

CITY OF ALBUQUERQUE

Five-Year Forecast Fiscal Year 2024-2028

February 2024

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The Five-Year Forecast estimates future revenues and expenditures for the General Fund and those funds subsidized by the General Fund for the current fiscal year 2024 (FY/24) through FY/28. The purpose of this forecast is to identify key trends in revenues and expenditures and provide information about the financial landscape anticipated over the next five years. This report is divided into seven sections: an Executive Summary, Economic Outlook, Revenue Outlook, Expenditure Outlook, Alternative Scenarios, Revenue History, and Accuracy of the Revenue Estimates. The information contained in this forecast is based on the data available through December 2023. The Executive Summary discusses only the baseline scenario. The optimistic and pessimistic scenarios have the same key assumptions as the baseline but are driven by different economic assumptions and inflationary factors. As the FY/25 budget is developed, revenue and expenditure projections will be updated based on the most current information.

Revenues

The revenue projections are based on revenue received through October 2023 and forecasts of economic activity for Albuquerque and New Mexico. A number of key economic forecast variables used in the City's revenue forecast models were prepared by the Bureau of Business and Economic Research at the University of New Mexico (BBER) (local variables) and IHS Global Insight (national variables). The City's Forecasting Advisory Committee, made up of experts from within and outside government, reviewed the forecasts and revenue projections prepared by the City Economist.

The current five-year outlook for revenue growth largely reflects less concern for a severe economic downturn; however, a return to more historical growth rates represents quite a contrast with recent years that included historical federal assistance and impressive post-pandemic recovery growth. Additionally, the phase-out of food and medical hold harmless payments

decreases to 42% in FY/24 and drops to 35% in FY/25, resulting in an estimated \$4 million in lost revenue for FY/25. Additionally, with the exception of some modest employment expectations, this conservative forecast excludes the potentially significant economic impacts from the solar tech company Maxeon, Cinelease Studios and further expansion of Netflix. If these projects unfold as projected, the impacts could be several million for the City as soon as FY/25.

GRT revenues for FY/23 were \$7.2 million, or 1.3% above the amount estimated in the approved FY/22 budget process. Final revenue for FY/23 is 2.1%, or \$11.1 million, over the FY/23 original budget. It is estimated that \$3.3 million of this is one-time revenue, most of which is due to the phase-out of medical and food hold harmless payments that began in FY/16.

Total FY/23 General Fund growth, which includes non-recurring revenue, is 5.7% over FY/22.

GRT revenue for FY/24 is expected to increase by 3%, or about \$16.6 million, from FY/23 actual revenue. This is \$10 million, or 1.8% above the FY/23 approved budget. The slight upward adjustment reflects continued stability in the economy and evidence that inflation appears to be increasingly under control without serious negative economic consequences.

For FY/24, base GRT growth as measured by the State share 1.225% is expected to grow 4.5%. In the remainder of the forecast, growth slows to more historical levels at 1.1% for FY/25, 1.8% in FY/26, and averaging 2.7% by FY/27 and FY/28. This reflects a slowing economy, softened labor market and moderating consumer spending and business investment.

GRT receipts, which comprised 71.2% of all General Fund revenues in FY/23, were less volatile in the year as the post-pandemic economic recovery winds down and major tax changes at the State level, such as cannabis sales and taxes on internet sales, are incorporated into expectations.

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This also includes the reduction in the distribution for food and medical hold harmless payments resulting from a 15-year phase-out that began in FY/16. To account for the one-time nature of this revenue, a percentage is phased-out each year and treated as non-recurring revenue. That same principle is applied in all years of this forecast as the phase-out compounds. However, the State tax department removed the 3% administrative fee on food and medical hold harmless payments in FY/20, which had the effect of mitigating the usual impacts of the declines for a year.

However, there are other expected impacts that affect growth in GRT. This includes Tax Increment Development Districts (TIDDs), such as the expansion of Winrock and Mesa Del Sol, which had experienced delays and setbacks in FY/20 and FY/21 due in part to COVID-19. However, renewed development in the Winrock and Mesa Del Sol TIDDs, as well as a new TIDD located in the UNM South Campus, are expected to increase these deductions from about \$3.7 million in FY/23 to \$5.4 million in FY/24 to nearly \$8 million by FY/25.

Along with the impact of TIDDs there are the impacts of the Local Economic Development Act (LEDA). These are estimated at \$250 thousand per year during the forecast, beginning in FY/23.

In FY/23, building permits were 3.7%, or about \$368 thousand below expectations. For FY/24, revenue is budgeted at \$12.7 million, or 33% growth. The City estimate is purposely moderated given uncertainties in the market and projected slowdowns in employment. For FY/25, building permits are reduced by 1.2%, reflecting expected declines in construction.

For FY/23, property taxes were \$532 thousand, or 0.5%, above the FY/22 estimate, and about 1% above the approved budget. FY/23 grew 4.8% over FY/22. For FY/24, revenues are projected to be at 4.5%. The growth rate for FY/25 is expected to cool somewhat and is projected at 3%.

Recurring FY/23 franchise tax revenues were \$2.6 million, or 7.2% below the estimate, largely due to the gas and water franchises. The gas franchise was \$1.5 million, or about 19.4% below the estimate for FY/23. While the gas franchise increased 7.8% over FY/22, the increase was not as large as anticipated. For FY/24 and FY/25, revenue is expected to increase 2% and 5%, respectively.

The water franchise was \$1.4 million or about 15.9% below the estimate. The franchise implemented a rate increase that took place in July 2022 and reported a 5% revenue increase in its November 2023 Annual Comprehensive Financial Report. However, the franchise stated that actual usage declined in the past year, largely due to conservation efforts.

For FY/23, charges for service finished \$1.5 million, or about 5.6% over the estimate. A decline from FY/22 revenue was expected; however, the year ended slightly better than the projected 3% decline. For FY/24, charges for service expectations are held flat with FY/23 due to expected moderation in consumer and business spending. For FY/25, the revenues are scaled back slightly, by 0.3%.

Equity markets were extremely volatile in FY/22 and the impact on City investments was equally dramatic. In FY/22 interest earnings experienced a \$10.4 million unrealized loss. This outcome was in stark contrast to FY/20, during which strong markets pushed interest earnings up to \$2.2 million. For FY/23, earnings were \$918 thousand over the approved budget, and \$1.8 million over the estimate, which was projected at zero due to market volatility and negative year-to-date revenues. FY/24 is estimated at 4.9% and FY/25 is estimated at 3.9%.

Fiscal Year 2024 Budget Outlook

The approved General Fund budget for FY/24 is slightly lower at \$826.7 million reflecting a total decrease of \$29.6 million or

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3.5% under the original FY/23 budget, not including reserves. The decrease is the result of decreased availability of one-time funding that accumulated and was appropriated in FY/23. Recurring increases include a \$15.8 million 3.5% cost-of-living adjustment, \$13.4 million to resolve historic city-wide pay inequities, \$5.2 million of which \$2.7 million was allocated from other City departments to expand the Albuquerque Community Safety Department's (ACS) vital service of responding to calls for service on a 24/7 basis and perform outreach for inebriation, homelessness, addiction, and other issues that do not require a police or EMT response, \$2.5 million for State mandated retirement contribution increases, \$8 million subsidy increase to support the Transit Department's operations, and \$1.3 million for the increase of health costs, which rose by 2.5%.

The amount of non-recurring appropriations at \$49.9 million is significantly lower as compared to the \$95.9 million in the original approved FY/23 budget. The decrease reflects the reduction of \$46.1 million in non-recurring funding to support various one-time initiatives that was used in FY/23 throughout department budgets.

Non-recurring appropriation highlights include: \$1.1 million for ACS initiatives, \$13.5 million for affordable housing vouchers, \$5.3 million to support housing and homeless initiatives, \$3.4 million for risk recovery, \$3 million to continue free transit fares through FY/24, \$1.6 million for Arts and Culture sponsored events, \$1 million for LEDA projects, \$3.1 million for Family and Community sponsored events, \$500 thousand to continue the Job Training program, and \$2.1 million for continued DOJ compliance efforts.

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

million and the FY/23 budget increased ACS's budget to \$11.8 million and supported 133 full-time positions. The approved FY/24 budget increases ACS's budget to \$17 million to fully fund and continue ACS's vital service of responding to calls for service 24/7 and perform outreach for inebriation, homelessness, addiction, and other issues that do not require police or EMT response.

The Transit General Fund subsidy for FY/24 is \$30.9 million. As previously mentioned, the subsidy includes non-recurring funding to continue support for the City's zero fare program.

Fiscal Year 2025 Budget Outlook

The forecast for FY/25 includes anticipated expenses using the best available information. The net effect is a forecasted budget of \$869.1 million. This would be an increase of \$42.4 million or 5.1% over the original FY/24 original budget. The FY/25 increase is primarily due to negotiated and forecasted wage increases, capital projects coming-on-line, and anticipated medical, dental, and vision increases.

Five-Year Forecast for FY/25 includes an estimated \$5.3 million for the operation of capital projects coming-on-line; \$4.7 million for the increase in medical benefits; \$17.3 million for various union negotiated and forecasted wage increases; \$33.1 million subsidy to support Transit Department operations, and \$6 million for risk recovery allocations.

Historically, the majority of non-recurring resources comes from unspent appropriations from prior years. As budgets contract, those resources become less common, putting a constraint on the allocation for non-recurring uses. The FY/25 forecast includes \$25.6 million in non-recurring expenses, while only \$4.2 million is available in non-recurring resources. As is typically the case in the annual budget process, decisions will have to be made to either eliminate some of these non-recurring expenses or absorb them with recurring resources. A complete list of non-recurring

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items can be found in the “Expenditure Outlook” section of this document. All of these non-recurring expenses are carried into the out years, which contributes to the outyear deficits.

The City is self-insured for workers compensation and general liability. Based on recent trends and analysis by the Risk Division, an overall increase in the cost of risk allocated to the departments is reflected in this forecast. Workers’ compensation and tort increased by \$1.8 million for FY/25 as compared to FY/24. The Risk Recovery transfer is fully funded at \$5.9 million in the General Fund for FY/25.

The revenue estimates may change over the next few months depending on the outcome of the remaining GRT distributions from the State. Should the revenue estimates hold or worsen, the assumptions regarding expenditures will have to be revised in order to present a balanced budget for FY/25. Some expenses will have to be fully funded. However, some expenses may be scaled back or deferred to later years if possible. It is also possible that some of these early estimated costs will be lowered in the coming months as new information is made available.

Fiscal Years 2025 – 2028 Budget Outlook

Most of the underlying assumptions in FY/25 are carried forward in the out years of the forecast period. For example, funding for CIP coming-on-line stays in the base and is adjusted in increments as additional projects are added. Inflation factors from IHS Global Insight are used to grow most line items with the exception of those developed in-house, which are based on local information. For instance, health care cost increases were estimated by the City’s Human Resources Insurance and Benefits Division. The forecast includes a sustained increase of approximately 6.8% for health care costs through FY/28. Other costs were estimated by the respective departments or OMB.

The out-years of this forecast reflect a fund balance deficit that compounds with each year the budget is not brought into balance, which is a highly unlikely outcome given the City’s requirement to submit a structurally balanced annual budget. That said, the baseline forecast for FY/25, reflects an overall fund balance of negative \$35.7 million, which transitions to an unmet compounded need of \$449.6 million in FY/28.

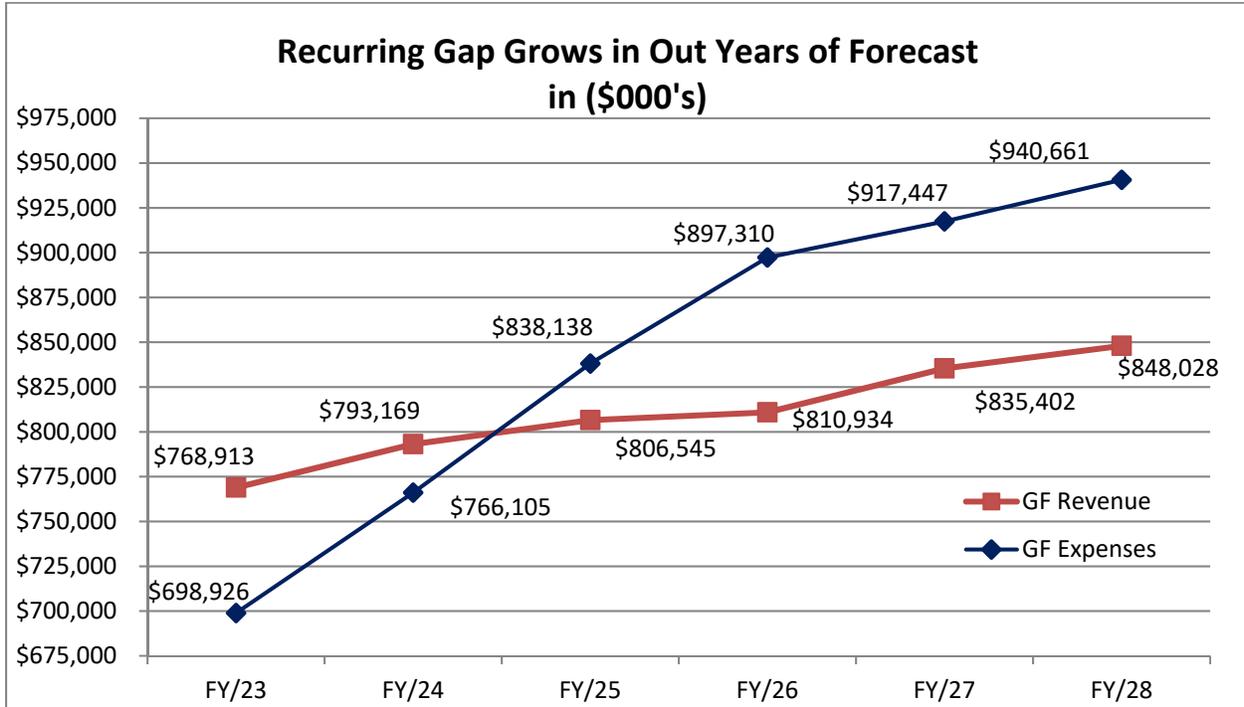
Table B on the following page shows the entire General Fund Baseline summary.

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

(\$000's)	AUDITED ACTUAL FY/23	REVISED BUDGET FY/24	FORECASTS			
			FY/25	FY/26	FY/27	FY/28
RESOURCES:						
Recurring Revenue	768,913	793,169	806,545	810,934	835,402	848,028
% Change Recurring Revenue		3.2%	1.7%	0.5%	3.0%	1.5%
Total Non-recurring	<u>3,265</u>	<u>4,112</u>	<u>4,205</u>	<u>4,334</u>	<u>4,482</u>	<u>4,659</u>
TOTAL REVENUES	772,178	797,281	810,750	815,268	839,884	852,687
% Change Total Revenue		3.3%	1.7%	0.6%	3.0%	1.5%
BEGINNING FUND BALANCE	<u>218,933</u>	<u>167,514</u>	<u>92,641</u>	<u>34,321</u>	<u>(98,373)</u>	<u>(227,356)</u>
TOTAL RESOURCES	<u>991,111</u>	<u>964,795</u>	<u>903,391</u>	<u>849,589</u>	<u>741,510</u>	<u>625,331</u>
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	698,926	766,105	843,436	922,328	943,232	966,684
% Change Recurring Appropriation		9.6%	10.1%	9.4%	2.3%	2.5%
Non-recurring Exp/App:						
One-time Items	<u>124,671</u>	<u>106,049</u>	<u>25,634</u>	<u>25,634</u>	<u>25,634</u>	<u>27,817</u>
TOTAL EXPEND/APPROP	<u>823,597</u>	<u>872,154</u>	<u>869,070</u>	<u>947,962</u>	<u>968,866</u>	<u>994,502</u>
UNADJUSTED FUND BALANCE	<u>167,514</u>	<u>92,641</u>	<u>34,321</u>	<u>(98,373)</u>	<u>(227,356)</u>	<u>(369,171)</u>
ADJUSTMENTS:						
Encumbrances	(22,174)	0	0	0	0	0
Unrealized (Gain)/Loss on Investments	2,515	2,515	2,515	2,515	2,515	2,515
Other Accounting Adjustments	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>
TOTAL ADJUSTMENTS	<u>(19,734)</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>
ADJUSTED FUND BALANCE	<u>147,780</u>	<u>95,081</u>	<u>36,761</u>	<u>(95,933)</u>	<u>(224,916)</u>	<u>(366,731)</u>
RESERVES:						
1/12th Operating Reserve	71,355	68,888	72,423	78,997	80,739	82,875
Wage Adj. Designated Job Codes	445	0	0	0	0	0
Estimated Savings - Q2	12,000	0	0	0	0	0
GRT Bond Debt Service	326	0	0	0	0	0
Wage Adjust Less Than \$15/hr	<u>0</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL RESERVES	84,126	68,988	72,423	78,997	80,739	82,875
AVAILABLE FUND BALANCE	<u>63,654</u>	<u>26,093</u>	<u>(35,662)</u>	<u>(174,930)</u>	<u>(305,655)</u>	<u>(449,606)</u>
1/12th Operating Reserve	68,633	72,680	72,423	78,997	80,739	82,875
Recurring Surplus/(Deficit)	69,542	27,064	(36,891)	(111,395)	(107,830)	(118,657)

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The above graph illustrates the underlying trend in recurring revenues to recurring expenses from FY/23 through FY/28. CIP coming-on-line costs are excluded from the expense amount to provide a more realistic outlook for recurring costs. The CIP coming-on-line amounts depict the anticipated needs of each department, but are often well above the funding capacity of the General Fund. As a result, the City funds the most critical CIP coming-on-line needs. Most CIP coming-on-line costs are absorbed by the respective departments through the realignment of existing resources.

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

resources beginning in FY/25. The recurring deficit, excluding CIP coming-on-line, in FY/28 is \$92.6 million with recurring expenses at \$940.7 million and recurring revenue at \$848 million. The recurring gap is important because it demonstrates the underlying potential structural imbalance going forward. The gap is driven by general inflationary factors, labor costs (wages and benefits), and mandated costs such as medical and pension increases. If this predicted possible scenario actually occurs in the out-years, the Administration and Council will work together to address the variance between revenue and expenses and manage within available resources.

ECONOMIC OUTLOOK

NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK

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

The following information is from the Five-Year Forecast prepared in October 2023 and reflects the best available data to assess the post COVID-19 recovery environment. The data uses October 2023 quarterly forecasts from IHS Global Insight (IHS) and the University of New Mexico Bureau of Business and Economic Research (BBER). Unless otherwise noted, all annual data has been adjusted for City fiscal years. Along with the baseline forecast, alternative forecasts are prepared with pessimistic and optimistic scenarios. The Five-Year Forecast is available on the City's website at <http://www.cabq.gov/dfa/budget/five-year-forecast>.

Baseline Scenario

In the baseline forecast, assigned a probability of 55%, IHS Global Insight (IHS) projects annual Real GDP growth to increase from 1.6% in FY/23 to 2.6% growth in FY/24; however, another decrease in FY/25 to 1.1%. Growth is expected to resume modest growth at an average 1.7% through the end of the forecast.

The national unemployment rate in this scenario is projected to increase from 3.5% in FY/23 to 3.7% in FY/24. For FY/25, the rate increases further to 4.1%, as a moderating economy continues to impact employment. The rate averages 4.6% throughout the remainder of the forecast.

Core inflation is projected to decrease from 6.3% in FY/23 to 2.9% in FY/24. In FY/25, the decline continues to 2.4%. Core inflation then averages much closer to the federal government's target rate at 2.2% for the remainder of the forecast.

Wage growth is projected to decrease from 5% in FY/23 to 4.2% in FY/24, to 3.6% in FY/25. Wage growth averages 3.3% for the remainder of the forecast.

Average oil price (West Texas Intermediate) peaked at about \$87.8 per barrel in FY/22, dropping to \$81.5 in FY/23. For FY/24, the price is projected to decline slightly, to \$80.9, then back up to \$81.1 in FY/25. The price averages about \$79 for the remainder of the forecast.

Despite more evidence the economy may avoid a recession as it cools, risks and uncertainties remain. International conflicts and slowdowns in major economies around the world still pose considerable uncertainties and risks.

The assumption in the current baseline forecast is that inflation will moderate and GDP growth will slow enough to warrant interest rate increases in Calendar Year (CY)/24 and beyond. This stability in turn improves consumer sentiment, which reinforces the likelihood of a stable recovery from efforts to control inflation.

Year-to-date GRT revenues through October 2023 are tracking slightly less than expectations, with cumulative growth at 3.5%, about 1% below the forecasted 4.5% rate. While there is ample time for this trend to turn around, revenues will be monitored closely and adjusted, if necessary, prior to development of the FY/25 budget. Detailed revenue projections can be found in the Revenue Outlook section of the Five-Year Forecast.

Pessimistic Scenario

The pessimistic scenario is assigned a probability of 25%. In this scenario, GDP growth is slower than in the baseline, with weaker consumer confidence and spending.

The global economy strains under the Russia-Ukraine and Israel-Hamas conflicts and lending standards. The price of oil is expected to rise to \$106 per barrel in CY/24 and \$100 in CY/25.

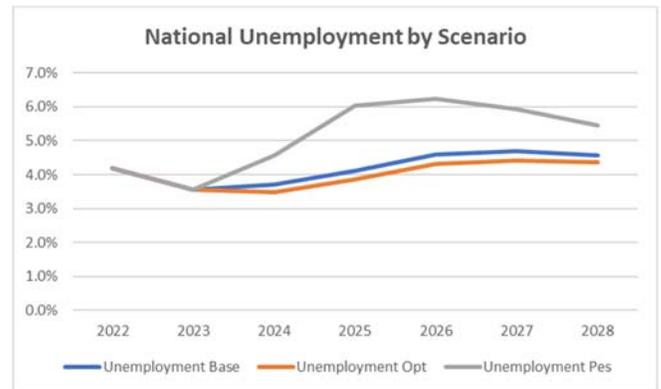
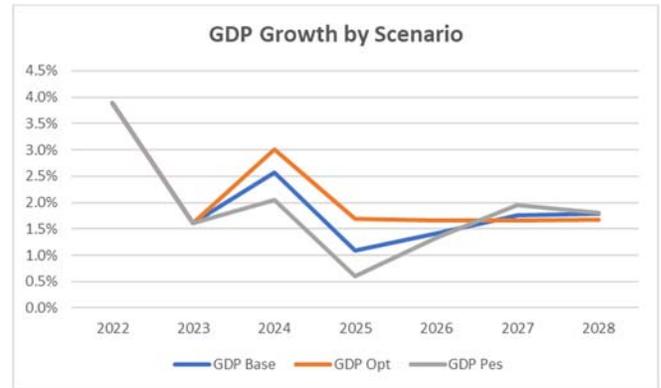
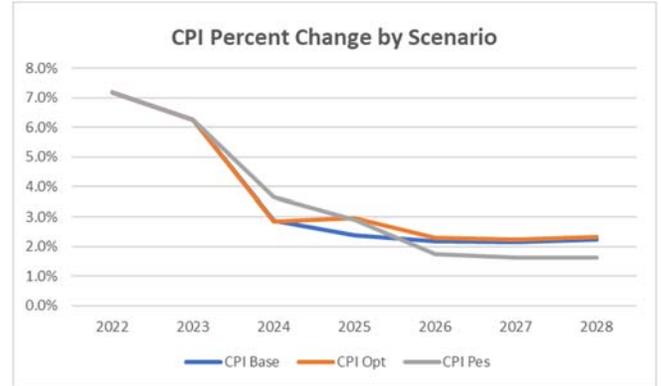
The unemployment rate spikes to nearly 6% in FY/25 and FY/26 in this scenario.

