Santa Fe				
Collateral for Demand Deposits				
As of September 30, 2019				
Wells Fargo Bank, NA				
Security	CUSIP	Maturity	Par Value	Market Value
FMAC FEPC 4.0%	3131Y8JX4	12/01/2048	2,210,425	1,841,553
FMAC FGPC 4.0%	3132Y3B52	10/01/2048	1,241,359	1,163,465
FNMA FNMS 3.5%	3140FE2L7	03/01/2047	26,611,686	22,109,884
FNMA FNMS 3.5%	3140GUQS9	07/01/2047	2,141,000	1,822,385
FNMA FNMS 4.0%	3140JPLY9	05/01/2049	15,342,158	15,062,387
FNMA FNMS 3.5%	3140JRAY7	04/01/2049	2,577,958	2,513,867
Total Wells Fargo Bank, NA			50,124,586	44,513,541
Total Collateral			50,124,586	44,513,541

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

Dear Municipal / County Official:

This correspondence is to inform you that legislation enacted during the 2019 legislative session created a new temporary distribution from the state's General Fund to all counties and municipalities. Section 9 of House Bill 6 (compiled as Section 7-1-6.64 NMSA 1978) became effective beginning with the July 2019 gross receipts tax accrual period that is distributed in September 2019. The monthly distribution will continue for 24 months through the June 2021 gross receipts tax accrual period distributed in August of 2021.

The monthly distribution apportions \$1.25 million among the State's municipalities and \$750 thousand among the State's counties based on each entities population.

In Fiscal Year 2022 when these fixed monthly payments cease other sections of the 2019 House Bill 6 will become effective that will impact local government distributions. Beginning with gross receipts tax filing periods July 1, 2021 and beyond, Section 11 of House Bill 6 repeals the current statute governing the location of gross receipts tax reporting (Section 7-1-14 NMSA 1978) and enacts a new method of where certain gross receipts are reported. This will shift the location of tangibles and certain services from the current origin-based system to a new destination-based system. With destination-based sourcing the taxpayer pays tax and reports based on where the tangible personal property or non-professional service is ultimately delivered to the customer.

Also beginning in FY2022 a new municipal and county compensating taxes (compiled as Section 7-19D-9.1 and Section 7-20E-9.1 NMSA 1978) become effective. The new local compensating tax rates will be equal to the corresponding local gross receipts taxes imposed in each municipality and county and distributed to the respective municipalities and counties.

Attached are the specific monthly and annual distribution amounts for each municipality and county along with the relevant statutes.

If you have any questions, please contact David Monteith at tax.localgov@state.nm.us or (505) 827-2588.

Sincerely,



David Monteith

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

7-1-6.64. Distribution; municipalities and counties. (Repealed effective July 1, 2021.)

A. Prior to July 1, 2021, a distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to municipalities from the net receipts attributable to the gross receipts tax in an amount equal to one million two hundred fifty thousand dollars (\$1,250,000). The amount to be distributed to each municipality shall be in proportion to the population of each municipality in the proportion that the population of each municipality is to the total population of all municipalities, according to the most recent federal decennial census.

B. Prior to July 1, 2021, a distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to counties from the net receipts attributable to the gross receipts tax in an amount equal to seven hundred fifty thousand dollars (\$750,000). The amount to be distributed to each county shall be in the proportion that the population of each county is to the total population of all counties, according to the most recent federal decennial census.

History: Laws 2019, ch. 270, § 9.

ANNOTATIONS

Delayed repeals. — Laws 2019, ch. 270, § 57 repeals 7-1-6.64 NMSA 1978, effective July 1, 2021.

Effective dates. — Laws 2019, ch. 270, § 60 made Laws 2019, ch. 270, § 9 effective July 1, 2019.

7-1-14. Secretary may determine where certain gross receipts are to be reported; place of business for construction projects and certain real property sales.

A. By regulation, the secretary may require any person maintaining one or more places of business to report the person's taxable gross receipts and deductions for each municipality or county or area within an Indian reservation or pueblo grant in which the person maintains a place of business.

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

B. For persons engaged in the construction business, the place where the construction project is performed is a "place of business", and all receipts from that project are to be reported from that place of business.

C. The secretary may, by regulation, also require any person maintaining a business outside the boundaries of a municipality on land owned by that municipality to report the person's taxable gross receipts for that municipality.

D. For a person engaged in the business of selling real estate, the location of the real property sold is the "place of business", and all receipts from that sale are to be reported from that place of business.

History: 1953 Comp., § 72-13-30.1, enacted by Laws 1969, ch. 145, § 1; 1970, ch. 57, § 2; 1977, ch. 315, § 3; 1979, ch. 144, § 13; 1983, ch. 211, § 24; 1992, ch. 55, § 10; 1995, ch. 100, § 1.