Optimistic Scenario

The optimistic scenario is assigned a probability of 20%. In this scenario, consumer spending and productivity drive GDP growth slightly higher than in the baseline scenario.

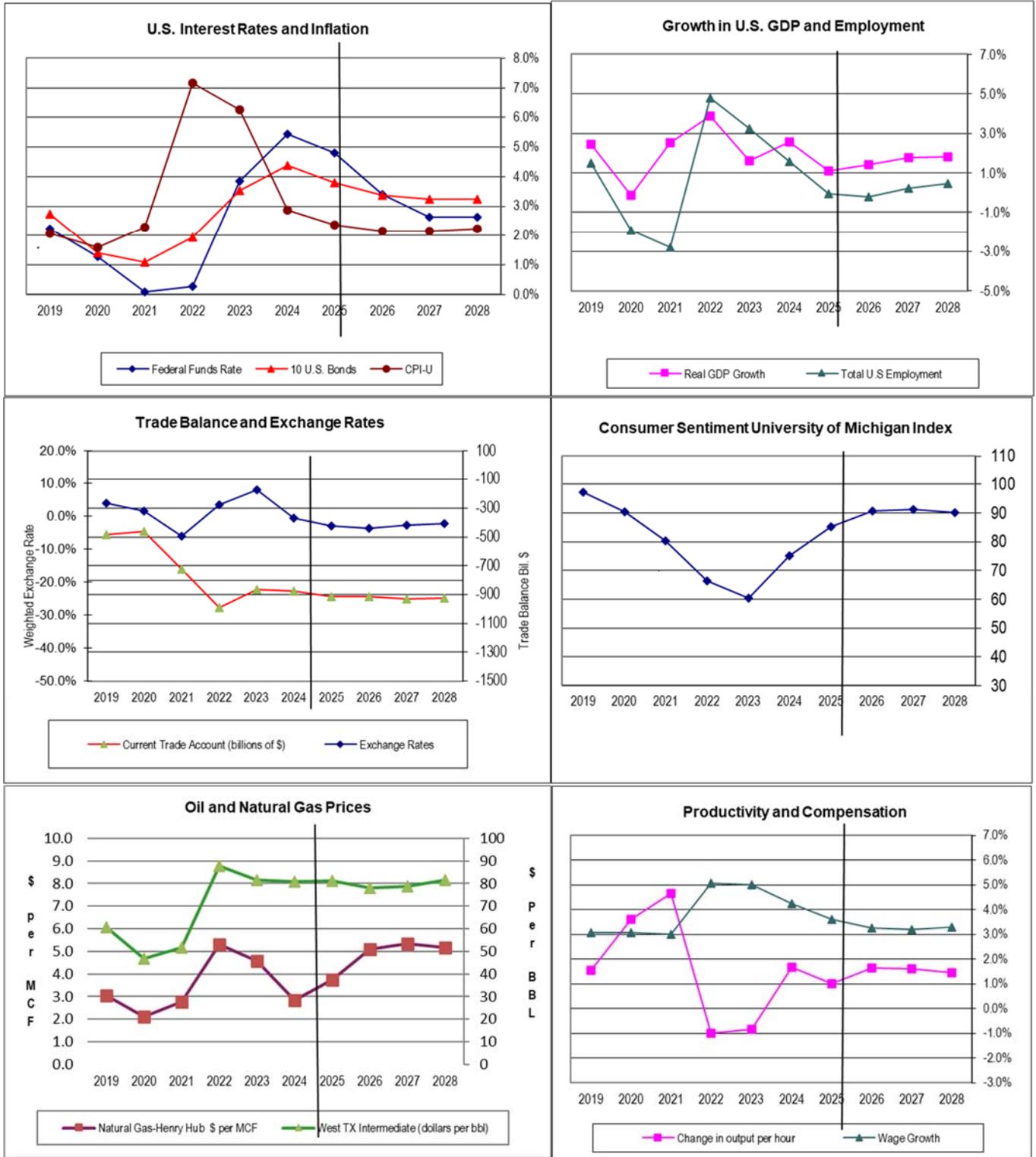
It is assumed that the global economy recovers more quickly than in the baseline due to a faster resolution to the Russia-Ukraine and Israel-Hamas conflicts.

The unemployment rate in the optimistic scenario tracks very closely to the baseline, rising slowly through FY/26 before leveling off at about 4.5% for the remainder of the forecast.



U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)

December 2023 Baseline Forecast



ALBUQUERQUE ECONOMY

The employment outlook for the Albuquerque economy is developed by BBER at the University of New Mexico. They use national forecasts from Global Insights and local metrics to develop forecasts for the state and local economy. The UNM BBER forecasting model for October 2023 provides the forecast of the Albuquerque economy presented in the following section.

During the 2008 recession, Albuquerque's economy declined in sync with the national economy but lagged in its recovery. The Albuquerque economy lost over 27,000 jobs from FY/08 to FY/12, a 7% loss of total employment.

After 10 years of gains, employment in the Albuquerque Metropolitan Statistical Area (MSA) registered 380,079 jobs in FY/19, still shy of the 382,270-pre-recession peak reached in FY/08.

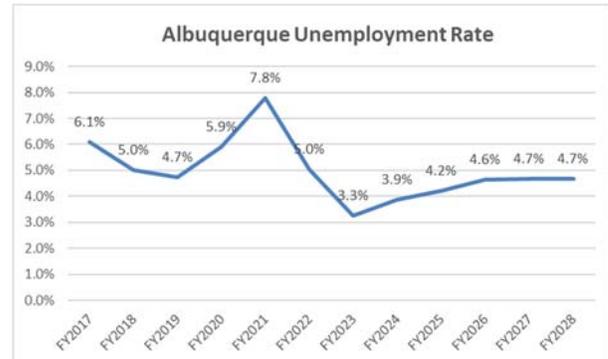
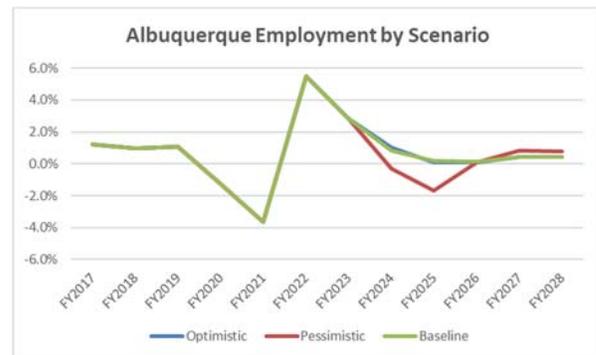
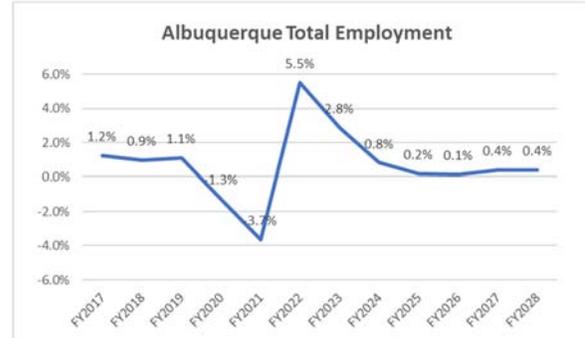
Overall, BBER estimates that the MSA lost about 18,483 jobs from FY/19 to FY/21 as a result of the COVID-19 pandemic. In April 2020, during the most severe portion of the economic shut-down to curb the spread of COVID-19, the Albuquerque MSA unemployment rate spiked to 12.8%. By the second half of FY/23 the City had exceeded the pre-pandemic high of about 391,000.

As of October 2023, BBER estimated the City reached about 392,241 in FY/23, or about 2.8% growth over FY/22. Growth is expected to continue, but slowing to 0.8% and 0.2% in FY/24 and FY/25, respectively.

The Albuquerque MSA unemployment rate decreased to a low of about 3.3% in FY/23; however, as the economy continues to slow, the rate is expected to gradually increase throughout the remainder of the forecast to a high of about 4.7%.

Economic alternatives will be discussed in more detail elsewhere in this document. However, In the pessimistic scenario, growth declines to nearly 0.2% in FY/25, returning to less than 0.5% growth for the remainder of the forecast. There is virtually no difference

between the baseline and optimistic scenarios.



What follows is a series of charts and tables providing comparisons of Albuquerque to the U.S. economy in addition to Albuquerque MSA employment numbers from FY/16 to FY/28 by major business sectors as categorized by the North American Industrial Classification System (NAICS) categories.

Retail and Wholesale Trade

This sector accounts for about 13.7% of employment in the MSA and is particularly important in terms of the Gross Receipts Tax (GRT), historically comprising about 25% of GRT. However, due to shifts in employment

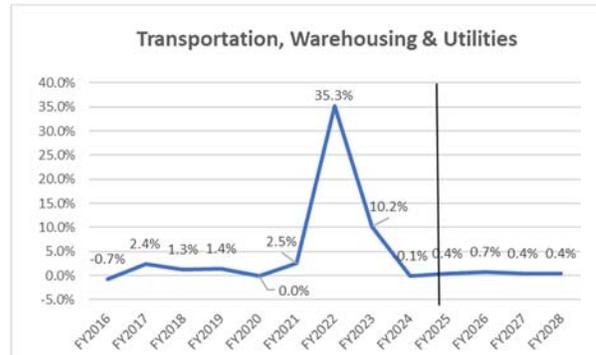
and business sectors following COVID-19 in FY/21, and tax changes in FY/22 which allowed for local tax increments on internet sales, this sector's share of GRT rose to about 31% in the past two years.



After the sharp -3.5% employment decline in FY/20 at the height of the pandemic, retail and wholesale trade rebounded an estimated 0.2% and 3.1% in FY/21 and FY/22, respectively. For FY/23, growth slowed less than expected to about 1.8%. However, growth is expected to be negative for the remainder of the forecast, with the largest decline in FY/25, at a negative 2.5% growth. The expectation of slow to negative growth reflects continued inflationary pressures, tighter consumer spending due to reduced savings rates and concerns that some recession fears remain.

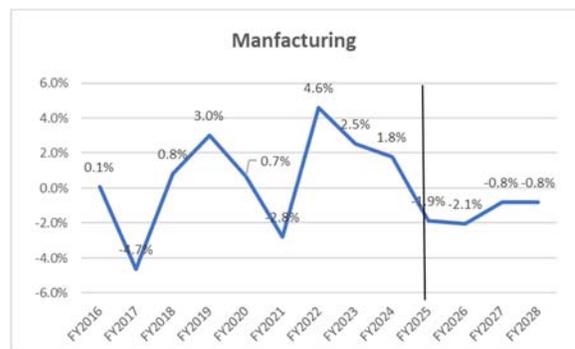
Transportation, Warehousing and Utilities

This sector, while important, accounts for just 3.7% of employment and 0.8% of GRT. In retrospect, the sector was impacted by COVID-19 later than other sectors. As the recovery took hold and supply chain issues occurred, this sector saw a significant increase in FY/22 with growth at an estimated 35%. In FY/23, supply chain issues resolved and the economy cooled somewhat, yet growth still continued at 10.2%. In FY/24 growth is expected to decline by 0.1% before increasing modestly through the remainder of the forecast.



Manufacturing

This sector accounts for about 4.3% of employment and 2.5% of GRT in the MSA. It is an important sector as it creates relatively high paying jobs that bring revenue from outside the area. It also generates purchases of materials and services in the local economy, making this sector's impact greater than its employment share.



The sector experienced steady growth from FY/17 to FY/19. However, growth slowed in FY/20 and declined 2.8% due to impacts of the pandemic in FY/21. For FY/22, the sector rebounded less than expected, but still about 4.6%. Efforts to slow inflation and the economy are projected to slow growth in this sector from about 2.5% in FY/23 to 1.8% in FY/24, to a negative 1.9% in FY/25. Growth remains slightly negative through the remainder of the forecast.

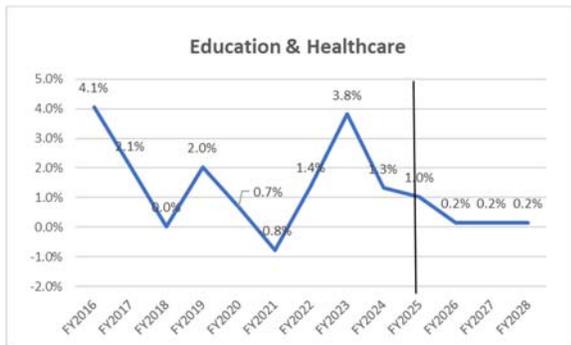
Educational and Health Services

This section represents two sectors, in line with the summary of jobs generally shown in the NAICS sectors. The majority of jobs are in health services and account for 14.8% of total employment. Albuquerque is a major regional medical center that attracts people

into the area for services. Presbyterian Hospital and its HMO are one of the largest employers in the area.

While this was the only sector that increased through the 2008 recession, it did experience an initial decline during the most recent pandemic-caused recession of about 0.8% as elective procedures and routine medical care was put on hold to ensure capacity to treat COVID-19 cases. However, growth continued in FY/22 and FY/23. Growth slows in FY/24 and FY/25 to 1.3% and 1.0%, respectively. Growth slows to less than 0.5% for the remainder of the forecast.

Educational services was also impacted by the pandemic as schools struggled with decisions about remote learning and lost revenues. However, in FY/22, the sector rebounded by nearly 11% as students returned to campus in larger numbers. Additionally, in early calendar year 2022, lawmakers expanded the 2-year-old Opportunity Scholarship, which was intended to cover all tuition and fees for some students.



Accommodation and Food Services

This category includes eating and drinking establishments as well as hotels and other travel related facilities. It accounted for 9.9% of employment in the MSA in FY/23, which represents a recovery to near pre-pandemic levels of employment. The sector is a major contributor to both GRT, at 9.9%, and Lodgers' Tax, and was a major contributor to employment growth since the 2008 recession.

This sector was one of the most severely impacted by COVID-19, dropping from

steady pre-pandemic growth to a 13.6% decline in FY/21, representing a loss of more than 8,000 jobs. However, in FY/22 the sector rebounded even more than projected at nearly 18%. Nevertheless, despite another 5.2% growth in FY/23, the sector still remains a few hundred jobs below the pre-pandemic high. However, despite slower growth in FY/24 and for the remainder of the forecast, the sector is expected reach the pre-pandemic high by FY/24, about two years earlier than projected just a year ago.



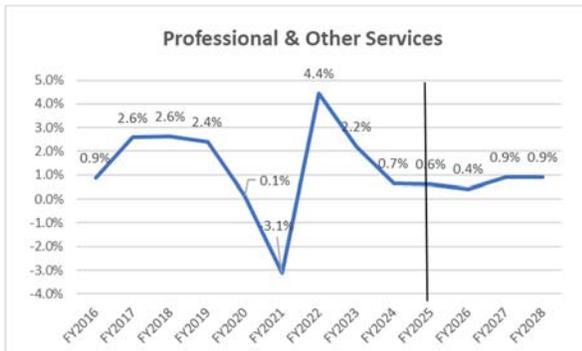
Real Estate & Financial Activities

This section includes two sectors, finance & insurance and real estate, including credit intermediation. It accounts for about 4.7% of employment in the MSA. The 2008 financial crisis, consolidation of banking, and the collapse of real estate negatively impacted this sector; however, FY/14 to FY/19 growth was strong at above 2% each year. However, following the impact from COVID-19, the growth declined 2.5% in FY/21, with modest recovery of 1.5% in FY/22. Growth peaked at 2.6% in FY/23 as housing costs and the economy-maintained strength, allowing the sector to exceed the pre-pandemic high; however, the sector is expected to decline slightly in FY/24 before returning to very modest growth for the remainder of the forecast.



Professional and Other Services

This category is a grouping of four service sectors (Professional and Technical, Management of Companies, Administrative and Waste Services, and Other Services) and accounts for 18.7% of employment in the MSA and about 23% of GRT. It includes temporary employment agencies, some of Albuquerque’s back-office operations, and architecture and engineering firms that are closely tied to construction. It also includes Sandia National Labs (SNL).

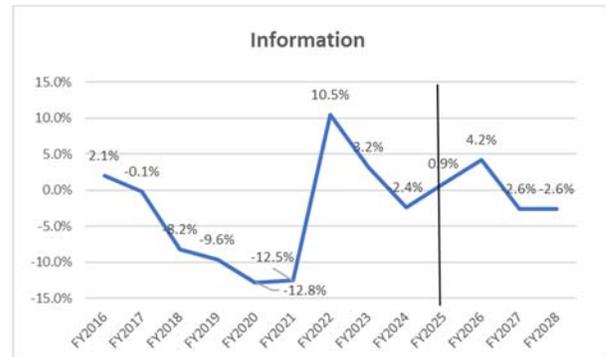


The sector as a whole remained weak until FY/16 when construction services (engineering and architecture) began adding jobs. The sector showed growth in FY/16 of less than 1%, growing to over 2% from FY/17 to FY/19. With many of these jobs allowing for work from home, the professional technical portion of this sector was not impacted as much as some by the COVID-19 pandemic; however, it did decline more than first expected, at -3.1% in FY/21, which is in stark contrast with the previous three years’ 2.5% average growth. While the sector rebounded in FY/22 with 4.4% growth and has exceeded the pre-pandemic high, it is expected to gradually slow through FY/26

before picking up again slightly in FY/27 and FY/28.

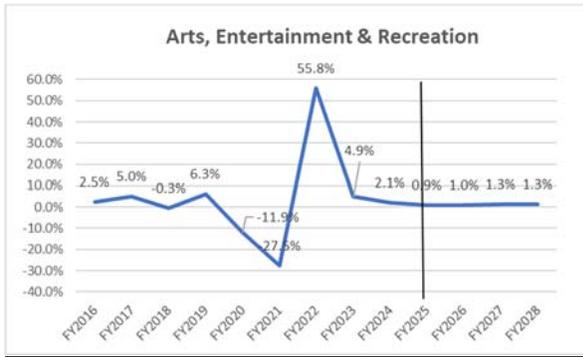
Information

This sector includes businesses in telecom, broadcasting, publishing, internet service establishments, and film studios. It accounts for about 1.4% of employment in the MSA. This sector declined steadily since FY/16, with a pronounced decline of 12.5% and 12.8% in FY/20 and FY/21 with the onset of COVID-19 and the devastating impact it had on the burgeoning film industry. While the sector grew an estimated 10.5% in FY/22 and 3.2% in FY/23, the sector is expected to decline again in FY/24 before rebounding slightly in FY/25. Employment is not expected to reach pre-pandemic levels of near 8,000 within the forecast period.



Arts, Entertainment and Recreation

This is a relatively small sector with 1.3% of MSA employment, a slight increase from the pre-pandemic level 1.2%. It includes artists, entertainers, spectator sports, and recreation facilities such as bowling alleys and fitness centers, most of whom were significantly impacted by the pandemic. In FY/19, this sector showed strong growth of 6.3% but this was cut short during the pandemic, with declines of 11.9% and 27.5% in FY/20 and FY/21, respectively. Despite a 55.8% rebound in growth for FY/22, employment still remained about 300 jobs below the pre-pandemic high of about 5,000 jobs. In FY/23, growth continued modestly, returning employment to pre-pandemic levels much sooner than previously expected. However, growth will slow to less than half that rate in FY/24, and stays close to 1% for the remainder of the forecast.



Construction

Construction is typically cyclical, with significant swings in building and employment. Construction is an important sector and has an impact on the economy larger than its employment share of 6.6%. After falling consistently from FY/07, employment in construction began increasing at the end of FY/13 and continued to grow rapidly through FY/18. The sector began to level off in FY/19, prior to the onset of the pandemic. However, this sector began FY/20 with 2.9% growth and stayed positive despite the health crisis as this sector was deemed essential during the peaks of the crisis. For FY/23, growth continued at 3.7%; however, growth is expected to slow to 1.4% in FY/24 and average about 1.2% for the remainder of the forecast period. At just over 26,000 jobs in FY/23, the sector is still substantially below the nearly 31,000 jobs in FY/07.

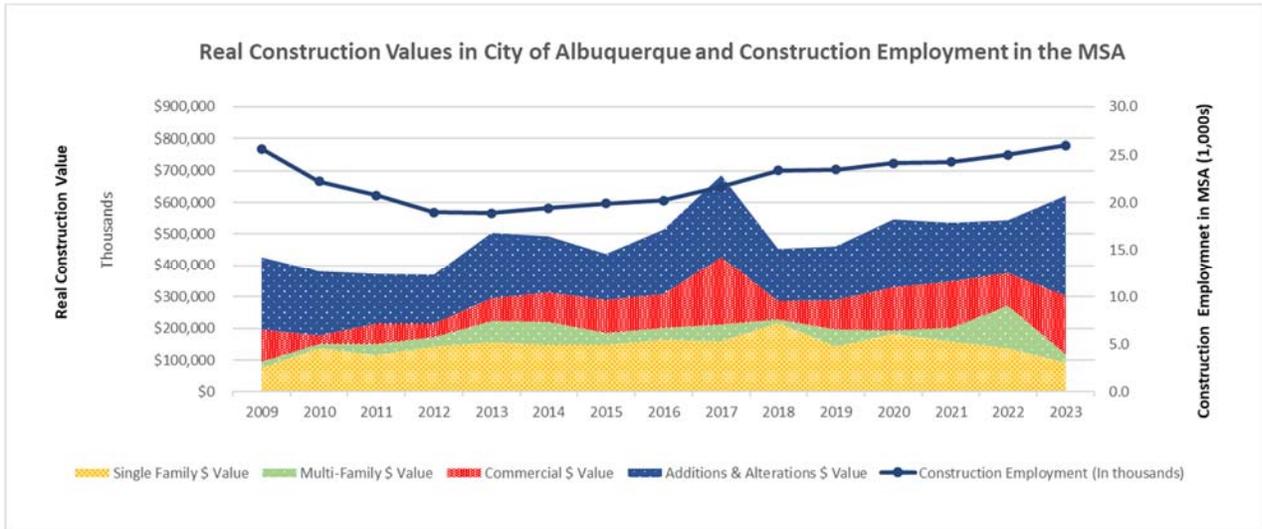
Construction permits typically show the trends in construction and the types of construction. The graph following this section shows the real values of building permits after adjusting for inflation. Construction is categorized as new construction or additions, alterations, and repairs.



Accounting for inflation, real construction growth peaked in FY/17 but slowed in FY/18 and FY/19. Then despite the impacts of the pandemic, including significant issues around supply chains and rising costs of materials, construction permits increased again in FY/20 and stayed steady until rising again in FY/23. UNM BBER projections for total housing permits in FY/24 increase by 89%, or to about 1,500 units, roughly even between single and multi-family units; however, the projection declines 5.5% in FY/25 before increasing around 4% for the remainder of the forecast. This forecast is conservative and does not include construction employment or revenue that could result if the Maxeon project proceeds as planned.

Building permits only tell part of the construction story. Non-building construction such as roads and storm drainage are not captured in the permit numbers. Large construction projects for the State, such as University Hospital, are permitted by the State rather than the City. Employment in the construction sector gives a picture of growth in the entire MSA. The rapid growth in construction employment in FY/17 coincides with a large increase in building permits. In FY/18, construction employment showed continued increases while building permit values declined substantially. This was due primarily to two factors: first, the City experienced a very large increase in commercial construction in FY/17, and as of FY/18, APS no longer obtains building permits from the City. Instead, APS now obtains permits from the State, as UNM does. Secondly, Facebook had a very large construction project in Los Lunas that employed 800 to 1,000 construction workers; however, this also does not generate building permits in the City.

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



Government

The government sector makes up almost 19.1% of the Albuquerque MSA employment, with the largest part of State and Local government being education. Local government includes public schools and State government includes the University of New Mexico and Central New Mexico Community College. The local sector also includes Native American enterprises. Federal government makes up 3.7% of Albuquerque MSA employment but only about 1.9% of national employment. Note this does not include military employment, which is counted separately, or employment at the national labs which is included in professional and business services.

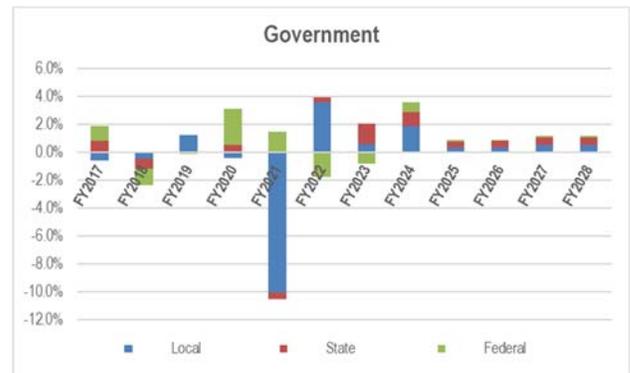
Active military is around 6,000 or about 1.5% of the total non-agricultural employment. Nationally, military is 1% of total non-agricultural employment.

The major sources of state and local jobs are education, though the Labor Department does not keep individual counts for these jobs at the local level for Albuquerque. Local government declined in FY/14 through FY/18. It recovered slightly in FY/19, only to be impacted again with a decline of 10.1% due to the pandemic, largely due to jobs associated with native businesses, such as casinos. Local government lost an estimated

4,272 jobs in FY/21 and isn't expected to recover all of those jobs until beyond the current forecast period.

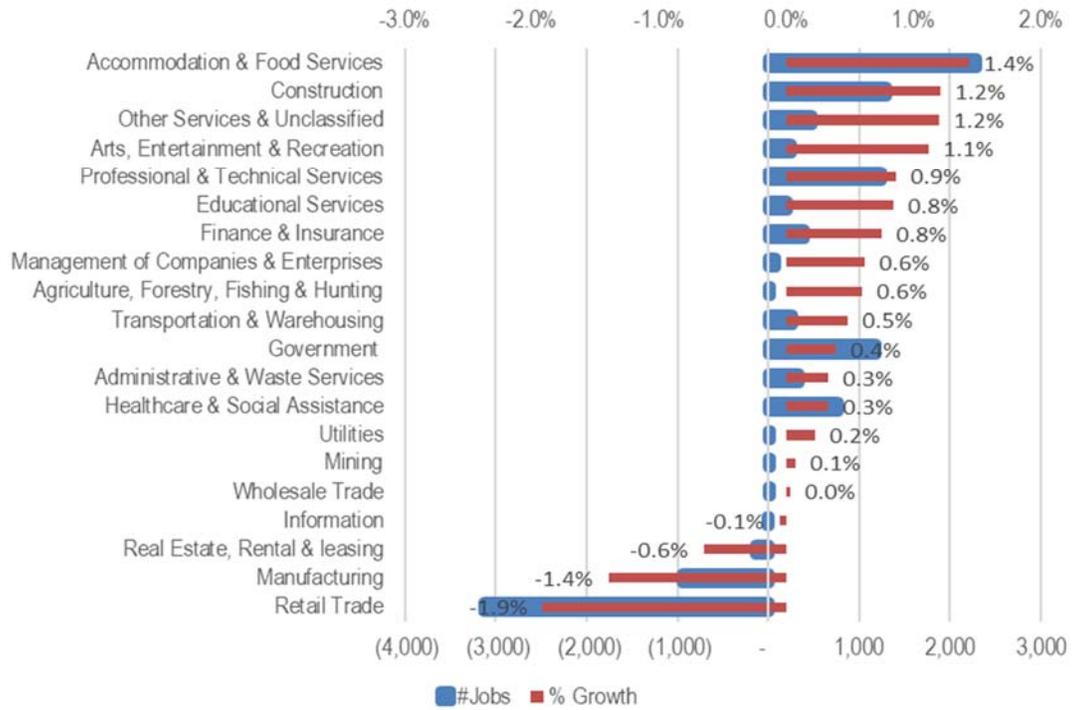
Federal government increased in FY/20 and FY/21 despite the pandemic due to the U.S. Census. Consequently, in FY/22 there was a slight compensating decrease. Most growth was in the local sector for FY/22, while State growth provided most of the growth in FY/23.

In FY/24, all government is expected to grow at a modest rate, slowing to less than 0.5% for the remainder of the forecast.



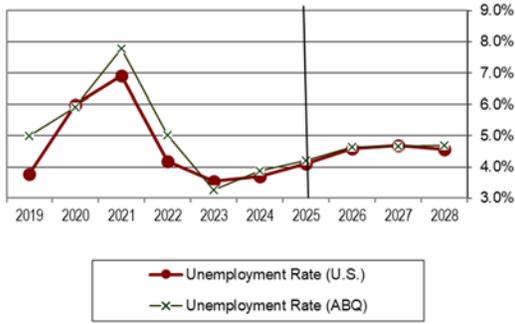
The following charts and tables present more information on the Albuquerque economy and its comparison to the U.S.

Change in the Number Employed FY/24 to FY/28 with Percent Average Annual Growth

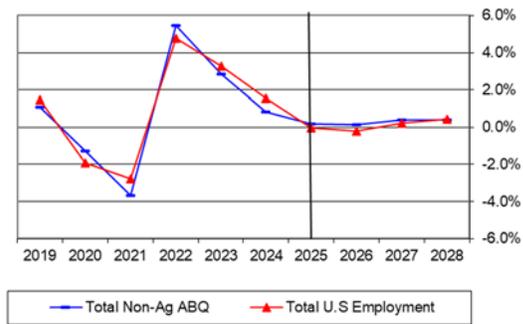


Albuquerque MSA and Comparisons to the U.S -- Fiscal Year December 2023

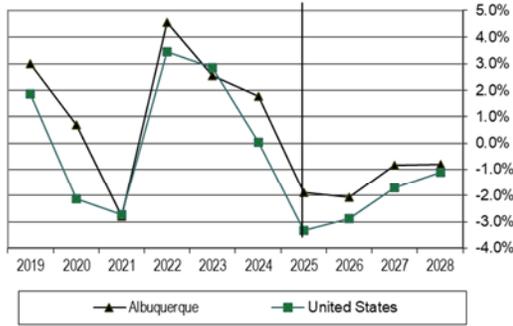
Albuquerque MSA vs. U.S. Unemployment Rates



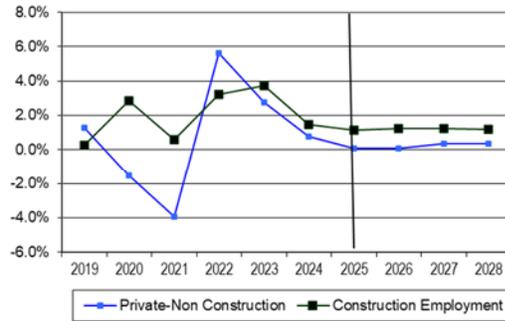
Albuquerque MSA vs. U.S. Employment Growth



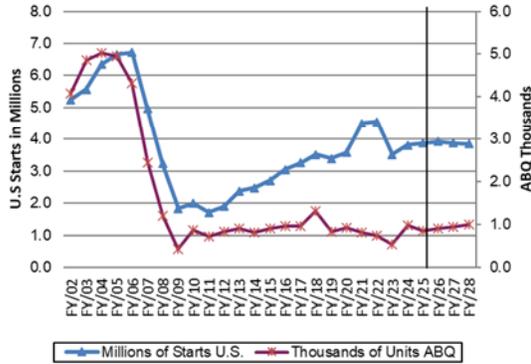
Albuquerque MSA vs. U.S. Manufacturing Employment Growth



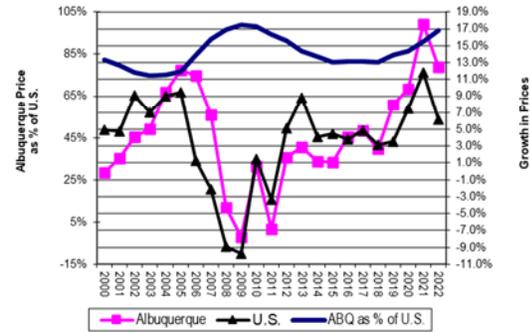
Albuquerque MSA Construction and Private Non-Construction Employment Growth



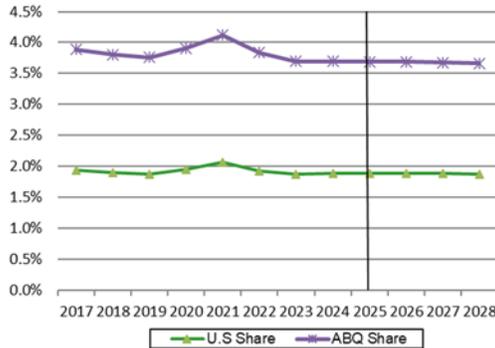
Single Family Construction



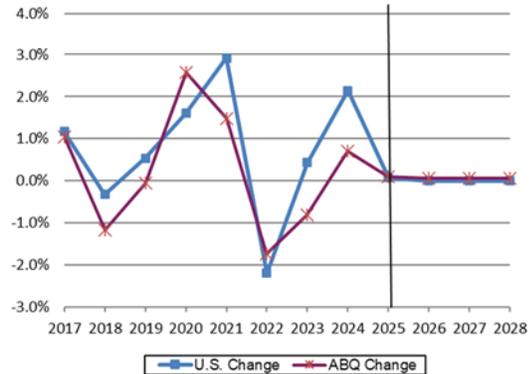
Comparison of Growth in Existing Home Sales Price by Calendar Year (history only)



Federal Government Employment as Share of Total Employment



Change in Federal Government Employment



Economic Variables Underlying the Forecast by Fiscal Year

Fiscal Year	Historical					Forecast				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
National Variables										
Real GDP Growth	2.4%	-0.1%	2.5%	3.9%	1.6%	2.6%	1.1%	1.4%	1.8%	1.8%
Federal Funds Rate	2.2%	1.3%	0.1%	0.3%	3.8%	5.5%	4.8%	3.4%	2.6%	2.6%
10 U.S. Bonds	2.7%	1.4%	1.1%	1.9%	3.5%	4.4%	3.8%	3.4%	3.3%	3.2%
CPI-U	2.1%	1.6%	2.3%	7.2%	6.3%	2.9%	2.4%	2.2%	2.1%	2.2%
Unemployment Rate (U.S.)	3.8%	6.0%	6.9%	4.2%	3.5%	3.7%	4.1%	4.6%	4.7%	4.6%
Total U.S. Employment	1.5%	-1.9%	-2.8%	4.8%	3.3%	1.6%	0.0%	-0.2%	0.2%	0.5%
Manufacturing Employment	1.9%	-2.1%	-2.7%	3.5%	2.8%	0.0%	-3.3%	-2.9%	-1.7%	-1.1%
Consumer sentiment index--University of Michigan	97.3	90.4	80.3	66.4	60.5	75.1	85.2	90.6	91.1	90.0
Exchange Rates	4.0%	1.7%	-5.9%	3.6%	8.1%	-0.4%	-3.0%	-3.5%	-2.6%	-2.1%
Current Trade Account (billions of \$)	(482.4)	(459.5)	(723.2)	(988.4)	(865.5)	(878.1)	(911.0)	(912.3)	(928.2)	(924.3)
Change in output per hour	1.5%	3.6%	4.7%	-1.0%	-0.8%	1.7%	1.0%	1.6%	1.6%	1.5%
West TX Intermediate (dollars per bbl)	60.8	46.7	51.8	87.8	81.5	80.9	81.1	78.2	78.8	81.7
Wage Growth	3.1%	3.1%	3.0%	5.1%	5.0%	4.2%	3.6%	3.3%	3.2%	3.3%
Natural Gas-Henry Hub \$ per MCF	3.1	2.10	2.76	5.32	4.59	2.82	3.75	5.09	5.34	5.18
Albuquerque Variables										
Employment Growth and Unemployment in Albuquerque MSA										
Total Non-Ag ABQ	1.1%	-1.3%	-3.7%	5.5%	2.8%	0.8%	0.2%	0.1%	0.4%	0.4%
Private-Non Construction	1.3%	-1.5%	-3.9%	5.6%	2.8%	0.8%	0.1%	0.1%	0.4%	0.3%
Construction Employment	0.2%	2.9%	0.6%	3.2%	3.7%	1.4%	1.2%	1.2%	1.2%	1.2%
Manufacturing	3.0%	0.7%	-2.8%	4.6%	2.5%	1.8%	-1.9%	-2.1%	-0.8%	-0.8%
Government	0.6%	0.4%	-5.0%	1.5%	0.6%	1.4%	0.3%	0.3%	0.5%	0.5%
Unemployment Rate (ABQ)	5.0%	5.9%	7.8%	5.0%	3.3%	3.9%	4.2%	4.6%	4.7%	4.7%
Growth in Personal Income	3.9%	8.5%	6.0%	7.2%	4.1%	4.1%	4.9%	4.3%	4.4%	4.4%
Construction Units Permitted in City of Albuquerque										
Single-Family Permits	1,666	935	816	741	547	974	861	906	949	993
Muli-Family Permits	827	126	791	1,570	220	479	512	521	534	548
Total Residential Permits	839	1,061	1,607	2,311	767	1,453	1,372	1,427	1,483	1,541

Sources: IHS Global Insight Oct 2023 and FOR-UNM Oct 2023 Baseline Forecasts

Albuquerque MSA Employment in Thousands

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total Employment	380.1	375.3	361.6	381.4	392.2	395.4	396.1	396.7	398.3	400.0
Private Employment	303.3	298.2	288.4	307.1	317.5	319.6	320.0	320.4	321.7	323.0
Agriculture, Forestry, Fishing & Hunting	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Mining	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.3
Utilities	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Construction	23.5	24.1	24.3	25.0	26.0	26.4	26.7	27.0	27.3	27.7
Manufacturing	16.2	16.3	15.9	16.6	17.0	17.3	17.0	16.7	16.5	16.4
Wholesale Trade	11.5	11.3	10.7	11.0	11.4	11.4	11.4	11.3	11.4	11.4
Retail Trade	41.3	39.7	40.4	41.7	42.2	42.0	40.7	39.7	39.3	38.9
Transportation & Warehousing	8.5	8.5	8.7	12.2	13.5	13.4	13.5	13.6	13.6	13.7
Information	6.5	5.6	4.9	5.4	5.6	5.5	5.5	5.8	5.6	5.5
Finance & Insurance	12.6	12.8	12.7	12.7	12.9	12.9	13.0	13.1	13.2	13.2
Real Estate, Rental & leasing	5.5	5.5	5.1	5.3	5.6	5.7	5.6	5.6	5.5	5.5
Professional & Technical Services	31.6	32.9	32.9	33.7	35.1	35.7	36.0	36.4	36.7	37.0
Management of Companies & Enterprises	3.8	3.8	3.6	3.7	3.5	3.2	3.2	3.3	3.3	3.3
Administrative & Waste Services	25.3	24.7	23.2	24.8	24.8	24.9	24.9	24.8	25.0	25.2
Educational Services	5.2	5.0	4.8	5.6	6.1	6.0	6.1	6.2	6.2	6.2
Healthcare & Social Assistance	55.7	56.3	56.1	56.2	58.0	58.9	59.5	59.5	59.6	59.7
Arts, Entertainment & Recreation	5.0	4.4	3.2	5.0	5.2	5.4	5.4	5.5	5.5	5.6
Accommodation & Food Services	39.3	36.0	31.1	36.7	38.6	39.1	39.5	40.0	40.7	41.4
Other Services & Unclassified	10.0	9.4	8.8	9.3	9.7	9.8	9.9	10.0	10.1	10.3
Government Employment	76.8	77.1	73.2	74.3	74.8	75.8	76.1	76.3	76.7	77.0
Local Government	39.9	39.7	35.7	37.0	37.2	37.9	38.1	38.2	38.4	38.6
State Government	22.6	22.8	22.7	22.7	23.1	23.3	23.4	23.5	23.6	23.8
Federal Government	14.3	14.6	14.9	14.6	14.5	14.6	14.6	14.6	14.6	14.6
Military Employment	5.8	5.8	5.8	5.9	6.0	6.0	6.0	6.0	6.0	6.0
Other Variables										
Personal Income, \$Billions	39.7	43.0	45.6	48.9	51.0	53.0	55.6	58.0	60.6	63.2
Labor Force, NSA, Thousands	434.8	433.2	433.5	441.5	442.4	445.9	448.5	450.7	452.9	455.1
Total Housing Units Authorized, Thousands (City of Abq Only)	1.7	1.1	1.6	2.3	0.8	1.5	1.4	1.4	1.5	1.5
Single-Family Housing Units, Thousands	0.8	0.9	0.8	0.7	0.5	1.0	0.9	0.9	0.9	1.0
Multi-Family Housing Units, Thousands	0.8	0.1	0.8	1.6	0.2	0.5	0.5	0.5	0.5	0.5
Unemployment Rate, NSA	4.7	5.9	7.8	5.0	3.3	3.9	4.2	4.6	4.7	4.7
Growth Rates										
Total Employment	1.1%	-1.3%	-3.7%	5.5%	2.8%	0.8%	0.2%	0.1%	0.4%	0.4%
Private Employment	1.2%	-1.7%	-3.3%	6.5%	3.4%	0.7%	0.1%	0.1%	0.4%	0.4%
Agriculture, Forestry, Fishing & Hunting	-13.4%	-1.1%	23.3%	17.6%	3.8%	-4.6%	0.5%	0.8%	0.6%	0.6%
Mining	-0.3%	-8.4%	-2.3%	5.5%	-4.2%	8.2%	-0.3%	0.2%	0.2%	0.2%
Utilities	-9.1%	0.3%	4.4%	-1.7%	2.4%	1.9%	0.0%	0.2%	0.4%	0.4%
Construction	0.2%	2.9%	0.6%	3.2%	3.7%	1.4%	1.2%	1.2%	1.2%	1.2%
Manufacturing	3.0%	0.7%	-2.8%	4.6%	2.5%	1.8%	-1.9%	-2.1%	-0.8%	-0.8%
Wholesale Trade	0.2%	-1.6%	-5.8%	2.8%	4.0%	-0.2%	-0.2%	-0.1%	0.2%	0.2%
Retail Trade	-0.7%	-4.0%	1.9%	3.2%	1.2%	-0.4%	-3.1%	-2.5%	-1.0%	-1.0%
Transportation & Warehousing	2.8%	-0.1%	2.3%	39.9%	10.8%	-0.2%	0.4%	0.7%	0.4%	0.4%
Information	-9.6%	-12.8%	-12.5%	10.5%	3.2%	-2.4%	0.9%	4.2%	-2.6%	-2.6%
Finance & Insurance	2.4%	1.1%	-0.7%	0.4%	1.5%	-0.7%	1.1%	0.9%	0.5%	0.5%
Real Estate, Rental & leasing	2.7%	-0.7%	-6.7%	4.2%	5.2%	1.0%	-0.6%	-0.8%	-0.6%	-0.6%
Professional & Technical Services	3.4%	3.9%	-0.1%	2.6%	4.2%	1.8%	0.7%	1.1%	0.8%	0.8%
Management of Companies & Enterprises	2.2%	1.3%	-4.2%	2.5%	-5.8%	-9.1%	0.9%	0.6%	0.5%	0.5%
Administrative & Waste Services	1.6%	-2.5%	-5.8%	6.8%	0.1%	0.3%	0.1%	-0.7%	1.0%	1.0%
Educational Services	1.4%	-3.1%	-3.6%	15.0%	8.7%	-0.4%	1.2%	1.0%	0.6%	0.6%
Healthcare & Social Assistance	2.1%	1.1%	-0.5%	0.2%	3.3%	1.5%	1.0%	0.1%	0.1%	0.1%
Arts, Entertainment & Recreation	6.3%	-11.9%	-27.5%	55.8%	4.9%	2.1%	0.9%	1.0%	1.3%	1.3%
Accommodation & Food Services	0.9%	-8.3%	-13.6%	17.9%	5.2%	1.1%	1.0%	1.3%	1.7%	1.7%
Other Services & Unclassified	1.4%	-5.5%	-6.2%	5.8%	3.7%	1.2%	1.3%	1.0%	1.3%	1.3%
Government Employment	0.6%	0.4%	-5.0%	1.5%	0.6%	1.4%	0.3%	0.3%	0.5%	0.5%
Local Government	1.3%	-0.4%	-10.1%	3.6%	0.6%	1.9%	0.3%	0.3%	0.6%	0.6%
State Government	-0.1%	0.5%	-0.5%	0.3%	1.5%	1.0%	0.4%	0.5%	0.5%	0.5%
Federal Government	-0.1%	2.6%	1.5%	-1.7%	-0.8%	0.7%	0.1%	0.1%	0.1%	0.1%
Military Employment	1.4%	0.8%	-0.2%	2.3%	1.2%	-0.4%	0.2%	0.2%	0.1%	0.1%
Other Variables										
Personal Income, \$Billions	4.6%	8.5%	6.0%	7.2%	4.1%	4.1%	4.9%	4.3%	4.4%	4.4%
Labor Force, NSA, Thousands	0.5%	-0.4%	0.1%	1.8%	0.2%	0.8%	0.6%	0.5%	0.5%	0.5%
Total Housing Units Authorized, Thousands (City of Albuquerque)	13.5%	-36.3%	51.5%	43.8%	-66.8%	89.4%	-5.5%	4.0%	3.9%	3.9%
Single-Family Housing Units, Thousands	-37.3%	13.1%	-12.7%	-9.2%	-26.2%	78.1%	-11.6%	5.3%	4.7%	4.7%
Multi-Family Housing Units, Thousands	459.3%	-85.0%	527.8%	98.5%	-86.0%	117.6%	6.9%	1.9%	2.5%	2.5%

REVENUE OUTLOOK

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

Overview

The following forecast of revenues is presented in tables following this section. They rely on the October 2023 IHS Global Insights (IHS) and October 2023 University of New Mexico Bureau of Business and Economic Research (BBER) baseline forecasts. The presentation provides audited FY/23 receipts, the FY/24 budget and revised estimates for FY/24, and the baseline forecast receipts for FY/25 through FY/28. In all cases, the figures reflect the accrual of revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. The growth rates in the table are in many cases based on the economic forecast assumptions summarized in the previous sections on the economy.