***7-1-14. Location where certain gross receipts are to be reported;
location for transactions subject to the compensating tax. (Effective
July 1, 2021.)***

A. Gross receipts and deductions required to be reported pursuant to the Gross Receipts and Compensating Tax Act [Chapter 7, Article 9 NMSA 1978] or any act that imposes a state or local gross receipts or compensating tax shall be reported as follows:

(1) gross receipts and deductions from the sale or lease of tangible personal property or licenses and from the licensing of tangible personal property shall be reported to the location of delivery of that tangible personal property to the customer; provided that the reporting location for receipts from leasing a vehicle is the location where the customer first makes use of the vehicle;

(2) except as otherwise provided in this section, a seller of services shall report the seller's gross receipts and deductions as follows:

(a) professional services shall be reported to the seller's place of business;

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

- (b) for a person engaged in the construction business, the location where the construction project is performed is the "place of business", and all gross receipts and deductions from that project are to be reported from that place of business;*
- (c) for a person engaged in the business of providing services with respect to the selling of real estate, the location of the real property is the "place of business", and all gross receipts and deductions from that sale are to be reported from that place of business; and*
- (d) services, other than those described in Subparagraphs (a) through (c) of this paragraph, are to be reported at the location where the service is performed;*

(3) gross receipts and deductions from the sale, lease or granting of a license to use real property shall be reported to the location of the real property; and

(4) the reporting location for gross receipts and deductions from a customer for services provided by a transportation network company pursuant to the Transportation Network Company Services Act [65-7-1 through 65-7-22 NMSA 1978] shall be the location where the customer enters the vehicle offered for a prearranged ride.

B. Consistent with this section and with intergovernmental agreements, the secretary may, by rule, provide for the reporting of gross receipts and deductions from transactions not otherwise specified in this section, including reporting gross receipts and deductions to locations:

- (1) by taxpayers having more than one place of business; and*
- (2) for reporting tax imposed by taxing jurisdictions at the jurisdiction's location, including:*
 - (a) outside a municipality;*
 - (b) within an Indian reservation or pueblo grant;*
 - (c) within a tax increment development district; and*
 - (d) within any other taxing jurisdiction.*

C. Values from transactions subject to the compensating tax shall be reported consistent with Subsections A and B of this section unless the taxpayer can demonstrate that the taxable use in New Mexico first occurred after the purchase, lease, license or other transaction giving rise to that value and that the first taxable use occurred in another location within the state.

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

D. The secretary shall develop and provide to taxpayers a location-rate database that sets out the tax rates applicable to locations within the state, by address, and sellers who properly rely on this database shall not be liable for any additional tax due to the use of an incorrect rate.

History: 1953 Comp., § 72-13-30.1, enacted by Laws 1969, ch. 145, § 1; 1970, ch. 57, § 2; 1977, ch. 315, § 3; 1979, ch. 144, § 13; 1983, ch. 211, § 24; 1992, ch. 55, § 10; 1995, ch. 100, § 1; repealed and reenacted by Laws 2019, ch. 270, § 11.

ANNOTATIONS

Repeals and reenactments. — Laws 2019, ch. 270, § 11 repeals and reenacts 7-1-14 NMSA 1978, effective July 1, 2021.

7-19D-9.1. Municipal compensating tax. (Effective July 1, 2021.)

A. Beginning July 1, 2021, for the privilege of using tangible personal property in a municipality, there is imposed on the person using the property an excise tax at a rate equal to the combined gross receipts tax rates imposed and in effect pursuant to the Supplemental Municipal Gross Receipts Tax Act [7-19-10 through 7-19-18 NMSA 1978] and the Municipal Local Option Gross Receipts and Compensating Taxes Act of the value of tangible personal property that was:

- (1) manufactured by the person using the property in the state; or*
- (2) acquired inside or outside this state as the result of a transaction with a person located outside this state that would have been subject to the state gross receipts tax had the tangible personal property been acquired from a person with nexus with New Mexico.*

B. For the purpose of Subsection A of this section, the value of tangible personal property shall be the adjusted basis of the property for federal income tax purposes determined as of the time of acquisition or introduction into this state or of conversion to use, whichever is later. If no adjusted basis for federal income tax purposes is established for the property, a reasonable value of the property shall be used.

C. For the privilege of using a license or franchise in a municipality, there is imposed on the person using the license or franchise an excise tax equal to the tax rate provided in Subsection A of this section against the value of the license or franchise as determined

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

pursuant to Section 7-9-7 NMSA 1978. The department by rule, ruling or instruction shall fairly apportion, where appropriate, the value of a license or franchise to its value in use in the municipality. For use of a license or franchise to be taxable under this subsection, the value of the license or franchise shall be acquired inside or outside this state as the result of a transaction with a person located outside this state that would have been subject to the gross receipts tax had the license or franchise been acquired from a person with nexus with this state.