GRT revenue for FY/24 is expected to increase by 3%, or about \$16.6 million, from FY/23 actual revenue. This is \$10 million, or 1.8% above the FY/23 approved budget. The slight upward adjustment reflects continued stability in the economy and evidence that inflation appears to be increasingly under control, largely negative economic consequences.

In FY/22, changes at the State level allowed local government tax increments to be applied to internet sales for the first time. These changes resulted in dramatic changes to local government tax bases, largely for the good, but with some unintended consequences. Tax filers are still learning and adjusting to the changes and amended returns continue to shift revenues in unforeseen ways. It will likely be a few years before it is completely understood how these changes impact local tax bases.

In FY/25, total revenue is expected to increase 1.7%, or \$13.5 million, over FY/24 actual revenue in the baseline scenario. Due to a cooling economy, just 0.3%, or about \$1.8 million of the increase, is attributed to GRT. The largest contributors are property taxes and internal payments

and transfers, which are driven by employment costs.

Food and medical hold harmless distributions, phased-out to 42% and 35% in FY/24 and FY/25, respectively, continue to be volatile and somewhat difficult to project. For FY/25 alone, the total estimated revenue loss is \$41.8 million as the State continues the 15-year phase-out that began in FY/16.

Employment has largely recovered from the impact of the pandemic. The Albuquerque unemployment rate dropped to 3.3% in FY/23—the lowest in recent memory. As of October 2023, the City's unemployment rate was 3.6%, below that of Tucson (4.2%) and El Paso (4.4%) but above Salt Lake City (2.7%), Oklahoma City (3.2%) and Colorado Springs (3.3%).

Total employment for FY/23 is expected to show a final increase of 2.8%, once final data is available, with additional increases of just 0.8% and 0.2% in FY/24 and FY/25, respectively.

As of FY/23, most employment sectors had recovered from the losses during the health crisis. Wholesale trade, information, management of companies, administrative and waste, and accommodation and food still remained slightly behind. Information and accommodation and food remained the farthest behind, at 844 and 465 jobs down, respectively. However, due to the cooling economy, in FY/24 and FY/25 the projection is for job losses in some sectors such as retail and wholesale trade and management of companies.

For FY/23, new commercial permit values increased by 78% over FY/22, while new residential values for single and multi-family projects decreased 56%. However, total permit values, including additions and alterations, increased 14.4%. GRT revenue for construction stayed relatively strong through the pandemic, with FY/21 ending 2.5% over FY/20, which itself was a strong

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

year. GRT construction grew an additional 17.1% and 22.3% in FY/22 and FY/23, respectively. These growth rates reflect the many large construction projects around the City such as Netflix and the Albuquerque Sunport. UNM BBER projects FY/24 will be another strong year for construction, with an 89.4% projected increase in total housing units expected. Construction employment is a major driver of economic growth for the City; impacts to City GRT from a slowing economy could be mitigated if construction projects continue at the projected pace in FY/24. Year-to-date permit revenues are 86% over FY/23, which is a promising start to the year.

Property tax revenue in FY/23 grew 4.8%, considerably faster than the expected 3.2%, due to market fluctuations and property transfers. The Bernalillo County Assessor reported an even larger increase in values for the most recent tax year, partially due to a mandated review of the non-residential properties. Consequently, property tax revenue is expected to perform at least as well in FY/24.

The long-term baseline forecast anticipates General Fund recurring revenue growth at 3.2%, 1.7%, 0.5%, 3.0%, and 1.5%, in FY/24, FY/25, FY/26, FY/27 and FY/28, respectively.

More detail on GRT revenues and other General Fund sectors is presented in the following text.

General Fund Revenue Estimates

Gross Receipts Tax

The GRT revenues for FY/23 were \$7.2 million, or 1.3% above the amount estimated in the approved FY/24 budget process. Final revenue for FY/23 is 2.1%, or \$11.1 million, over the FY/23 original budget. It is estimated that \$3.3 million of this is one-time revenue, most of which is due to the phase-out of medical and food hold harmless payments that began in FY/16. The phase-out decreases to 42% in FY/24 and drops to 35% in FY/25.

In FY/22, the City began receiving State-shared excise tax revenue for recreational cannabis sales which officially began in April 2022. Total cannabis revenue received in FY/22 was \$828.8 thousand; however, due to an accounting oversight at the City, only \$295.6 thousand was recognized in FY/22. The remaining \$524.1 thousand was recognized in FY/23. The total cannabis revenue recognized in FY/23 was \$4.1 million. Each municipality receives an amount equal to 33.3% of the net receipts attributable to the cannabis excise from cannabis retailers within the municipality. In FY/24, the estimate is for about \$3.7 million, recognizing the overstatement in FY/23 and a modest growth rate. However, for the Five-Year Forecast, only half of this is assumed for the General Fund in FY/24 due to new a City ordinance enacted in November 2023 that created a permanent Marijuana Equity And Community Reinvestment Fund for the benefit of those who have been negatively impacted by the criminalization of marijuana. In FY/25, it is assumed all of the cannabis excise revenue is diverted to this new fund.

The City also receives GRT on the total cannabis sales gross receipts, but the State does not provide data for GRT on cannabis sales directly.

In addition to historical local increments and State-shared GRT, the City also receives compensating tax (CMP), which helps protect New Mexico businesses from unfair competition from out-of-state businesses, and interstate telecommunications tax (ITG), which applies to businesses providing interstate telecommunications services (other than mobile telecom services) in New Mexico. Combined, these revenues are estimated at about \$10.3 million for the City annually, with the vast majority being CMP.

GRT growth for FY/24 has had a slow start, with cumulative growth as of October at around 3.5% over the same period last year. This is 1% below the estimated 4.5% growth. While July revenue grew by 11%, August, September and October revenue have all been below 1.5%. Base growth as

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

measured by the State shared 1.225% increment is estimated to be 4.5% for FY/24; however, this estimate could be adjusted during the FY/25 budget process.

For FY/25, GRT growth is expected to slow to just 0.3%, reflecting a much slower economy characterized by a pullback in both consumer spending and business investment, including declines in retail and other sectors of employment.

Deductions for the Tax Increment Development Districts (TIDDs) largely stalled in FY/20 and FY/21 due to delayed construction amid business uncertainties due to COVID-19. However, renewed development in the Winrock and Mesa Del Sol TIDDs, as well as a new TIDD located in the UNM South Campus, are expected to increase these deductions from about \$3.7 million in FY/23 to \$5.4 million in FY/24 to nearly \$8 million by FY/25.

Adjustments to GRT Growth

Growth without adjustments in the GRT is estimated using forecasts of economic activity. Adjustments are then made for known or expected changes. In this forecast, adjustments are made for TIDDs and changes in the food and medical hold harmless distributions.

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

Property Tax

FY/23 actual revenues were about 1% above the approved budget and 4.8% over FY/22, with current revenues growing 4.6% and delinquent revenues growing nearly 12%.

The Bernalillo County Assessor reported the total net taxable property values for Bernalillo County experienced an increase of 4.9% in the previous tax year. For the most recent tax year, the Bernalillo County Assessor mandated a review of the non-

residential properties, which resulted in net taxable value of non-residential properties increasing 8.05%. This is the first-time non-residential property values have increased more than residential property values, which increased 5%. For FY/24, revenues are projected to be at 4.5%. Yield control will likely be a factor in FY/24, muting the actual growth in property values. The growth rate for FY/25 is expected to cool somewhat and is projected at 3%.

Franchise Taxes

Recurring FY/23 franchise tax revenues were \$2.6 million, or 7.2% below the estimate, largely due to the gas and water franchises. The gas franchise was \$1.5 million, or about 19.4% below the estimate for FY/23. The New Mexico Gas Company reported it experienced a 36% hike in the cost of gas purchased on behalf of their customers in 2021 due to rising worldwide prices for natural gas, a trend that has continued. However, while the gas franchise increased 7.8% over FY/22, the increase was not as large as anticipated. For FY/24 and FY/25, revenue is expected to increase 2% and 5%, respectively. However, this will be revisited as the City considers its FY/25 budget.

The water franchise was \$1.4 million or about 15.9% below the estimate. The franchise implemented a rate increase that took place in July 2022 and reported a 5% revenue increase in its November 2023 Annual Comprehensive Financial Report. However, the franchise stated that actual usage declined in the past year, largely due to conservation efforts. The Water Authority Controller noted that the franchise has a goal to reach 110 gallons per capita per day (gpcd) by 2037; currently they are at 127/128 gpcd. Conservation efforts and other factors, such as weather, can affect usage levels, making revenue projections challenging. Revenues for FY/24 are left flat with FY/23 actuals and FY/25 revenues are projected at 3%.

For FY/23, the electric franchise increased 2.5%, or about \$364 thousand over the

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

estimate. For FY/24, the electric franchise was projected to grow 6% on the possibility of higher fuel prices and a potential rate hike. However, the utility's requested rate hike of 10% was denied in January 2024 by the NM Public Regulation Commission. PNM could file an appeal by February 10, 2024; however, any increase would likely not happen until CY/25. Revenue for FY/25 is currently projected at 2.9%; however, expectations will be revisited as the City considers its FY/25 budget.

The telecom and telephone franchises have trended downward over time and both finished FY/23 slightly below expectations. For FY/24 and FY/25 the projections are for modest but continual declines.

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

PILOT revenues were \$66 thousand, or 2.8% over the estimate for FY/23. FY/24 and FY/25 are forecasted in line with population growth and employment cost increases, or 0.3%.

Building Permits

In FY/23, building permits were 3.7%, or about \$368 thousand below expectations. For FY/24, revenue is budgeted at \$12.7 million, or 33% growth. This is a relatively conservative estimate given that UNM BBER projects an 89% increase in housing permits for the City in FY/24. The City estimate is purposely moderated given uncertainties in the market and projected slowdowns in employment. For FY/25, building permits are reduced by 1.2%, reflecting expected declines in construction. The Five-Year Forecast does not contain an estimate for revenues generated by the Maxeon project. If implemented as planned, which is still uncertain, the project could generate several million in revenue for the City as soon as FY/25.

As a note, major construction projects planned by the State (now to include APS) or the federal government, or road projects do not fall under the City's permitting process and the City receives no permit

revenue. However, GRT is paid both by the State and the Federal governments on construction projects.

Other Licenses/Fees

Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of the City right of way, and other miscellaneous fees. FY/23 finished \$290 thousand over the estimate, or about 6.1%. While several revenue streams were higher in FY/23, such as right-of-way usage permits, and short-term rental permit fees, it was the City Planning Department's Posse Business Registration fee that increased the most. The City increased the fee by 2% and expanded its use beginning in FY/23. Other revenues, such as restaurant inspection permits and liquor license fees declined. For FY/24 and FY/25, growth is estimated at 0.3%, which reflects modest population and business demand.

Other Intergovernmental Assistance

Other intergovernmental assistance includes State shared revenues (excluding GRT), grants and county shared revenues. This category had declined in recent years due to changes in State policy and the manner in which grant revenue is received. Revenue for FY/23 was \$108 thousand, or 2.4%, above the estimate. Revenues for State-shared motor vehicle licenses increased slightly, by about \$64 thousand, and State-shared Municipal Road Gas Tax revenues declined slightly, by about \$33 thousand. Bernalillo County shared revenue declined by about \$5.6 thousand.

For FY/24 and the remainder of the forecast, it is assumed that revenues will resume historical growth averages consistent with population growth and moderated gas prices.

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

Charges for Services

For FY/23, this revenue finished \$1.5 million, or about 5.6% over the estimate. A decline from FY/22 revenue was expected; however, the year ended slightly better than the 3% decline that was projected. Latch key, memberships, and charges for child care services were some of the largest increases in FY/23. Albuquerque Zoo and Aquarium and Garden admissions were down 12.6% and 10.7%, respectively for the year.

For FY/24, charges for service expectations are held flat with FY/23 due to expected moderation in consumer and business spending. For FY/25, the revenues are scaled back slightly, by 0.3%; however, these revenues will be revisited during in-depth discussions with City departments as the FY/25 budget is built.

Internal Service

FY/23 revenues finished \$11 thousand below the estimate. are kept at the budgeted level. FY/24 revenues through the remainder of the forecast are expected to increase with the rate of wage and salary compensation as forecasted by IHS, unless adjusted during the FY/25 budget process.

Indirect Overhead

Indirect overhead in FY/23 finished \$3.5 million, or 15.5%, below expectations. FY/24 through the remainder of the forecast is estimated at the rate of wage and salary compensation forecasted by IHS, unless adjusted during the FY/25 budget process.

CIP-Funded Positions

FY/23 transfers for CIP-funded positions was \$2.2 million, or 21.3% below the estimate. FY/24 through the remainder of the forecast increases at the rate of wage and salary compensation forecasted by IHS, unless adjusted during the FY/25 budget process.

Miscellaneous

This category includes fines, rental of City property and other miscellaneous revenues. Revenues in FY/23 were \$864 thousand, or 15% above the estimate. Collections for City property damage were up, as well as a 3.8% increase in rental of City property. Civil fines and contractor fees also increased. Other miscellaneous items such as online auctions and public surplus sales were down from the previous year.

Miscellaneous FY/24 revenues are decreased by 3% and FY/25 is estimated at roughly the rate of inflation. These revenues will be revisited during in-depth discussions with City departments as the FY/25 budget is built. Consistent with the category name, this revenue source is often unpredictable.

Interest Earnings

Equity markets were extremely volatile in FY/22, and the impact on City investments was equally dramatic. In FY/22, interest earnings experienced a \$10.4 million unrealized loss. Because this City holds such investments to maturity, it is assumed that forecasted earnings do not reflect the adjustment for unrealized losses.

For FY/23, earnings were \$918 thousand over the approved budget, and \$1.8 million over the estimate, which was projected at zero due to the market volatility and negative year-to-date revenues. Revenues have historically been estimated at roughly the interest on two-year treasuries as estimated by IHS. Currently, FY/24 is estimated at 4.9% and FY/25 is estimated at 3.9%; however, these estimates will be adjusted as the City closely monitors year-to-date revenues.

Interfund Transfers

Interfund transfers for FY/23 were \$835 thousand above the estimate, largely due to an accounting adjustment that closed Fund 715, the Warehouse Fund. Going forward, each department is responsible for managing any items for which it had used

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

the warehouse. FY/24 through the remainder of the forecast increase at the rate of wage and salary compensation forecasted by IHS; however, revenues will be re-evaluated as the FY/25 budget is developed.

PROJECTED REVENUES FOR FISCAL YEARS 2024 TO 2028

	Unaudited	Budget	Five year					Growth				
	FY/23	FY/24	FY/24	FY/25	FY/26	FY/27	FY/28	FY/24	FY/25	FY/26	FY/27	FY/28
GRT												
State Shared 1.225%	272,023	277,162	284,217	287,272	292,585	299,732	308,284	4.5%	1.1%	1.8%	2.4%	2.9%
Local GRT (w/o public safety)	126,541	125,826	131,454	132,217	133,979	136,545	139,719	3.9%	0.6%	1.3%	1.9%	2.3%
GRT 1/4 Public Safety	56,291	57,194	58,752	59,330	60,371	61,787	63,490	4.4%	1.0%	1.8%	2.3%	2.8%
3/8th Hold Harmless	79,402	80,348	83,769	85,360	87,665	90,558	93,909	5.5%	1.9%	2.7%	3.3%	3.7%
CMP	9,049	10,179	9,297	9,386	9,512	9,669	9,848	2.8%	1.0%	1.4%	1.7%	1.9%
ITG	73,670	96	76	76	77	79	80	2.8%	1.0%	1.4%	1.7%	1.9%
Cannabis Excise	4,141	3,491	1,827	-	-	-	-	-55.9%	-100.0%	N/A	N/A	N/A
Total GRT	550,458	557,041	572,416	576,757	587,388	601,676	618,758	4.0%	0.8%	1.8%	2.4%	2.8%
TIDDs & Incentives	(3,726)	(3,094)	(5,381)	(7,969)	(11,991)	(14,671)	(15,970)	44.4%	48.1%	50.5%	22.3%	8.9%
Total GRT	550,458	557,041	567,035	568,788	575,397	587,005	602,788	3.0%	0.3%	1.2%	2.0%	2.7%
Property Taxes	98,502	99,941	102,934	106,022	109,011	112,655	116,112	4.5%	3.0%	2.8%	3.3%	3.1%
Telephone	794	1,001	782	778	778	778	778	-1.5%	-0.5%	0.0%	0.0%	0.0%
Electric	14,754	16,056	15,640	16,089	16,727	17,073	17,331	6.0%	2.9%	4.0%	2.1%	1.5%
Gas	6,079	6,498	6,201	6,511	6,837	6,973	7,101	2.0%	5.0%	5.0%	2.0%	1.8%
Cable TV	3,943	4,175	3,955	3,967	3,979	3,987	3,995	0.3%	0.3%	0.3%	0.2%	0.2%
Water Authority Franchise	7,347	9,201	7,347	7,567	7,567	7,794	7,794	0.0%	3.0%	0.0%	3.0%	0.0%
Telecommunications	418	468	418	417	416	415	414	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Franchise (subtotal)	33,336	37,399	34,343	35,329	36,303	37,020	37,413	3.0%	2.9%	2.8%	2.0%	1.1%
Other Intergovl	4,558	4,785	4,572	4,585	4,594	4,604	4,613	0.3%	0.3%	0.2%	0.2%	0.2%
Building Permits	9,550	9,008	12,699	12,551	13,047	13,556	13,556	33.0%	-1.2%	3.9%	3.9%	0.0%
Other Licenses/Fees	5,080	4,397	5,095	5,111	5,121	5,131	5,141	0.3%	0.3%	0.2%	0.2%	0.2%
Charges for Services	28,289	28,589	28,289	28,204	28,345	28,402	28,459	0.0%	-0.3%	0.5%	0.2%	0.2%
Fines and Penalties	108	92	92	92	92	92	92	-15.0%	0.0%	0.0%	0.0%	0.0%
Interest on Invest	1,803	919	1,891	1,964	2,025	2,085	2,147	4.9%	3.9%	3.1%	3.0%	3.0%
Other Miscellaneous	6,610	5,486	6,411	6,431	6,450	6,469	6,489	-3.0%	0.3%	0.3%	0.3%	0.3%
Interfund Transfers	3,982	2,840	2,840	2,849	2,854	2,860	2,866	-28.7%	0.3%	0.2%	0.2%	0.2%
PILOT	2,414	2,422	2,422	2,429	2,434	2,439	2,444	0.3%	0.3%	0.2%	0.2%	0.2%
Indirect Overhead	19,068	24,438	19,878	25,324	20,527	26,137	21,203	4.2%	3.6%	3.3%	3.2%	3.3%
Internal Service	141	161	147	167	152	172	157	4.2%	3.6%	3.3%	3.2%	3.3%
Transfers for CIP-Funded Positions	8,281	10,524	8,632	10,905	8,914	11,255	9,208	4.2%	3.6%	3.3%	3.2%	3.3%
Total Revenue	772,178	788,041	797,281	810,750	815,268	839,884	852,687	3.3%	1.7%	0.6%	3.0%	1.5%
Non-Recurring Revenue	3,265	3,738	4,112	4,205	4,334	4,482	4,659	25.9%	2.3%	3.1%	3.4%	4.0%
Recurring Revenue	768,913	784,303	793,169	806,545	810,934	835,402	848,028	3.2%	1.7%	0.5%	3.0%	1.5%
Top Golf		(250)	(250)	(250)	(250)	(250)	(250)					
Winrock	(1,707)	(1,776)	(1,776)	(1,847)	(1,904)	(1,957)	(2,010)					
Mesa Del Sol (MDS)	(1,966)	(2,044)	(2,044)	(2,126)	(2,192)	(2,253)	(2,314)					
UNM South Campus	(53)	(1,311)	(1,311)	(3,747)	(7,645)	(10,210)	(11,395)					
Total for TIDDs & Incentives	(3,726)	(5,381)	(5,381)	(7,969)	(11,991)	(14,671)	(15,970)					

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

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

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

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

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

Adjustments to the Estimates

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

Food and Medical Hold Harmless

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

Tax Increment Development Districts and Other Incentives

Revenue estimates of GRT were made using the tax base excluding distributions made to the TIDDs and penalty and interest payments. For future impacts, distributions to the TIDDs are directly taken out; however, in FY/15 there was a \$1.7 million pay back of GRT that had been incorrectly distributed to the Winrock TIDD. The distributions now made to the TIDD by TRD are correct. Winrock has developed a plan associated with bonds that were issued in the fall of 2015 for expansion of Winrock and a change in the base year from 2007 to 2009. While some of the construction was scaled back due to the impact of the pandemic, new construction has finally taken place in earnest. It is assumed that

ESTIMATING GROSS RECEIPTS TAXES

TIDDs will reduce GRT in FY/24 by \$5.4 million and nearly \$8 million in FY/25.

TIDD revenues to Mesa del Sol are also estimated and deducted from General Fund revenue. Mesa del Sol revenues have been smaller in the recent past but the community is in a position to grow in the next few years.

At this time the only other GRT incentive currently in place is the payment to TopGolf

through the Local Economic Development Act (LEDA). It is assumed that additional employment and GRT impact of the project, if any, is already included in the BBER and GRT forecasts. The revenue reductions are estimated at \$250 thousand per year for FY/24 to FY/28. The positive impact on revenue and the cost in incentives for other LEDA projects are not explicitly included in this report.

EXPENDITURE OUTLOOK

EXPENDITURE ESTIMATING METHODOLOGY

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/24 through FY/28. For the current fiscal year ending June 30, 2024, expenses are projected using the original appropriation as a base. The base is then adjusted to account for subsequent appropriations by the City Council including \$12.9 million in re-appropriated encumbrances. It is assumed that departments will spend their full appropriations by the end of FY/24.

FY/25 estimated costs are, for the most part, derived independently of FY/24 estimates. The FY/25 forecast is compiled using the latest available information, including actual position information updated in December with vacant positions assumed to be fully funded at the City's interim salary structure non-probationary step. Additionally, all subsidized funds and other funds receiving transfers from the General Fund are analyzed independently before adjustments are made for this General Fund forecast to reflect the associated impacts. The FY/25 expenditure

estimates do not yet reflect any administrative initiatives to balance expenditures to projected revenues. Projections for the current fiscal year will be updated prior to next year's budget being finalized. Any reversions identified at that time will be used for one-time costs in the subsequent fiscal year.

The forecast beyond FY/25 is largely driven by inflationary factors applied to the FY/25 through FY/28 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of IHS Global Insight except for some changes made to selected rates to better reflect local costs. Three separate scenarios of national and local economic activity are factored into the methodology to present baseline, optimistic, and pessimistic scenarios of anticipated expense activity. Table B includes the expenditure and revenue outlook together in a fund balance table for the General Fund. Table C summarizes those expenses by major category showing the percentage change in each.

TABLE A BASELINE SCENARIO FACTORS	SHORT NAME	FACTORS			
		FY/25	FY/26	FY/27	FY/28
CPI - All Urban Consumers, All Items	CPI-U	2.4%	2.2%	2.1%	2.2%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	3.6%	3.3%	3.2%	3.3%
Price Index Consumer Exp Medical Care	MEDICAL	3.1%	2.9%	2.7%	2.8%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	-6.4%	-3.2%	-1.9%	-2.0%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	3.2%	2.4%	2.0%	1.8%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	16.5%	17.9%	2.4%	-1.5%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	-0.6%	-1.4%	1.0%	2.8%
PPI - Fuels & Related Products, Electric Power	ELECT	2.6%	3.8%	1.9%	1.3%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	2.7%	2.7%	2.8%	2.8%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	-1.8%	0.9%	1.2%	1.2%
Growth of Gross Receipts Tax Revenue	GRT	1.1%	1.8%	2.4%	2.9%

EXPENDITURE ESTIMATING METHODOLOGY

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

(\$000's)	AUDITED ACTUAL FY/23	REVISED BUDGET FY/24	FORECASTS			
			FY/25	FY/26	FY/27	FY/28
RESOURCES:						
Recurring Revenue	768,913	793,169	806,545	810,934	835,402	848,028
% Change Recurring Revenue		3.2%	1.7%	0.5%	3.0%	1.5%
Total Non-recurring	<u>3,265</u>	<u>4,112</u>	<u>4,205</u>	<u>4,334</u>	<u>4,482</u>	<u>4,659</u>
TOTAL REVENUES	772,178	797,281	810,750	815,268	839,884	852,687
% Change Total Revenue		3.3%	1.7%	0.6%	3.0%	1.5%
BEGINNING FUND BALANCE	<u>218,933</u>	<u>167,514</u>	<u>92,641</u>	<u>34,321</u>	<u>(98,373)</u>	<u>(227,356)</u>
TOTAL RESOURCES	<u><u>991,111</u></u>	<u><u>964,795</u></u>	<u><u>903,391</u></u>	<u><u>849,589</u></u>	<u><u>741,510</u></u>	<u><u>625,331</u></u>
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	698,926	766,105	843,436	922,328	943,232	966,684
% Change Recurring Appropriation		9.6%	10.1%	9.4%	2.3%	2.5%
Non-recurring Exp/App: One-time Items	<u>124,671</u>	<u>106,049</u>	<u>25,634</u>	<u>25,634</u>	<u>25,634</u>	<u>27,817</u>
TOTAL EXPEND/APPROP	<u><u>823,597</u></u>	<u><u>872,154</u></u>	<u><u>869,070</u></u>	<u><u>947,962</u></u>	<u><u>968,866</u></u>	<u><u>994,502</u></u>
UNADJUSTED FUND BALANCE	<u><u>167,514</u></u>	<u><u>92,641</u></u>	<u><u>34,321</u></u>	<u><u>(98,373)</u></u>	<u><u>(227,356)</u></u>	<u><u>(369,171)</u></u>
ADJUSTMENTS:						
Encumbrances	(22,174)	0	0	0	0	0
Unrealized (Gain)/Loss on Investments	2,515	2,515	2,515	2,515	2,515	2,515
Other Accounting Adjustments	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>
TOTAL ADJUSTMENTS	<u>(19,734)</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>
ADJUSTED FUND BALANCE	<u><u>147,780</u></u>	<u><u>95,081</u></u>	<u><u>36,761</u></u>	<u><u>(95,933)</u></u>	<u><u>(224,916)</u></u>	<u><u>(366,731)</u></u>
RESERVES:						
1/12th Operating Reserve	71,355	68,888	72,423	78,997	80,739	82,875
Wage Adj. Designated Job Codes	445	0	0	0	0	0
Estimated Savings - Q2	12,000	0	0	0	0	0
GRT Bond Debt Service	326	0	0	0	0	0
Wage Adjust Less Than \$15/hr	<u>0</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL RESERVES	84,126	68,988	72,423	78,997	80,739	82,875
AVAILABLE FUND BALANCE	<u><u>63,654</u></u>	<u><u>26,093</u></u>	<u><u>(35,662)</u></u>	<u><u>(174,930)</u></u>	<u><u>(305,655)</u></u>	<u><u>(449,606)</u></u>
1/12th Operating Reserve	68,633	72,680	72,423	78,997	80,739	82,875
Recurring Surplus/(Deficit)	69,542	27,064	(36,891)	(111,395)	(107,830)	(118,657)

EXPENDITURE ESTIMATING METHODOLOGY

TABLE C GENERAL FUND EXPENSES BY MAJOR CATEGORY (\$000's)										
	ACTUAL	REVISED								
	FY/23	BUDGET FY/24	FY/25	% Change	FY/26	% Change	FY/27	% Change	FY/28	% Change
PERSONNEL	438,290	533,360	567,391	6.4%	590,055	4.0%	606,989	2.9%	624,899	3.0%
OPERATING	193,771	179,214	166,808	-6.9%	171,769	3.0%	176,349	2.7%	180,954	2.6%
CAPITAL	11,770	2,008	2,308	14.9%	2,063	-10.6%	2,120	2.8%	2,180	2.8%
TRANSFERS	179,766	112,072	115,878	3.4%	129,099	11.4%	128,510	-0.5%	130,503	1.6%
ADDITIONAL ITEMS FACTORED	0	45,499	16,686	-63.3%	54,977	229.5%	54,899	-0.1%	55,966	1.9%
GRAND TOTAL	823,597	872,153	869,070	-0.4%	947,962	9.1%	968,866	2.2%	994,502	2.6%

This forecast includes adjustments in recurring expenses for FY/25 to provide greater accuracy for the upcoming fiscal year. However, the forecast does not assume recurring expense adjustment from FY/26 forward, which drives the recurring gap between revenues and expenses. As shown in Table B, the total increase in expenses peaks in FY/28, mostly due to wages and benefits, assumed cost increases for medical, Transit Department subsidy, public safety needs, pension obligations, and estimated operational costs to support the completion of capital projects.

Labor costs make up the majority of overall costs to bring new or expanded facilities on-line. That said, various union negotiated and forecasted

wage adjustments are included in the personnel section in Table C for FY/25. The out-years grow at a larger rate because they increase at the Employment Cost Index factor shown in Table A above.

Some non-recurring items are included for the entire forecast period. The availability of one-time funds depends on prior year reversions and additional revenue. Non-recurring items are assumed to be discretionary and will most likely be the first options for reductions given that non-recurring revenue is not available. The table below shows what is included as the potential non-recurring appropriation for FY/25.

Non-Recurring Items for FY/25 (\$000's)		
Department	Purpose	Amount
Animal Welfare	Lucky Paws Lease Agreement	29
	NMDOG	10
	Preventative Clinic Lease Agreement	100
	Promotion, outreach, and communication	30
	Safety Net/Dog House-Straw	30
	Street Cat Hub	350
Arts & Culture	Picasso exhibit	150
	Promotions, Outreach, Communications	60
	Route 66 Operations	250
	Special Events	100

EXPENDITURE ESTIMATING METHODOLOGY

Non-Recurring Items for FY/25 (\$000's)		
Department	Purpose	Amount
	Sponsored Events*	1,591
City Clerk	Temp Staff - IPRA	200
City Support	LEDA Transfer to F305	1,000
Civilian Police Oversight Agency	Branding Material for CPC	10
	Contractual Mediation Services	25
	Translation Services (Written, Interview, Brochures)	20
Community Safety	School based VIP Case Management	80
Council Services	Community Bike Program	6
	El Prado, DBA Fraction Farms	10
	Public Grantor Program	150
	Touch a Truck Public Safety Awareness	2
	Trumbull Homeless Services	10
	Way Out West Film Fest/SW Gay & Lesbian FF	5
Economic Development	3 Sisters Kitchen	20
	ABQID	75
	AED and Albuquerque Economic Development	100
	African American Chamber of Commerce	40
	AREA/AED	103
	Barelas Mainstreet	60
	Downtown Mainstreet	60
	ED promo, digital marketing and related contracts	80
	Job Training Albuquerque	1,250
	Native American Film Makers	10
	Nob Hill Mainstreet	60
	Southeast Economic Development Center	20
	Southwest Women's Collaborative	50
	Top Golf	100
West Fest	20	
Family & Community Services	Affordable Housing Vouchers	8,000
	Children's Grief Center	20
	Collective Impact Project (Intimate Partner Violence)	50
	Gateway Ph 1 and Engagement Center at Gibson Health Hub	2,000
	Job Connection Program	300
	Mayor' Taskforce on Dom Violence Housing Vchr	100
	Safe Outdoor Spaces	150
	Sanctioned Encampments Operational Cost	200

EXPENDITURE ESTIMATING METHODOLOGY

Non-Recurring Items for FY/25 (\$000's)		
Department	Purpose	Amount
	Saranam	10
	WEHC Operations	1,200
	Westgate Bike Shop Operating	250
	Sponsored Initiatives*	1,438
Finance and Administrative Services	MRA: Legal Services	75
Fire	Equipment EMS / Fleet Operations - Supplies	10
	Fleet Operations - Utilities	50
	Behavioral Health program	50
General Services	Prosperity Works	40
	Sustainability Contractual Services	50
Human Resources	Bilingual Testing	10
	Labor Negotiations	50
	Promote Employment Opportunities with City	20
Office of Internal Audit	Tech Review and Outside Legal Services	10
Office of Inspector General	Supplies/Operating Costs	20
	Contract Investigation Services	25
Parks & Recreation	Bee NM Sponsorship	30
	Cycling USAC Masters Championship	350
	Dakota Tree Project	50
	Encampment Crews	15
	Fireworks [Freedom 4th]	105
	Mondo Indoor Track (ACC Rental Fees + Accelerated Disassembly)	320
	New Mexico Games	25
	Park Ranger PSA	7
	Trails and Park Maintenance	200
	Umpire, Site Supervisor & Other Sport Referees Pay Increase	159
	UNM Summer Camp	40
	Urban Forestry	500
	Veteran's Support Services	10
	Youth Connect Summer Recreation Programs	140
Planning	Boardups (ADAPT)	300
Police	APD Drag Racing Tactical Plans	50
	Crimes Against Children Unit / Equip	135
	Criminal Justice Coordinating Council	20

EXPENDITURE ESTIMATING METHODOLOGY

Non-Recurring Items for FY/25 (\$000's)		
Department	Purpose	Amount
	Electronic Control Weapon Lease	986
	Independent Monitor DOJ Contract	800
	Risk Youth Programs and Outreach	25
	Student Loan Forgiveness Program	50
Senior Affairs	Food Costs Increase	350
	Manana de Oro	5
	Security	225
	Tarde de Oro	10
Technology and Innovation	Call Center Script for 311	10
	Cisco UCS	50
	DocuSign Subscription	25
	ESRI in Support of APD	90
	Finesse Licenses	3
	Mythics PAAS Credits	50
	PeopleSoft Licensing	45
	TrendMicro additional function	60
TOTAL		25,634

A capital project, whether it is a new structure or an expansion of an existing footprint, most often requires additional costs to operate. The most significant cost increase shown in this forecast is due to Capital Implementation Projects (CIP) coming-on-line. The table below shows a detailed list of capital projects and the estimated costs to operate those projects. The estimates were calculated by the respective departments managing those facilities. In many situations, the

needs always exceed available resources. Many of the previous year's items have been adjusted in FY/25 to provide an accurate estimation for the upcoming budget year. The General Fund estimates for FY/26 through FY/28 are \$25 million, \$25.8 million, and \$26 million, respectively. (Note: The costs shown below are in total dollars and are independent of each other, meaning they are not compounded with the inflation factors in Table A.)

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 24 Budget	FY 25	FY 26	FY 27	FY 28
<u>Animal Welfare</u>						
Kennel D Project Phase II remodel Bldg operation costs: utilities & supplies (1872sf)	FY19	-	-	17,000	17,000	17,000
Mobile Clinic -Supplies	3/2020	-	-	5,000	5,000	5,000
Mobile Clinic -Supplies Operating (Microchips)	3/2020	-	-	40,000	40,000	40,000
Mobile Clinic- Vehicle Fuel	3/2020	-	-	10,000	10,000	10,000
Mobile Clinic- Vehicle Maintenance	3/2020	-	-	12,500	12,500	12,500
Mobile Clinic -Veterinarian Drugs & Medicine (DHLP, FVRCP, Rabies)	3/2020	-	-	8,000	8,000	8,000
Mobile Clinic-Veterinary Supplies	3/2020	-	-	4,000	4,000	4,000
Two (2) Veterinary Clinic Assistants (cleaning)	FY19	-	-	120,390	120,390	120,390
Total Animal Welfare Department			\$0	\$216,890	\$216,890	\$216,890

EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates							
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 24 Budget	FY 25	FY 26	FY 27	FY 28	
<u>Arts & Culture</u>							
Bio Park Exhibits							
Asia	Aug 2023	787,328	700,000	1,111,000	1,111,000	1,111,000	
Australia	May 2024	-	195,000	495,000	495,000	495,000	
Heritage Farm	May 2024	-	200,000	400,000	400,000	400,000	
SHARK Aquatic Quarantine	May 2026	-	-	1,300,000	1,300,000	1,300,000	
Children's Fantasy Garden	June 2025	-	-	200,000	200,000	200,000	
Africa Exhibit Improvements	June 2026	-	-	1,500,000	1,500,000	1,500,000	
Mexican Wolves Refuge	June 2024	-	-	100,000	100,000	100,000	
BioPark Tram Operations	Jan 2023	-	-	330,000	330,000	330,000	
Museums							
Albuquerque Museum Education Center	July 2026	-	-	340,000	680,000	680,000	
Total Arts & Culture Department		\$787,328	\$1,095,000	\$5,776,000	\$6,116,000	\$6,116,000	
<u>Community Safety</u>							
Community Safety Building-San Mateo/Kathryn							
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		476,000	100,000	100,000	100,000	100,000	
2 BHR1 (\$173,899.36), 2 BHR2 (\$202,991.34), 1 BHR Sup (\$107,433.92), 2 Sr. Office Asst. (\$138,596.74),),recurring		-	-	623,000	623,000	623,000	
Old Fire Station 14							
Operating cost for Utilities- Recurring		-	35,000	35,000	35,000	35,000	
Equipment, renovations and other items- non-recurring		-	-	500,000	-	-	
Trauma Recovery Center- VIP							
Operating, equipment, utilities, janitorial and pest control-recurring		100,000	-	45,000	45,000	45,000	
VIP Personnel 1 Program Manager, recurring		-	-	135,000	135,000	135,000	
New Westside Public Safety Building							
Operating cost for Community Safety Building- Utilities, janitorial, pest control, grounds maintenance, recurring		-	-	30,000	30,000	30,000	
2 BHR1 (\$173,899.36), 2 BHR2 (\$202,991.34), 1 BHR Sup (\$107,433.92), 1 Sr. Office Asst. (\$69,298.37), recurring		-	-	555,000	555,000	555,000	
Total Community Safety Department		\$576,000	\$135,000	\$2,023,000	\$1,523,000	\$1,523,000	
<u>Health, Housing & Homelessness</u>							
Assisted Outpatient Treatment - AOT							
Gateway Ph 1 and Engagement Center at Gibson Health Hub		500,000	2,000,000	2,400,000	2,400,000	2,400,000	
Med Respite at Gibson Health Hub		-	250,000	2,835,000	2,976,000	3,125,000	
Sobering Center at Gibson Health Hub		500,000	-	-	-	-	
Total Health, Housing, Homelessness Department		\$1,000,000	\$2,250,000	\$5,235,000	\$5,376,000	\$5,525,000	
<u>Fire</u>							
Old FS 9- Relocation of HEART Division							
Operating cost for Building - utilities and data		-	-	25,000	25,000	25,000	
New Fleet Building							
Operating cost for Fleet Building- utilities		-	-	105,000	105,000	105,000	
Station 23 - Personnel (1 Captain, 3 Lt, 4 Driver, 4 Firefighter)		700,000	500,000	1,391,875	1,433,631	1,476,640	
Operating cost for Engine 23		100,000	-	33,765	33,765	33,765	

EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 24 Budget	FY 25	FY 26	FY 27	FY 28
SW Mesa Station Rescue 23 - (4 Paramedic Lt, 4 Paramedic Driver positions) Recurring		-	500,000	1,102,431	1,135,504	1,169,569
Operating cost for Rescue 23		-	-	33,765	33,765	33,765
SW Mesa Fire Station non-recurring (GO Bond purchase)		-	-	100,000	100,000	100,000
Airboat Facility Addition						
Operating cost for Airboat Facility- utilities		-	-	50,000	50,000	50,000
Addition of Battalion at FS18						
Operating cost for of Battalion at FS18- utilities		-	-	25,000	25,000	25,000
Bunk room Expansion FS 16						
Operating cost for Addition of Bunkroom for FS 16- utilities		-	-	25,000	25,000	25,000
Addition of Burn Room at Academy						
Operating cost for Addition of Burn Room- utilities		-	-	20,000	20,000	20,000
<i>Total Fire Department</i>		<i>\$800,000</i>	<i>\$1,000,000</i>	<i>\$2,911,836</i>	<i>\$2,986,665</i>	<i>\$3,063,739</i>
<i>Parks & Recreation</i>						
Alameda Drain Trail (Phase I & II)	July '23 & FY25	-	91,500	146,000	150,000	155,000
Aquatics - Los Altos HVAC system	FY20	-	-	80,000	80,000	80,000
Barelas Park	FY23	-	-	195,000	197,500	200,000
Candelaria Nature Preserve	Dec '24	-	-	240,000	245,000	250,000
Chaparral Bike Park	FY28	-	-	-	-	40,000
Creighton Park	FY27	-	-	11,000	50,000	52,000
Crestview Bluff Park	FY27	-	-	6,000	20,000	22,000
Daniel Webster Park (Phases 3, 4)	FY25	-	-	15,000	17,500	20,000
Dog Parks	FY24&25	-	-	750,000	760,000	770,000
Genievas Arroyo Park	FY27	-	-	11,000	70,000	75,000
International District Park	FY25	-	-	190,000	195,000	200,000
Juan Tabo Hills (Phases 2, 3, 4)	Dec '24	-	-	105,000	107,000	110,000
Los Altos Softball Complex	FY24	-	201,250	343,000	350,000	355,000
Los Tomases Park	Dec '24	-	-	5,000	6,000	7,000
McKinley Bicycle Center/Boys & Girls Teen Center	FY24	-	-	72,000	74,000	76,000
Manzano Mesa Pickleball Courts	May '24	-	-	65,000	68,000	70,000
Multi-Use Stadium at Balloon Fiesta Park	Mar '26	-	-	140,000	460,000	470,000
North Domingo Baca Aquatics Center	FY26	-	-	1,500,000	1,525,000	1,550,000
Phil Chacon Park	Dec '24	-	-	160,000	162,500	165,000
Rail Trail	FY27	-	-	-	814,000	650,000
Shred Mountain Bike Course at BFP	Jul '24	-	-	72,000	73,500	75,000
Splash Pads	FY23- FY27	-	-	130,000	245,000	255,000
Tijeras Arroyo BioZone -Diamond Rock	FY24	-	-	255,000	260,000	265,000
Trails--Other new trail and trail improvement	ongoing	-	-	420,000	430,000	440,000
Ventana Ranch Tennis & Pickleball Courts	FY24 & FY25	-	-	270,000	280,000	290,000
Vista del Norte Park	FY24	-	-	165,000	167,000	170,000
Wells Park	Sep '24	-	-	163,000	166,000	168,000
<i>Total Parks & Recreation Department</i>		<i>\$0</i>	<i>\$292,750</i>	<i>\$5,509,000</i>	<i>\$6,973,000</i>	<i>\$6,980,000</i>
<i>Police</i>						
Southeast Area Command: Phase I						
Utilities		-	-	100,000	-	-
Southeast Area Command: Phase II						
Utilities		-	75,000	75,000	75,000	75,000
Rosenwald:						
Utilities		-	6,000	6,000	6,000	6,000
City Church:						
Utilities		-	75,000	75,000	75,000	75,000
3rd Floor APD Main						
Furniture		-	-	500,000	-	-
RTCC/RTMC						
Utilities		-	50,000	100,000	100,000	100,000