D. For the privilege of using services in a municipality, there is imposed on the person using the services an excise tax at the rate provided in Subsection A of this section of the value of the services at the time the product of the service was acquired. For use of services to be taxable under this subsection, the services shall have been performed by a person outside this state and the product of which was acquired inside or outside this state as the result of a transaction with a person located outside this state that would have been subject to the gross receipts tax had the service or product of the service been acquired from a person with nexus with this state.

E. The governing body of a municipality may dedicate the revenue from the tax imposed pursuant to this section for any municipal purpose. If the governing body proposes to dedicate revenue for a specific purpose, the dedicated revenue shall be used by the municipality for that purpose unless a subsequent ordinance is adopted to



Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

change the purpose to which the revenue is dedicated or to place the revenue in the general fund of the municipality.

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

F. Any law that affects the municipal compensating tax, or any law supplemental or otherwise appertaining thereto, shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding revenue bonds that may be secured by a pledge of such municipal compensating tax unless such outstanding revenue bonds have been discharged in full or provision has been fully made therefor.

G. The tax imposed by this section may be cited as the "municipal compensating tax".

History: 1978 Comp., § 7-19D-9.1, enacted by Laws 2019, ch. 270, § 50.

7-20E-9.1. County compensating tax. (Effective July 1, 2021.)

A. Beginning July 1, 2021, for the privilege of using tangible personal property in a county, there is imposed on the person using the property an excise tax at a rate equal to the combined gross receipts tax rates imposed and in effect pursuant to the Local Hospital Gross Receipts Tax Act [7-20C-1 through 7-20C-17 NMSA 1978], the County Local Option Gross Receipts and Compensating Taxes Act [Chapter 7, Article 20E NMSA 1978] and the County Correctional Facility Gross Receipts Tax Act [7-20F-3 through 7-20F-12 NMSA 1978] of the value of tangible personal property that was:

(1) manufactured by the person using the property in the state; or

(2) acquired inside or outside this state as the result of a transaction with a person located outside this state that would have been subject to the state gross receipts tax had the tangible personal property been acquired from a person with nexus with New Mexico.

B. For the purpose of Subsection A of this section, the value of tangible personal property shall be the adjusted basis of the property for federal income tax purposes determined as of the time of acquisition or introduction into this state or of conversion to use, whichever is later. If no adjusted basis for federal income tax purposes is established for the property, a reasonable value of the property shall be used.

C. For the privilege of using a license or franchise in a county, there is imposed on the person using the license or franchise an excise tax equal to the tax rate provided in

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341

Administrative Services
(505) 827-0369

Audit and Compliance
(505) 827-0900

Motor Vehicle
(505) 827-2296

Property Tax
(505) 827-0870

Revenue Processing
(505) 827-0800

Tax Fraud Investigation
(505) 841-5578

Subsection A of this section against the value of the license or franchise as determined pursuant to Section 7-9-7 NMSA 1978. The department by rule, ruling or instruction shall fairly apportion, where appropriate, the value of a license or franchise to its value in use in the county. For use of a license or franchise to be taxable under this subsection, the value of the license or franchise shall be acquired inside or outside this state as the result of a transaction with a person located outside this state that would have been subject to the gross receipts tax had the license or franchise been acquired from a person with nexus with this state.

Michelle Lujan Grisham
Governor

Stephanie Schardin Clarke
Cabinet Secretary

DIVISIONS

Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2296
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800
Tax Fraud Investigation
(505) 841-5578

D. For the privilege of using services in a county, there is imposed on the person using the services an excise tax at the rate provided in Subsection A of this section of the value of the services at the time the product of the service was acquired. For use of services to be taxable under this subsection, the services shall have been performed by a person outside this state and the product of which was acquired inside or outside this state as the result of a transaction with a person located outside this state that would have been subject to the gross receipts tax had the service or product of the service been acquired from a person with nexus with this state.

E. The governing body of a county may dedicate the revenue from the tax imposed pursuant to this section for any county purpose. If the governing body proposes to dedicate revenue for a specific purpose, the dedicated revenue shall be used by the county for that purpose unless a subsequent ordinance is adopted to change the purpose to which the revenue is dedicated or to place the revenue in the general fund of the county.

F. Any law that affects the county compensating tax, or any law supplemental or otherwise appertaining thereto, shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding revenue bonds that may be secured by a pledge of such county compensating tax unless such outstanding revenue bonds have been discharged in full or provision has been fully made therefor.

G. The tax imposed by this section may be cited as the "county compensating tax."

History: 1978 Comp., § 7-20E-9.1, enacted by Laws 2019, ch. 270, § 53.