EXPENDITURE ESTIMATING METHODOLOGY

5-Year Forecast CIP Coming-On-Line Estimates						
Funding Allocation Category <i>Department/Division</i>	Opening Date	FY 24 Budget	FY 25	FY 26	FY 27	FY 28
Crime Lab Roof		-	-	1,500,000	-	-
APD Airboat Facility						
Utilities		-	50,000	50,000	50,000	50,000
<i>Total Police Department</i>		<i>\$0</i>	<i>\$256,000</i>	<i>\$2,406,000</i>	<i>\$306,000</i>	<i>\$306,000</i>
<i>Senior Affairs</i>						
Martinez Town Multigeneration Center: Opens Feb-24; for FY24 only \$154,600; \$244,250 annual Recurring		-	244,250	244,250	244,250	244,250
Cibola Loop Multigenerational Center , Opens in Jan-26; \$1,530,000 annual recurring		-	-	-	1,530,000	1,530,000
<i>Total Department of Senior Affairs</i>		<i>\$0</i>	<i>\$244,250</i>	<i>\$244,250</i>	<i>\$1,774,250</i>	<i>\$1,774,250</i>
<i>Technology and Innovation</i>						
<i>Infrastructure - 3611000</i>						
Cisco UCS		-	-	50,000	50,000	50,000
Transcepta contract escalator 4-7%		-	-	4,000	4,000	9,000
TrendMicro (additional function due to insurance requirements)		-	-	60,000	60,000	60,000
Mythics PAAS Credits		-	-	50,000	50,000	50,000
Westwind Adacen Cloud storage		-	-	182,000	-	-
ESRI increase to support APD		-	-	90,000	90,000	90,000
DocuSign (CARES initial funding)		-	-	60,000	60,000	60,000
HR GT E-Forms		-	-	25,000	25,000	25,000
PeopleSoft Licensing increase		-	-	50,000	50,000	50,000
Call Center script for 311		-	-	10,000	10,000	10,000
<i>Total Technology and Innovation Department</i>		<i>\$0</i>	<i>\$0</i>	<i>\$581,000</i>	<i>\$399,000</i>	<i>\$404,000</i>
<i>Youth and Family Services</i>						
New Singing Arrow CC Coming Online		-	-	30,000	30,000	30,000
New Westgate Coming Online		-	25,000	55,000	55,000	55,000
Trumbull Child Development Center		-	-	30,000	30,000	30,000
<i>Total Youth and Family Services Department</i>		<i>\$0</i>	<i>\$25,000</i>	<i>\$115,000</i>	<i>\$115,000</i>	<i>\$115,000</i>
Total General Fund Departments CIP Coming-On-Line		\$3,163,328	\$5,298,000	\$25,017,976	\$25,785,805	\$26,023,879
<i>Transit</i>						
Annual ART Operations - MCO Drivers		-	648,189	648,189	648,189	648,189
Westgate Community Park and Ride	2/2024	-	31,000	31,000	31,000	31,000
University BRT		-	-	-	-	2,098,326
Southwest Mesa Park & Ride		-	-	-	127,275	127,275
Far East Park & Ride		-	-	-	-	142,775
Micro Transit		-	699,000	699,000	699,000	699,000
TDM Staff		-	632,012	632,012	632,012	632,012
<i>Total Transit Department Subsidy</i>		<i>\$0</i>	<i>\$2,010,201</i>	<i>\$2,010,201</i>	<i>\$2,137,476</i>	<i>\$4,378,577</i>
Total GF Subsidized CIP Coming-On-Line		\$0	\$2,010,201	\$2,010,201	\$2,137,476	\$4,378,577
Total CIP Coming-On-Line		\$3,163,328	\$7,308,201	\$27,028,177	\$27,923,281	\$30,402,456

**REVENUES AND EXPENDITURES
UNDER ALTERNATIVE SCENARIOS**

ALTERNATIVE SCENARIOS

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

The alternative scenarios are based on October 2023 forecasts from the UNM Bureau of Business and Economic Research (BBER) and IHS Global Insight (IHS). IHS prepares an optimistic and a pessimistic scenario which form the basis for the City scenarios. BBER uses the results from the IHS alternatives to estimate the impact to Albuquerque and New Mexico. Previous sections were based on the baseline scenario, which is assigned a probability of 55%.

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

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

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

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

Available Fund Balance by Scenario (\$000's)				
	FY/25	FY/26	FY/27	FY/28
Baseline	(35,661)	(174,930)	(305,654)	(449,605)
Optimistic	(7,642)	(135,066)	(248,375)	(377,450)
Pessimistic	(47,892)	(207,760)	(352,193)	(507,970)

The following sections provide fund balance tables and revenue and expense summaries for the alternative scenarios.

The final section contains a summary of IHS assumptions, detail on employment and other variables used in the forecast, and a table comparing growth rates by scenario for various economic variables.

OPTIMISTIC SCENARIO

IHS assigns the optimistic scenario a 20% probability of occurring. The optimistic scenario assumes stronger growth in consumer spending and business investment relative to the baseline thanks to looser credit, faster employment growth, and a more stable global economy. GDP is slightly higher than the baseline through 2026, but then dips slightly below the baseline in FY/27 and FY/28.

In the optimistic scenario, Albuquerque employment grows incrementally faster than the baseline in all years other than FY/25, during which it grows 0.1% slower than the baseline. There is very little difference between the two over the course of the projection period. Construction employment grows 1.4% faster in FY/25 and continues an average of 0.5% higher than the baseline for the remainder of the forecast period. The unemployment rate averages 0.1% lower in each year relative to the

baseline. The moderately improved economic indicators in this scenario result in 1.9% higher GRT in FY/24, about 0.9% higher GRT rate for FY/25, then slowing to 0.3% average advantage through FY/28. Total revenues increase by \$13.3 million and nearly \$20 million in FY/24 and FY/25, respectively.

Note: Even in the optimistic scenario, growth in revenue does not equal growth in expenditures and available fund balance is negative for all four out-years of the forecast. The available fund balance in this scenario is negative \$7.6 million in FY/25 and compounds to a negative \$377.5 million in FY/28.

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

OPTIMISTIC SCENARIO INFLATION FACTORS

	2022	2023	2024	2025	2026	2027	2028
CPI U All Items	7.2%	6.3%	2.8%	3.0%	2.3%	2.2%	2.3%
Employment Cost Index-Wages & Salary	5.0%	5.0%	4.1%	3.7%	3.4%	3.3%	3.5%
Medical Care	2.3%	2.5%	2.7%	3.5%	3.1%	2.9%	2.9%
Core CPI	5.4%	5.8%	3.4%	2.8%	2.4%	2.3%	2.3%
New Cars	10.6%	7.1%	-1.0%	-6.2%	-3.0%	-1.7%	-1.9%
Transportation	8.6%	11.0%	4.3%	3.6%	2.6%	2.1%	1.9%
Natural Gas	46.4%	12.6%	-13.2%	11.2%	11.2%	3.7%	0.8%
Gasoline & Oil	45.5%	0.9%	-4.0%	1.8%	-0.7%	1.1%	2.8%
Electricity Chained Price Index	8.5%	11.8%	-1.1%	3.5%	3.9%	2.0%	1.4%
Govt Consumption Noncompensation	7.0%	4.9%	1.4%	3.0%	2.8%	2.8%	2.9%
Tires/Tubes/Accessories/Parts	9.3%	8.7%	-0.5%	-1.6%	1.0%	1.2%	1.3%

General Fund Revenues (In Thousands of Dollars)

	Audited	Budget	Five Year Forecast					Growth				
	FY/23	FY/24	FY/24	FY/25	FY/26	FY/27	FY/28	FY/24	FY/25	FY/26	FY/27	FY/28
Total Gross Receipts	550,458	557,041	577,256	584,172	592,477	606,325	623,956	4.9%	1.2%	1.4%	2.3%	2.9%
Taxes	134,251	139,762	140,459	144,801	149,757	154,381	158,292	4.6%	3.1%	3.4%	3.1%	2.5%
Shared	4,558	4,785	4,585	4,617	4,848	4,858	4,868	0.6%	0.7%	5.0%	0.2%	0.2%
Permits	14,630	13,405	19,456	19,922	20,741	21,418	21,428	33.0%	2.4%	4.1%	3.3%	0.1%
Charges for Services	28,289	28,589	28,714	29,144	29,290	29,349	29,407	1.5%	1.5%	0.5%	0.2%	0.2%
Intra City	23,191	27,439	22,842	28,368	23,689	29,368	24,418	-1.5%	24.2%	-16.5%	24.0%	-16.9%
Misc	8,520	6,497	8,630	8,726	8,811	8,892	8,975	1.3%	1.1%	1.0%	0.9%	0.9%
CIP Funded	8,281	10,524	8,623	10,912	8,917	11,277	9,227	4.1%	26.6%	-18.3%	26.5%	-18.2%
Total Revenue	772,178	788,041	810,565	830,663	838,530	865,867	880,571	5.0%	2.5%	0.9%	3.3%	1.7%

OPTIMISTIC SCENARIO

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

(\$000's)	AUDITED ACTUAL FY/23	REVISED BUDGET FY/24	FORECASTS			
			FY/25	FY/26	FY/27	FY/28
RESOURCES:						
Recurring Revenue	768,913	806,522	826,621	834,144	861,328	875,847
% Change Recurring Revenue		4.9%	2.5%	0.9%	3.3%	1.7%
Total Non-recurring	<u>3,265</u>	<u>4,044</u>	<u>4,041</u>	<u>4,386</u>	<u>4,539</u>	<u>4,724</u>
TOTAL REVENUES	772,178	810,565	830,663	838,530	865,867	880,571
% Change Total Revenue		5.0%	2.5%	0.9%	3.3%	1.7%
BEGINNING FUND BALANCE	<u>218,933</u>	<u>167,514</u>	<u>105,926</u>	<u>62,738</u>	<u>(57,600)</u>	<u>(169,347)</u>
TOTAL RESOURCES	<u>991,111</u>	<u>978,080</u>	<u>936,588</u>	<u>901,268</u>	<u>808,267</u>	<u>711,223</u>
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	698,926	766,105	848,217	933,234	951,980	979,365
% Change Recurring Appropriation		9.6%	10.7%	10.0%	2.0%	2.9%
Non-recurring Exp/App:						
One-time Items	<u>124,671</u>	<u>106,049</u>	<u>25,634</u>	<u>25,634</u>	<u>25,634</u>	<u>27,817</u>
TOTAL EXPEND/APPROP	<u>823,597</u>	<u>872,154</u>	<u>873,851</u>	<u>958,868</u>	<u>977,614</u>	<u>1,007,182</u>
UNADJUSTED FUND BALANCE	<u>167,514</u>	<u>105,926</u>	<u>62,738</u>	<u>(57,600)</u>	<u>(169,347)</u>	<u>(295,959)</u>
ADJUSTMENTS:						
Encumbrances	(22,174)	0	0	0	0	0
Unrealized (Gain)/Loss on Investments	2,515	2,515	2,515	2,515	2,515	2,515
Other Accounting Adjustments	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>
TOTAL ADJUSTMENTS	<u>(19,734)</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>
ADJUSTED FUND BALANCE	<u>147,780</u>	<u>108,366</u>	<u>65,178</u>	<u>(55,160)</u>	<u>(166,907)</u>	<u>(293,519)</u>
RESERVES:						
1/12th Operating Reserve	71,355	68,888	72,821	79,906	81,468	83,932
Wage Adj. Designated Job Codes	445	0	0	0	0	0
Estimated Savings - Q2	12,000	0	0	0	0	0
GRT Bond Debt Service	326	0	0	0	0	0
Wage Adjust Less Than \$15/hr	<u>0</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL RESERVES	84,126	68,988	72,821	79,906	81,468	83,932
AVAILABLE FUND BALANCE	<u>63,654</u>	<u>39,378</u>	<u>(7,643)</u>	<u>(135,066)</u>	<u>(248,375)</u>	<u>(377,451)</u>
1/12th Operating Reserve	68,633	72,680	72,821	79,906	81,468	83,932
Recurring Surplus/(Deficit)	69,542	40,416	(21,595)	(99,090)	(90,652)	(103,518)

PESSIMISTIC SCENARIO

This scenario is based on the IHS pessimistic alternative and is assigned a probability of 25%. In this scenario there is weaker consumer spending and business investment, with consumer confidence remaining below the baseline. A driving force in this scenario is the assumption that the Russia-Ukraine conflict intensifies and lingers on, and tighter lending standards than in the baseline.

In Albuquerque, the unemployment rate remains around 0.2% higher in FY/24 and then averages 1% higher through FY/28. Employment remains slightly below the baseline in FY/24 and FY/25, levels with the baseline in FY/26 before averaging 0.4% above the baseline for the remainder of the forecast.

A slowdown in employment and construction has a negative impact on GRT and other revenues, the worst effect being in FY/25, tracking 2.1% less than in the baseline. Recurring revenue increases \$3.3 million in FY/24 before dropping \$10.4 million lower than the baseline in FY/25. General Fund losses then average 2.3% each year throughout the remainder of the forecast. In addition to declines in GRT, there are substantial impacts on other taxes, building permits, and charges for services.

Note: Revenues grow slower than expenses and available fund balance is negative \$47.9 million in FY/25. Assuming the initial deficit is not addressed, the recurring deficit compounds to a negative \$507.9 million by FY/28.

Pessimistic Scenario Inflation Factors

	2021	2022	2023	2024	2025	2026	2027	2028
All Items	2.3%	7.2%	6.3%	3.6%	2.9%	1.8%	1.6%	1.6%
Wages & Salary	3.0%	5.1%	5.0%	3.9%	2.8%	2.3%	2.2%	2.2%
Medical Care	3.0%	2.3%	2.5%	2.6%	2.9%	2.2%	2.0%	2.0%
Core CPI	2.1%	6.9%	9.4%	3.0%	1.8%	1.5%	1.6%	1.6%
New Cars	1.8%	10.6%	7.1%	-0.5%	-6.5%	-3.9%	-2.6%	-2.7%
Trasportation	0.0%	8.6%	11.0%	4.5%	3.3%	1.9%	1.4%	1.1%
Natural Gas	15.7%	46.4%	-6.8%	-18.9%	17.1%	17.6%	2.2%	-1.6%
Gasoline & Oil	1.4%	45.1%	0.9%	6.4%	8.2%	-1.4%	0.2%	2.1%
Electricity	2.0%	8.5%	11.8%	-0.3%	2.8%	3.3%	1.3%	0.6%
Govt Consumption	3.3%	6.7%	4.9%	1.8%	2.9%	2.5%	2.5%	2.5%
Auto Parts and Acessories	1.2%	9.4%	8.7%	0.0%	-1.9%	0.2%	0.6%	0.9%

General Fund Revenues (In Thousands of Dollars)

	Audited	Budget	Five Year Forecast					Growth				
	FY/23	FY/24	FY/24	FY/25	FY/26	FY/27	FY/28	FY/24	FY/25	FY/26	FY/27	FY/28
Total Gross Receipts	550,458	557,041	574,752	564,688	565,646	574,118	587,718	4.4%	-1.8%	0.2%	1.5%	2.4%
Taxes	134,251	139,762	138,702	142,273	146,123	150,301	153,949	3.3%	2.6%	2.7%	2.9%	2.4%
Shared	4,558	4,785	4,572	4,585	4,594	4,604	4,613	0.3%	0.3%	0.2%	0.2%	0.2%
Permits	14,630	13,405	16,716	15,937	16,433	16,875	16,885	14.3%	-4.7%	3.1%	2.7%	0.1%
Charges for Services	28,289	28,589	27,158	26,615	26,748	26,801	26,855	-4.0%	-2.0%	0.5%	0.2%	0.2%
Intra City	23,191	27,439	22,794	28,145	23,267	28,706	23,733	-1.7%	23.5%	-17.3%	23.4%	-17.3%
Misc	8,520	6,497	7,272	7,317	7,355	7,390	7,425	-14.6%	0.6%	0.5%	0.5%	0.5%
CIP Funded	8,281	10,524	8,602	10,822	8,800	11,057	8,995	3.9%	25.8%	-18.7%	25.7%	-18.6%
Total Revenue	772,178	788,041	800,568	800,383	798,965	819,852	830,173	3.7%	0.0%	-0.2%	2.6%	1.3%

PESSIMISTIC SCENARIO

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

(\$000's)	AUDITED ACTUAL FY/23	REVISED BUDGET FY/24	FORECASTS			
			FY/25	FY/26	FY/27	FY/28
RESOURCES:						
Recurring Revenue	768,913	796,450	796,092	794,569	815,346	825,543
% Change Recurring Revenue		3.6%	0.0%	-0.2%	2.6%	1.3%
Total Non-recurring	<u>3,265</u>	<u>4,117</u>	<u>4,291</u>	<u>4,396</u>	<u>4,506</u>	<u>4,630</u>
TOTAL REVENUES	772,178	800,568	800,383	798,965	819,852	830,173
% Change Total Revenue		3.7%	0.0%	-0.2%	2.6%	1.3%
BEGINNING FUND BALANCE	<u>218,933</u>	<u>167,514</u>	<u>95,928</u>	<u>22,486</u>	<u>(130,843)</u>	<u>(274,353)</u>
TOTAL RESOURCES	<u>991,111</u>	<u>968,082</u>	<u>896,311</u>	<u>821,451</u>	<u>689,009</u>	<u>555,819</u>
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	698,926	766,105	848,191	926,660	937,728	956,395
% Change Recurring Appropriation		9.6%	10.7%	9.3%	1.2%	2.0%
Non-recurring Exp/App:						
One-time Items	<u>124,671</u>	<u>106,049</u>	<u>25,634</u>	<u>25,634</u>	<u>25,634</u>	<u>27,817</u>
TOTAL EXPEND/APPROP	<u>823,597</u>	<u>872,154</u>	<u>873,825</u>	<u>952,294</u>	<u>963,362</u>	<u>984,212</u>
UNADJUSTED FUND BALANCE	<u>167,514</u>	<u>95,928</u>	<u>22,486</u>	<u>(130,843)</u>	<u>(274,353)</u>	<u>(428,393)</u>
ADJUSTMENTS:						
Encumbrances	(22,174)	0	0	0	0	0
Unrealized (Gain)/Loss on Investments	2,515	2,515	2,515	2,515	2,515	2,515
Other Accounting Adjustments	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>
TOTAL ADJUSTMENTS	<u>(19,734)</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>	<u>2,440</u>
ADJUSTED FUND BALANCE	<u>147,780</u>	<u>98,368</u>	<u>24,926</u>	<u>(128,403)</u>	<u>(271,913)</u>	<u>(425,953)</u>
RESERVES:						
1/12th Operating Reserve	71,355	68,888	72,819	79,358	80,280	82,018
Wage Adj. Designated Job Codes	445	0	0	0	0	0
Estimated Savings - Q2	12,000	0	0	0	0	0
GRT Bond Debt Service	326	0	0	0	0	0
Wage Adjust Less Than \$15/hr	<u>0</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL RESERVES	84,126	68,988	72,819	79,358	80,280	82,018
AVAILABLE FUND BALANCE	<u>63,654</u>	<u>29,380</u>	<u>(47,893)</u>	<u>(207,761)</u>	<u>(352,193)</u>	<u>(507,971)</u>
1/12th Operating Reserve	68,633	72,680	72,819	79,358	80,280	82,018
Recurring Surplus/(Deficit)	69,542	30,345	(52,099)	(132,091)	(122,383)	(130,852)

COMPARISON OF SCENARIOS

Comparison of Scenarios—National and Local Variables						
Indicator/FY	SCENARIO			Difference		
	Optimistic	Baseline	Pessimistic	Optimistic	Pessimistic	
GRT- (State Shared 1.225%)						
2024	6.4%	4.5%	5.9%	1.9%	1.4%	
2025	2.0%	1.1%	-1.0%	0.9%	-2.1%	
2026	2.1%	1.8%	0.9%	0.3%	-0.9%	
2027	2.7%	2.4%	1.9%	0.3%	-0.5%	
2028	3.1%	2.9%	2.5%	0.2%	-0.4%	
Employment -Albuquerque MSA						
2024	1.0%	0.8%	-0.3%	0.2%	-1.1%	L
2025	0.1%	0.2%	-1.7%	-0.1%	-1.9%	O
2026	0.1%	0.1%	0.1%	0.0%	0.0%	C
2027	0.4%	0.4%	0.8%	0.0%	0.4%	A
2028	0.4%	0.4%	0.8%	0.0%	0.4%	L
Unemployment Rate -Albuquerque MSA						
2024	3.8%	3.9%	4.1%	-0.1%	0.2%	
2025	4.0%	4.2%	5.3%	-0.2%	1.1%	
2026	4.5%	4.6%	5.8%	-0.1%	1.2%	
2027	4.5%	4.7%	5.6%	-0.2%	0.9%	
2028	4.5%	4.7%	5.6%	-0.2%	0.9%	
GRT Construction						
2024	11.1%	8.3%	10.3%	2.8%	2.0%	
2025	4.6%	3.2%	1.3%	1.4%	-1.9%	I
2026	4.4%	3.9%	2.4%	0.5%	-1.5%	N
2027	4.3%	3.9%	2.8%	0.4%	-1.1%	D
2028	4.5%	4.1%	3.3%	0.4%	-0.8%	I
MSA Construction Employment						
2024	1.6%	1.4%	1.0%	0.2%	-0.4%	A
2025	1.7%	1.2%	-0.3%	0.5%	-1.5%	T
2026	1.6%	1.2%	0.2%	0.4%	-1.0%	O
2027	1.5%	1.2%	0.7%	0.3%	-0.5%	R
2028	1.5%	1.2%	0.7%	0.3%	-0.5%	S
Residential Housing Permits-Inside City						
2024	1,493	1,453	1,346	40	(107)	
2025	1,431	1,372	1,148	58	(224)	
2026	1,476	1,427	1,221	49	(206)	
2027	1,541	1,483	1,278	58	(205)	
2028	1,609	1,541	1,338	68	(203)	
Real GDP						
2024	3.0%	2.6%	2.1%	0.4%	-0.5%	
2025	1.7%	1.1%	0.6%	0.6%	-0.5%	
2026	1.7%	1.4%	1.3%	0.3%	-0.1%	
2027	1.7%	1.8%	2.0%	-0.1%	0.2%	
2028	1.7%	1.8%	1.8%	-0.1%	0.0%	
Unemployment Rate						
2024	3.5%	3.7%	4.6%	-0.2%	0.9%	
2025	3.9%	4.1%	6.0%	-0.3%	1.9%	N
2026	4.3%	4.6%	6.2%	-0.3%	1.6%	A
2027	4.4%	4.7%	5.9%	-0.3%	1.2%	T
2028	4.4%	4.6%	5.5%	-0.2%	0.9%	I
CPI-Urban Consumers						
2024	2.8%	2.9%	3.6%	0.0%	0.8%	N
2025	3.0%	2.4%	2.9%	0.6%	0.5%	A
2026	2.3%	2.2%	1.8%	0.1%	-0.4%	L
2027	2.2%	2.1%	1.6%	0.1%	-0.5%	
2028	2.3%	2.2%	1.6%	0.1%	-0.6%	
Interest Rates-Federal Funds Rate						
2024	5.5%	5.5%	5.4%	0.1%	0.0%	I
2025	5.1%	4.8%	3.4%	0.3%	-1.4%	N
2026	3.6%	3.4%	1.4%	0.2%	-2.0%	D
2027	2.8%	2.6%	0.6%	0.2%	-2.0%	I
2028	2.6%	2.6%	0.6%	0.0%	-2.0%	C
Interest Rates-Ten Year Treasury Bonds						
2024	4.5%	4.4%	4.2%	0.1%	-0.2%	A
2025	4.0%	3.8%	3.2%	0.2%	-0.6%	T
2026	3.5%	3.4%	2.6%	0.1%	-0.8%	O
2027	3.3%	3.3%	2.3%	0.1%	-0.9%	R
2028	3.3%	3.2%	2.3%	0.0%	-0.9%	S
West Texas Intermediate \$/Barrel						
2024	79.0	80.9	94.7	(1.8)	13.8	
2025	81.1	81.1	94.9	0.0	13.8	
2026	78.2	78.2	91.0	0.0	12.8	
2027	78.8	78.8	91.4	0.0	12.6	
2028	81.7	81.7	94.2	0.0	12.5	

COMPARISON OF SCENARIOS

REVENUE COMPARISON

(In Thousands of Dollars)

	Pessimistic - Baseline					Optimistic - Baseline				
	FY/24	FY/25	FY/26	FY/27	FY/28	FY/24	FY/25	FY/26	FY/27	FY/28
Total Gross Receipts	7,716	(4,099)	(9,752)	(12,887)	(15,070)	10,221	15,384	17,080	19,320	21,167
Other Taxes	(997)	(1,508)	(1,626)	(1,813)	(2,019)	761	1,021	2,008	2,267	2,323
State Shared	-	-	-	-	-	14	32	254	254	255
Permits	(1,078)	(1,724)	(1,734)	(1,812)	(1,813)	1,662	2,260	2,574	2,730	2,731
Charges for Services	(1,132)	(1,590)	(1,598)	(1,601)	(1,604)	424	940	945	947	948
Intra City	(71)	(194)	(266)	(464)	(493)	(23)	29	156	199	193
Misc	(1,121)	(1,169)	(1,212)	(1,256)	(1,303)	236	240	244	246	247
CIP Funded	(31)	(83)	(115)	(198)	(212)	(10)	7	3	21	19
Total Revenue	3,287	(10,367)	(16,303)	(20,032)	(22,515)	13,285	19,912	23,262	25,984	27,883
Recurring Growth	0.4%	-1.3%	-2.0%	-2.4%	-2.6%	1.7%	2.5%	2.9%	3.1%	3.3%

COMPARISON OF SCENARIOS

US Macro Forecast Snapshot: October 2023

Variable	Baseline Scenario (55% Probability)	Pessimistic Scenario (25% Probability)	Optimistic Scenario (20% Probability)
GDP Growth	Real GDP rises 2.5% in 2023. Growth continues at 1.6% in 2024 and 1.2% in 2025.	Real GDP rises 2.3% in 2023. Growth then slows to 0.9% in 2024 before rising to 1.0% in 2025.	Real GDP grows 2.6% in 2023 as the relative strength in consumer spending supports growth. Growth persists at 2.3% in 2024 and 1.7% in 2025.
Consumer Spending	Consumption drops from 2.5% in 2022 to 2.3% in 2023. Growth continues at 1.8% in 2024 and 1.5% in 2025.	Spending rises 2.1% in 2023, 0.8% in 2024, and 1.4% in 2025.	Spending rises 2.3% in 2023, 2.5% in 2024, and 2.1% in 2025.
Business Fixed Investment	Increases 4.4% in 2023, 1.6% in 2024, and 0.9% in 2025.	Rises 3.9% in 2023 before falling by 0.8% in 2024 and 1.8% in 2025.	Rises 4.6% in 2023, 2.9% in 2024, and 2.3% in 2025.
Housing	Housing starts fall from 1.51 million in 2022 to 1.40 million in 2023, fall to 1.39 million in 2024, and tick up to 1.40 million in 2025.	Housing starts drop from 1.41 million in 2022 to 1.36 million in 2023 and 1.27 in 2024 before rising to 1.30 million in 2025.	Housing starts are fall to 1.41 million in 2023. Housing starts then tick down to 1.42 million in 2024 before rising to 1.44 million in 2025.
Exports	Rise 3.1% in 2023, 3.4% in 2024, and 3.5% in 2025.	Jump 3.0% in 2023, 2.5% in 2024, and 3.9% in 2025.	Rise 3.0% in 2023, 4.7% in 2024, and 3.2% in 2025.
Fiscal Policy	Government shutdown avoided in October; spending limited by caps through 2025.	Same fiscal assumptions as in baseline.	Same fiscal assumptions as in baseline.
Monetary Policy	We expect that the upper end of the federal funds rate target to reach 5.60% by early 2024.	The federal funds rate reaches an upper limit of 5.60% in early 2024.	Similar path to baseline but with a higher long-run federal funds rate over 2023–2026.
Credit Conditions	Eased in 2021 but tighten throughout the forecast amidst high interest rates.	Remain slightly tighter than in baseline.	Slightly looser than in baseline.
Productivity Growth	Moves up from -1.9% in 2022 to 1.1% in 2023. Growth continues at 1.0% in 2024 and 1.5% in 2025.	Rises 1.1% in 2023, 2.7% in 2024, and 2.1% in 2025.	Rises 1.1% in 2023, before picking up to 1.4% in 2024 and 1.9% in 2025.
Consumer Confidence	Gently escalates through 2023.	Remains below the baseline over the entire forecast interval.	Outperforms baseline over the entire forecast interval.
Oil Prices (Dollars/barrel)	Average price of Brent crude oil falls from \$100/barrel in 2022 to \$84 in 2023, rises to \$86 in 2024 and falls to \$84 in 2025.	Brent crude oil averages \$87 in 2023, \$106 in 2024, and \$100 in 2025.	Brent crude oil averages \$83 in 2023, \$85 in 2024, and \$84 in 2025.
Stock Markets	The year-end value of the S&P 500 fell 19.4% in 2022. The index grows 6.1% over 2023, but falls 5.1% in 2024 before rising 4.5% in 2025.	The year-end value of the S&P 500 fell 19.4% in 2022 then rises 2.9% in 2023. Falls 8.5% in 2024 before rising 3.2% in 2025.	The year-end value of the S&P 500 fell -19.4% in 2022, but jumps 10.2% in 2023, before falling 2.3% in 2024 and rising 5.2% in 2025.
Inflation (CPI)	Core personal consumption (PCE) price inflation falls from 5.2% in 2022 to 4.2% in 2023, 2.6% in 2024, and 2.2% in 2025.	Core PCE price inflation slows to 4.3% in 2023, 2.9% in 2024, and 1.8% in 2025.	Core PCE price inflation falls from 5.2% in 2022 to 4.1% in 2023, 2.8% in 2024, and 2.3% in 2025.
Foreign Growth	Eurozone GDP slips from 3.4% in 2022 to 0.4% in 2023, while China's growth rises from 3.0% in 2022 to 5.0% in 2023.	Global economy suffers from Russia-Ukraine conflict and tightening lending standards.	Global economy recovers more quickly than in baseline amid a faster resolution to the Russia-Ukraine conflict.
US Dollar	The broad real dollar gently falls through the end of 2029 before resuming to rise.	Decreases slowly through the forecast through 2028 before resuming to rise.	The broad dollar strengthens slightly more than in the baseline.

Source: S&P Global, October 2023 forecast snapshot

REVENUE HISTORY

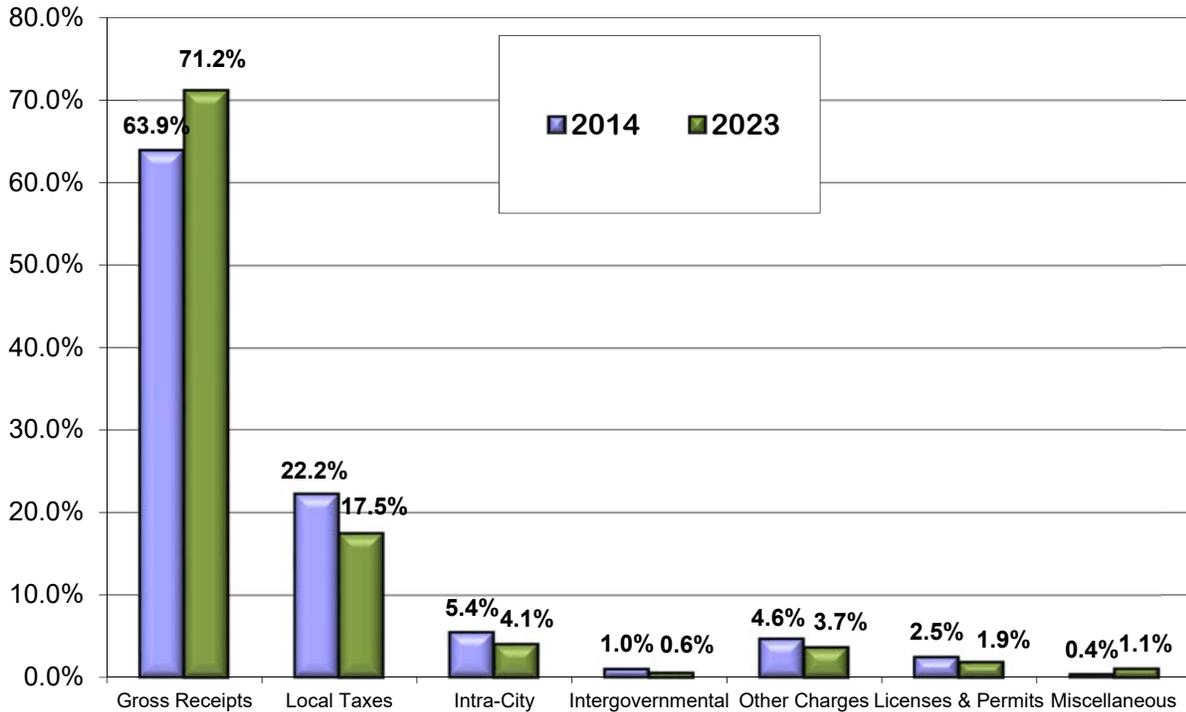
GENERAL FUND REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/14 to FY/23 is presented below. These numbers reflect a two-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board. Total receipts from FY/14 to FY/23 increased 61.6% or a compound annual rate of 5.5%. Recurring revenues for the same period showed annual growth of 5.5%.

The bar chart below compares the composition, by major revenue category, of

General Fund recurring revenues in FY/14 and FY/23. The City's General Fund has continued to become more reliant on Gross Receipts Taxes and less on local taxes (franchises and property tax). This became more pronounced in FY/22, when tax changes at the State level allowed for local tax increments on internet sales. For FY/23, the GRT share of General Fund was 71.2%. Licenses and permits declined to 1.9%. Charges for services became somewhat lower and miscellaneous revenues became a fraction higher.

**Shares of Recurring General Fund Revenues
FY/14 to FY/23**



The following sections present changes that occurred from FY/14 to FY/23, as well as detailed historical perspective, by category.

GENERAL FUND REVENUE HISTORY

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

REVENUE SOURCE	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20	FY/21	FY/22	FY/23	GROWTH	COMPOUND
											FY/14 TO FY/23	ANNUAL RATE
GROSS RECEIPTS TAX	265,745	276,573	280,550	284,466	296,408	348,621	363,444	371,051	450,299	480,903	81.0%	6.8%
GRT PUBLIC SAFETY	36,239	37,606	38,236	38,720	40,283	40,500	42,268	43,561	52,869	56,291	55.3%	5.0%
INTERNET SALES	0	0	0	0	0	0	6,012	12,025	0	0	N/A	N/A
LOCAL COMPENSATING TAX	1,570	2,361	1,325	1,269	1,557	1,542	1,766	1,403	9,361	9,049	476.3%	21.5%
INTERSTATE TELECOM TAX	0	0	0	0	0	0	0	0	89	74	N/A	N/A
CANNABIS EXCISE	0	0	0	0	0	0	0	0	296	4,141	N/A	N/A
TOTAL GRT	303,554	316,540	320,111	324,456	338,248	390,663	413,490	428,039	512,913	550,458	81.3%	6.8%
OTHER LOCAL TAXES	105,273	107,542	108,010	111,203	111,584	114,743	117,852	128,437	130,796	134,251	27.5%	2.7%
LICENSES AND PERMITS	11,705	11,307	11,899	13,049	11,545	13,634	12,523	11,213	13,984	14,630	25.0%	2.5%
INTER-GOVERNMENTAL AID	4,808	4,327	4,739	4,887	4,753	5,219	5,010	4,929	4,521	4,558	-5.2%	-0.6%
INTRA-CITY CHARGES (1)	28,054	27,630	29,577	30,734	30,426	29,524	28,963	29,836	30,594	31,472	12.2%	1.3%
OTHER SERVICE CHARGES	22,301	20,841	21,537	22,924	24,161	22,669	20,030	23,294	29,164	28,289	26.9%	2.7%
MISCELLANEOUS	2,235	1,568	4,002	3,925	3,437	4,004	5,871	5,183	8,264	8,520	281.2%	16.0%
TOTAL REVENUES	477,930	489,756	499,875	511,179	524,154	580,457	603,739	630,931	730,236	772,178	61.6%	5.5%
LESS NON-RECURRING	3,199	4,836	4,210	4,915	8,768	2,965	9,146	2,361	15,262	3,265	2.1%	0.2%
RECURRING REVENUES	474,731	484,920	495,665	506,264	515,386	577,492	594,593	628,570	714,974	768,913	62.0%	5.5%

NOTES:

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

Other Local Taxes

This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category reduced its share of total recurring revenues from 22.2% in FY/14 to 17.5% in FY/23. Overall, property tax revenues increased at an annual compound rate of 2.6%. There were no shifts in the tax that affected growth in this period. However, due to a mandated review of non-residential properties in the most recent tax year, this is the first-time non-residential property values increased more than residential property values, which increased 8% and 5%, respectively.

Commercial property had shown slight new growth following the decline in existing values that persisted during the 2008 recession. Since commercial property values can be based on the income the property can earn, a struggling economy can be a drag on earning capabilities. According to the Bernalillo County Assessor 2023 Annual Report, non-residential net taxable

values from 2013 to 2022 increased by \$154.5 million, a 4.6% increase. By contrast, residential net taxable values increased by \$4.5 billion, a 42.0% increase during the same time period. Consequently, the Bernalillo County Assessor implemented a non-residential maintenance plan using statutorily applicable manuals, subscriptions, and market data to establish current and correct valuations for non-residential maintenance assessments.

Historical slumps were due to several factors. Residential property values declined with the 2008 recession; new residential construction had been slow; and the Bernalillo County Assessor adjusted property values downward to avoid “tax lightning.” Tax lightning occurred when county assessors reassessed homes to the “current and correct value” in the year after they were sold, often spiking a new homeowner’s tax bill. Following a court case in 2009, the County Assessor limited assessments on these re-sold homes to a 3% annual increase, substantially reducing

GENERAL FUND REVENUE HISTORY

the residential tax base. This case was successfully appealed in 2012 and property values can now increase with their sale. However, declines in home values that followed the 2008 recession continued to limit the increases. In FY/12, residential rates were at a maximum and the yield control mechanisms would no longer increase rates. With low rates of inflation, yield control reduced rates from 6.544 mills in FY/12 to 6.241 in FY/18, a reduction of 5% in the rates.

The compound annual rate for total franchise revenues increased to 3.1% from FY/14 to FY/23, with positive growth for the gas, water, electricity and telecom utilities only.

For FY/23, the Water Utility Franchise declined 15.9% despite a rate hike during the year; the utility reported a decline in usage due to ongoing conservation efforts. The gas franchise grew at just over 7.8% for the year. The New Mexico Gas Company reported it experienced a 36% hike in the cost of gas purchased on behalf of its customers in 2021 due to rising worldwide natural gas prices. These increases happened several years in a row. Telecom struggled more during the deepest part of the pandemic and then rebounded in FY/21 and FY/22, with growth of 33.2% and 27.9%, respectively. However, in FY/23, telecom reversed course, declining 10.5%. The telephone and cable franchises have experienced negative compound annual growth during the period, which continued flat or negative from FY/22 to FY/23.

PILOT had annual compound growth of 3.9% and grew 0.8% in FY/23. Historically, slow population growth and household formation contributes to sluggish growth in the franchises and PILOT. However, extreme heat and cold and volatile energy prices have impacted gas and electric franchises in recent years.

Licensing and Permits

The share for this category declined to 1.9% for FY/23. The limited share was due in part

to the fall in building permits and licensing revenue that occurred in FY/07 through FY/09. This category was also impacted in complex ways during the pandemic. Certain revenues, such as business registration fees and barricading, declined due to decreased demand or because the City waived the fees. Other revenues, such as building permits, maintained momentum due to pre-pandemic strength and City policy that determined construction was an essential business. Although, inflation in FY/22 did eat into real growth for the year. From FY/14, building permits increased an average compound annual rate of 4.7%. However, this category decreased 2.7% in FY/23, following a 12.4% increase in FY/22.

As of FY/23, revenue was still only 78% of the FY/06 high. Other licenses and fees declined at a compound annual rate of 0.7% since FY/14. However, for FY/22 and FY/23 this group increased 68.4% and 22%, respectively. While a significant rebound, it is still about 18% below pre-pandemic levels

Intergovernmental Aid

Revenues from other governments not including GRT shared distributions accounted for 1% of General Fund recurring receipts in FY/14 and decreased slightly for FY/23, to 0.6%. Revenues increased at a compound annual rate of 0.6% during this period. The only recurring revenues are the municipal gasoline tax, state shared vehicle taxes and county shared revenues. In FY/23, road gas taxes decreased 1.5% while state shared motor vehicle licenses increased 3.2%.

The State stopped the cigarette tax revenues distribution in FY/11, an annual loss of approximately \$400 thousand. In FY/12, the General Fund lost the state-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and the State legislature reassigned this distribution to the County beginning in FY/12. In past years, there were grants that were generally reimbursements for one-time expenses; however, these are now captured in charges

GENERAL FUND REVENUE HISTORY

for services. In FY/14, \$108 thousand of revenue received from Bernalillo County to manage household hazardous waste was moved from the General Fund to the Solid Waste Enterprise fund.

Intra-City Revenues

These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other inter-fund transfers, excluding PILOT. In FY/14, these accounted for 5.4% of recurring revenues and 4.1% in FY/23.

CIP-funded positions are associated with capital projects for construction of parks, roads, storm sewer, and other construction projects in the CIP program and vary considerably with City trends in construction. For FY/23, these revenues declined 16.5%, to \$8.3 million. This is contrast to \$10.1 million in FY/20 following an influx of capital expenditures. Compound annual growth from FY/14 is a decline of 0.8%.

Interfund transfers in total can vary substantially due to one-time transfers from other funds. In FY/10, FY/11, FY/13, and FY/16 the closing of projects in special assessment districts yielded transfers to the General Fund of \$7.3 million, \$2.3 million, \$659 thousand and \$1.3 million, respectively. In FY/08 large transfers were mainly due to transfers from the newly created Photo-Enforcement Fund. Transfers from the Photo-Enforcement Fund were used to pay for the cost of operating the program, largely the cost of the Administrative Hearing Office. The program was discontinued in December 2011, and in November 2019, the City Council approved a resolution to remove \$21.3 million in uncollectable revenue. In FY/14 there was a one-time transfer of \$2.3 million from the Operating Grants Fund. FY/19 included a one-time transfer from the Lodgers' Tax Fund of \$622 thousand and the Hospitality Tax Fund of \$60 thousand for the National Senior Games. Also, in FY/19 there was a reduction of \$362 thousand in transfers from the Law Enforcement Protection fund to account for changes in forfeiture laws. The

FY/19 transfers were reversed for FY/20. For FY/21, transfers increased 54.4% due to a one-time transfer from the Golf operating fund to the General Fund, ending Golf as an enterprise fund. Interfund transfers increased 54.8% in FY/23, largely due to an accounting adjustment that decommissioned the Fund 715 warehouse fund.

Revenues from internal service charges have decreased dramatically as the City either contracted out, or moved services to separate funds. In FY/09 revenues were about \$1.6 million, with most of the revenue coming from a contract the Parks and Recreation Department had to provide landscape maintenance at the Sunport. Revenues began to decline in FY/14 with the start of the phase-out of the Sunport contract. From FY/19 to FY/22 most fluctuations are largely the result of rising and falling demand for engineering inspections conducted by the Municipal Development Department. Compound annual growth is down 19.8% from FY/14 and revenues were down 10.8% in FY/23 alone.

Indirect overhead (IDOH) revenues in FY/14 were \$13.8 million, increasing to approximately \$19.01 million in FY/23. This increase is mostly due to changes to the indirect plan, but could also be impacted by recent increases in inflation. Some of this is offset by reclassifying the IDOH from the Water Utility Authority to charges for services and rental agreements since the entity is independent and no longer accounted for as a component unit of the City.

Other Charges (Charges for Services)

Revenues from other charges accounted for 4.6% of General Fund recurring revenues in FY/14, dipping to 3.7% in FY/23. These revenues include entrance fees to City venues and charges to other funds and outside entities. Engineering fees and other construction related charges increased substantially prior to the 2008 recession and then fell as construction faltered. Revenues from charges for legal services, primarily

GENERAL FUND REVENUE HISTORY

from the Risk Management Fund, increased due to a rate increase in FY/10, in large part. This revenue in large part is dependent on the number of staff in the Legal Department and how much outside counsel for risk management cases they need to employ. In FY/12, the alarm ordinance amount increased to over \$1 million as all of the revenues - both fines and fees - are now collected in the General Fund. In FY/11 the Metropolitan Court also began paying the City approximately \$600 thousand for police security at the Metropolitan Court. Reimbursements from the County for library services in the unincorporated areas have remained relatively flat. The BioPark, which includes the zoo, aquarium and botanic gardens, had revenues of \$3.4 million in FY/12. The BioPark was one of the few City venues to increase attendance during the 2008 recession. In September of FY/13, admission fees to the park were increased and revenues increased to \$4 million for the year. The BioPark saw declines in revenue for FY/17, likely due to construction and delays associated with new exhibits for penguins and otters. While revenues missed expectations for FY/19 due in part to construction and delayed exhibit openings, revenues for the BioPark exceeded \$4 million.

For FY/20, the unusual nature of the economic crisis induced by the pandemic resulted in significant decreases beginning in April 2020 when the crisis began to impact City entertainment venues, public events and demand for City services due to reduced business and entertainment activity. For FY/20, revenues declined 11.6% from FY/19 and declined another 9.4% in FY/21; however, the transfer of golf revenue from an enterprise fund to the General Fund in that year resulted in just over \$5 million in additional revenue resulting in a net increase over FY/20 of 16.3% for this revenue category. For FY/22, this sector returned to and even exceeded pre-pandemic levels, increasing 25.4% over FY/21 to just over \$29 million, but slowed from the post-pandemic surge by 3% in FY/23.

Miscellaneous

This category has only a small share of recurring revenue and decreased from 0.4% in FY/14 to 1.1% in FY/23.

Interest earnings had fallen dramatically, from \$3.3 million in FY/08 to \$213 thousand in FY/14. In FY/16, interest earnings increased to \$1.1 million, but over half of this is due to the inclusion of unrealized gains. As a result of an adjustment to capture unrealized losses, the General Fund posted negative interest earnings in FY/17 and FY/18. In FY/19, the General Fund posted positive interest earnings of \$871 thousand. For FY/20, unrealized gains for interest earnings increased significantly, from about \$200 thousand to \$2.2 million resulting from low interest rates and strong equity markets during the year. After a moderate \$1.4 million in FY/21, interest earnings experienced the \$10.4 million unrealized loss in response to extreme volatility in markets as the recovery transitioned into worries about inflation and a potential recession. For FY/23, this category returned to more historical levels at about \$1.8 million as markets maintained more stable levels.

Other sources of revenue include rental of City property and fines. Rentals have remained relatively stable, with increases at about the rate of inflation. Fines are primarily air quality fines related to dust control and have averaged close to \$200 thousand in recent years. In FY/14, there was one-time revenue of \$381 thousand associated with the photo-enforcement program; this was from a collection program to collect unpaid fines associated with the now closed program. In FY/15, there was a large \$1.5 million reduction for a one-time accounting adjustment. For FY/21 there was the addition of new rental income associated with the acquisition of the Gibson Medical Center. In FY/23, air quality fees declined from the previous year and "other miscellaneous" declined substantially due to a \$12.3 million settlement between the City and the State's Taxation and Revenue that occurred in FY/22.

GENERAL FUND REVENUE HISTORY

Gross Receipts Tax

GRT remains the major contributor to the General Fund, making up 71.2% of recurring revenues in FY/23, up from 63.9% in FY/14. In FY/05, the City imposed a new 1/4 cent tax for public safety. On January 1, 2000 the 1/4 cent transportation tax was imposed; this replaced the 1/4 cent quality of life tax that expired June 30, 1999. In January 2007 and July 2008, the 1/4 cent tax basic services increment was removed in two 1/8 cent increments. The Transportation Tax expired in 2019 and was reinstated by voters on November 11, 2019, without a sunset.

The following table provides a summary of the GRT from FY/14 to FY/23 by revenue source. The locally imposed GRT consists of the municipal imposed 1/2 cent (two quarters), public safety 1/16 cent, infrastructure 1/16 cent, the transportation infrastructure 1/4 cent, and the BioPark projects 1/8 cent tax which is reserved for capital projects at the BioPark. The transportation infrastructure tax and the BioPark projects tax are not included in the General Fund.

In the spring of 2018, City Council voted for a 3/8ths "hold harmless" tax increase, a tax increment made available to municipalities following the phase-out hold harmless distributions to municipalities which were originally provided to help cover the loss of revenues when certain food and medical goods were exempted from gross receipts taxes. In FY/19, the tax generated about \$50 million for the first 11 months, increasing to \$79.4 million in FY/23. The 3/8ths tax grows more quickly than other increments because it does not include hold harmless revenues, which act as a drag on growth. In FY/09, the City began receiving a share of the compensating tax. The City's share in FY/09 was \$694 thousand and was phased in to a larger percentage and was \$1.5 million in FY/11. The distribution in FY/15 was \$2.4 million but \$361 thousand of this was non-recurring. The base of the

compensating tax includes revenues from oil producing activity and is at a substantially lower level in FY/18 and FY/19. In FY/22, following changes at the State level, the City began receiving both State shared and local increments on compensating tax; in FY/23, the City received a total of \$9 million.

In FY/22, these changes at the State level also allowed for local increments on internet sales. Implementing destination-based taxes, a change necessary to allow for local options on internet sales, resulted in other changes to local tax bases that are still not entirely understood. Also, effective July 1, 2019, House Bill 479 de-earmarked and consolidated local option taxes, allowing local governments more freedom in their use. However, the City of Albuquerque continues to collect and use its local options in the same manner as before.

Another change resulting in destination-based sourcing includes interstate telecom tax which totaled about \$73.7 thousand in FY/23. Finally, in FY/22 the State began allowing for the sale of recreational use cannabis. Total cannabis revenue received in FY/23 was \$4.1 million; however, due to an accounting oversight at the City, only \$295.6 thousand was recognized for FY/22. The remaining \$524.1 thousand was recognized in FY/23.

Total Gross Receipts Tax revenues in the General Fund increased at a compound annual rate of 6.8% from FY/14 to FY/23. The increased growth is partly due to 3/8ths hold harmless tax increment that went into effect July 1, 2018 as well as State shared and more remarkably, local internet sales, in FY/20, FY/21 and FY/22. The one-percent distribution showed a compound annual growth of 4.7% from FY/14 to FY/23, with 6.5% growth for FY/23 due to continued strength in the labor market, consumer spending and remaining inflation.

GENERAL FUND REVENUE HISTORY

GROSS RECEIPTS TAX REVENUES, FISCAL YEARS 2014 - 2023 (\$000's)

DETAIL ON GROSS RECEIPTS:	FY/14	FY/15	FY/16	FY/17	FY/18	FY/19	FY/20 ⁽⁵⁾	FY/21	FY/22	FY/23	FY'S 14-23 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:												
MUNICIPAL IMPOSED 1/2 CENT	74,661	77,481	78,796	79,817	83,052	83,534	86,203	87,121	105,737	112,582	50.8%	4.7%
PUBLIC SAFETY 1/4 CENT(3)	36,239	37,606	38,236	38,720	40,283	40,500	42,268	43,561	52,869	56,291	55.3%	5.0%
INFRASTRUCTURE 1/16 CENT (2)	8,895	9,237	9,387	9,523	9,913	9,986	10,305	10,752	13,093	13,959	56.9%	5.1%
HOLD HARMLESS 3/8 CENT COMPENSATING TAX						49,992	51,675	59,389	73,585	79,402		
									5,247	5,072		
	119,795	124,324	126,419	128,061	133,248	184,011	190,451	200,823	250,531	267,306	123.1%	9.3%
STATE SHARED RECEIPTS:												
1% DISTRIBUTION	147,162	152,725	155,223	157,529	163,962	165,276	173,305	172,772	208,450	222,052	50.9%	4.7%
.225% DISTRIBUTION	33,117	34,366	34,931	35,450	36,898	37,194	39,001	38,881	46,909	49,971	50.9%	4.7%
MUNICIPAL SHARE INTERNET SALES TAX							6,012	12,025				
MUNICIPAL SHARE COMPENSATING TAX	1,570	2,361	1,326	1,381	1,557	1,542	1,766	1,403	4,114	3,977	153.3%	10.9%
CANNABIS EXCISE TAX (7)									296	4,141		
INTERSTATE TELECOM									89	74		
	181,849	189,452	191,480	194,361	202,417	204,012	220,084	225,080	259,858	280,215	54.1%	4.9%
TOTAL TAX RECEIPTS	301,644	313,776	317,899	322,422	335,665	388,023	410,535	425,903	510,389	547,521	81.5%	6.8%
PENALTY & INTEREST	1,910	2,765	2,212	2,078	2,583	2,640	2,955	2,136	2,525	2,937	53.8%	4.9%
TOTAL GENERAL FUND DISTRIBUTION(6)	303,554	316,540	320,111	324,500	338,248	390,663	413,490	428,039	512,913	550,458	81.3%	6.8%
MUNICIPAL IMPOSED 1/4 CENT												
TRANSPORTATION2000 (4)												
TRANSPORTATION2010 (4)	35,585	36,777	37,616	38,154	39,720	40,011	41,603	43,026	52,371	55,836	56.9%	5.1%
	35,585	36,777	37,616	38,154	39,720	40,011	41,603	43,026	52,371	55,836	56.9%	5.1%
CAPITAL PURPOSES IMPOSED 1/8 CENT												
BIO PARK PROJECTS TAX(6)				15,579	17,773	19,970	18,683	19,808	24,509	26,454		
TOTAL GROSS RECEIPTS TAX REVENUES(1)	339,138	353,318	357,728	378,233	395,741	450,644	473,775	490,874	589,793	632,749	86.6%	7.2%

(1) After adjustments in compliance with GASB.

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

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

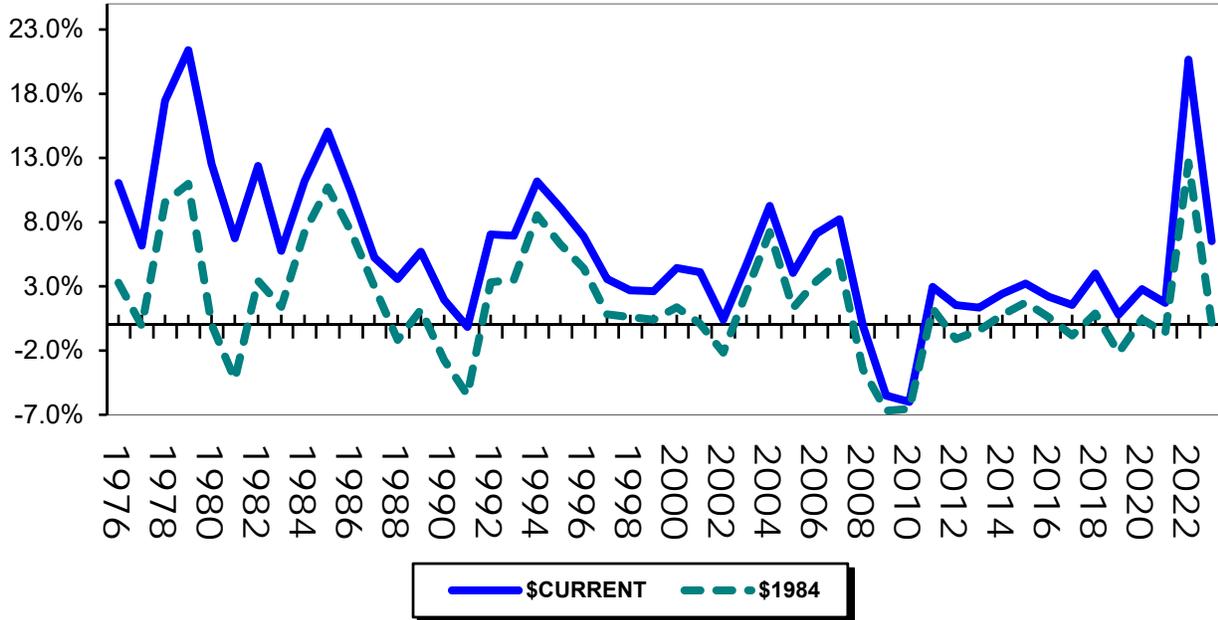
(4) 1/4 Cent Transportation Infrastructure Tax was renewed by voters on November 5, 2019 and will not sunset.

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

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

(7) Due to an accounting error, \$524.1 thousand in FY/22 Cannabis revenue will be recognized in FY/23; therefore, FY/22 revenue is short by the same amount.

**GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2023**



The year-over-year growth in the one-percent distribution received as State shared revenues is charted above in current dollars and inflation adjusted to constant 1984 dollars. In FY/12, growth was limited in part due to the imposition of an administrative fee of 3.25% on tax revenue distributions; however, beginning in FY/20 the fee was reduced to 3% and removed altogether for the food and medical hold harmless components of the distributions. The negative real growth in FY/81, FY/91, FY/02 and FY/09 and FY/19 corresponds to recessions. Since the 2008 recession in real terms, only FY/11, FY/14, FY/15, FY/16, FY/18, and FY/20 and FY/22 had growth that exceeded the rate of inflation. FY/17 shows a decline in real terms, in part, due to the phase out of the hold harmless distributions. The 1% tax mimics the performance of the Albuquerque economy. The gross receipts tax is an "elastic" revenue source, as revenues are sensitive to economic growth and inflation.

The other item of note is that the size of percentage increases in GRT has

decreased over the years. Part of this is due to the larger base of the economy and growth in surrounding regions, but the State has also reduced the tax base substantially by allowing many deductions from GRT. This of course was altered in FY/22 with the dramatic change to the tax base that occurred with the change to destination-based sourcing.

Changes to Gross Receipts Tax Base

Between FY/99 and FY/22 the state legislature exempted or allowed deductions from the Gross Receipts Tax base that affect Albuquerque for:

- Prescription drugs,
- Medicare expenditures,
- Movie production costs,
- Hospitals including for-profits,
- Construction materials purchased locally for use on Indian reservations,
- Deduction for jet fuels,
- Deduction for food and medical services,

GENERAL FUND REVENUE HISTORY

- Commercial airline repairs,
- Three day gross receipts tax holiday in August,
- Nursing home and health provider deductions,
- Renewable energy deductions,
- Compensating tax credit for electric generation,
- Deductions for construction services,
- Deductions for inputs consumed in the manufacturing process,
- Deductions for Space Based efforts at the Airforce Research Labs, and
- Deductions for medical cannabis.

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

ACCURACY OF THE REVENUE ESTIMATE

ACCURACY OF THE REVENUE ESTIMATES

A summary of information regarding the accuracy of General Fund revenue estimates over the past 10 years is presented in this section.

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

The first set of columns report the accuracy of the four month revised estimates. The second set of columns report the error of the six month revised estimates prepared as part of the Five-Year Forecast. The final set of columns report the differences between the actual results and the original budget estimates

prepared in February and March of the prior year. In each case, the figures are presented for the GRT, total recurring receipts, and non-recurring revenues. CIP-funded positions are excluded from the calculations because expenditures on these positions are fully reimbursed with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/23.

For FY/23, the six month estimate at the Five-Year Forecast was revised slightly downward as fears of a modest recession persisted. The U.S. Federal Reserve continued with efforts to slow the economy by raising interest rates seven times by this point in 2022 and there was considerable caution around whether these efforts could slow the economy without provoking at least a modest downturn.

FY/23 audited actuals reflect GRT revenues at 2.0% over original budget expectations, with recurring revenues less CIP at 1.7% above the estimate.

ACCURACY OF THE REVENUE ESTIMATES

ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)

(in \$000s)

	MARCH REVISION		FIVE YEAR FORECAST		APPROVED BUDGET	
	4 MONTH ESTIMATE		6 MONTH ESTIMATE		16 MONTH ESTIMATE	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
FISCAL YEAR 2023 (Audited Results)						
Gross Receipts Tax	11,135	2.0%	17,028	3.1%	11,135	2.0%
Recurring Revenues Less CIP	13,192	1.7%	15,970	2.1%	12,828	1.7%
Non-Recurring	186	5.7%	0.0	0.0%	186	5.7%
FISCAL YEAR 2022						
Gross Receipts Tax	2,037	0.4%	66,392	12.9%	91,015	17.7%
Recurring Revenues Less CIP	(5,691)	-0.8%	54,507	7.7%	83,450	11.8%
Non-Recurring	(0)	0.0%	(0)	0.0%	12,798	83.9%
FISCAL YEAR 2021						
Gross Receipts Tax	25,275	5.9%	25,275	5.9%	40,814	9.5%
Recurring Revenues Less CIP	22,660	3.7%	22,292	3.6%	35,495	5.8%
Non-Recurring	7,056	74.9%	7,992	84.9%	7,055	74.9%
FISCAL YEAR 2020						
Gross Receipts Tax	25,274	5.9%	1,358	0.3%	40,814	9.5%
Recurring Revenues Less CIP	28,767	4.7%	5,895	1.0%	35,495	5.8%
Non-Recurring	227	2.4%	227	2.4%	7,055	74.9%
FISCAL YEAR 2019						
Gross Receipts Tax	105	0.0%	1,014	0.3%	3,871	1.0%
Recurring Revenues Less CIP	(3,678)	-0.6%	(1,896)	-0.3%	1,492	0.3%
Non-Recurring	-	0.0%	0	0.0%	(1,370)	-46.2%
FISCAL YEAR 2018						
Gross Receipts Tax	8,207	2.4%	8,207	2.4%	46	0.0%
Recurring Revenues Less CIP	(15)	0.0%	(1,770)	-0.4%	(12,299)	-2.5%
Non-Recurring	6,148	62.4%	6,679	67.8%	7,054	71.6%
FISCAL YEAR 2017						
Gross Receipts Tax	(3,147)	-1.0%	(3,147)	-1.0%	(7,555)	-2.3%
Recurring Revenues Less CIP	(2,830)	-0.6%	(1,671)	-0.3%	(4,756)	-1.0%
Non-Recurring	-	0.0%	2,556	55.8%	2,146	46.9%
FISCAL YEAR 2016						
Gross Receipts Tax	(2,443)	-0.8%	(3,643)	-1.1%	118	0.0%
Recurring Revenues Less CIP	(1,758)	-0.4%	(1,640)	-0.3%	141	0.0%
Non-Recurring	572	12.0%	777	16.2%	777	16.2%
FISCAL YEAR 2015						
Gross Receipts Tax	2,651	0.8%	5,349	1.7%	4,464	1.4%
Recurring Revenues Less CIP	1,041	0.2%	2,096	0.4%	981	0.2%
Non-Recurring	444	9.2%	939	19.4%	2,603	53.8%
FISCAL YEAR 2014						
Gross Receipts Tax	(1,016)	-0.3%	(14)	0.0%	4,180	1.4%
Recurring Revenues Less CIP	(1,355)	-0.3%	(763)	-0.2%	3,539	0.8%
Non-Recurring	1,870	58.5%	3,128	97.8%	3,128	97.8%
*GRT reflects only recurring GRT						
FISCAL YEAR 2013						
Gross Receipts Tax	2,664	0.9%	2,664	0.9%	(5,615)	-1.9%
Recurring Revenues Less CIP	4,264	0.9%	4,412	1.0%	(1,393)	-0.3%
Non-Recurring	-	0.0%	1,145	49.1%	1,255	53.9%

ACCURACY OF THE REVENUE ESTIMATES

TABLE 28
ACTUAL AND ESTIMATED REVENUE IN FY/23

All figures in \$1,000's

	AUDITED	ESTIMATES								
	ACTUAL	2nd Revision (March 2023)			1st Revision (Dec. 2022)			Approved Budget (May 2022)		
REVENUE SOURCES:	FY/23	Estimate	Difference	Percent	Estimate	Difference	Percent	Estimate	Difference	Percent
Total GRT	550,458	539,323	11,135	2.0%	533,431	17,028	3.1%	539,323	11,135	2.0%
Property Tax	98,502	96,842	1,660	1.7%	97,030	1,472	1.5%	97,514	988	1.0%
Franchise Tax-Telephone	794	746	48	6.1%	1,006	(212)	-26.7%	1,025	(231)	-29.1%
Franchise Tax-Electric	14,754	14,390	364	2.5%	16,264	(1,509)	-10.2%	16,916	(2,162)	-14.7%
Franchise Tax-Gas	6,079	6,955	(876)	-14.4%	6,247	(168)	-2.8%	4,789	1,290	21.2%
Franchise Tax-Cable TV ABQ	3,943	3,947	(4)	-0.1%	4,163	(220)	-5.6%	4,096	(153)	-3.9%
Franchise Tax - Water Auth	7,347	8,738	(1,391)	-18.9%	9,201	(1,854)	-25.2%	8,546	(1,199)	-16.3%
Franchise Tax-Telecom	418	472	(54)	-12.8%	468	(50)	-11.9%	358	60	14.4%
Other Intergovernmental Assistance	4,558	4,399	159	3.5%	4,969	(411)	-9.0%	4,968	(411)	-9.0%
Building Permit Revenue	9,550	8,880	670	7.0%	7,502	2,048	21.4%	8,880	670	7.0%
Permit Revenue	5,080	4,410	670	13.2%	4,436	644	12.7%	4,410	670	13.2%
Service Charges	28,289	27,327	962	3.4%	28,435	(145)	-0.5%	26,017	2,272	8.0%
Fines & Penalties	108	101	7	6.5%	380	(272)	-251.9%	101	7	6.5%
Earnings on Investments	1,803	-	1,803		885	918		885	918	
Miscellaneous	6,610	6,283	327	4.9%	5,808	802	12.1%	5,347	1,263	19.1%
Transfers From Other Funds	3,982	2,636	1,346	33.8%	2,636	1,346	33.8%	2,636	1,346	33.8%
Payments In Lieu of Taxes	2,414	2,348	66	2.7%	2,347	67	2.8%	2,348	65	2.7%
IDOH	19,068	22,561	(3,493)	-18.3%	22,561	(3,493)	-18.3%	22,561	(3,493)	-18.3%
Services Charges-Internal	141	161	(20)	-14.2%	161	(20)	-14.2%	161	(20)	-14.2%
Transfers For CIP Positions	8,281	10,345	(2,064)	-24.9%	10,346	(2,065)	-24.9%	10,345	(2,064)	-24.9%
									0	
TOTAL REVENUE	772,178	760,865	11,313	1.5%	758,274	13,905	1.8%	761,228	10,950	1.4%
LESS: NON-RECUR	3,265	3,079	186	5.7%	3,265	0	0.0%	3,079	186	5.7%
RECURRING REVENUE	768,913	757,786	11,127	1.4%	755,009	13,905	1.8%	758,149	10,764	1.4%