



MEMORANDUM

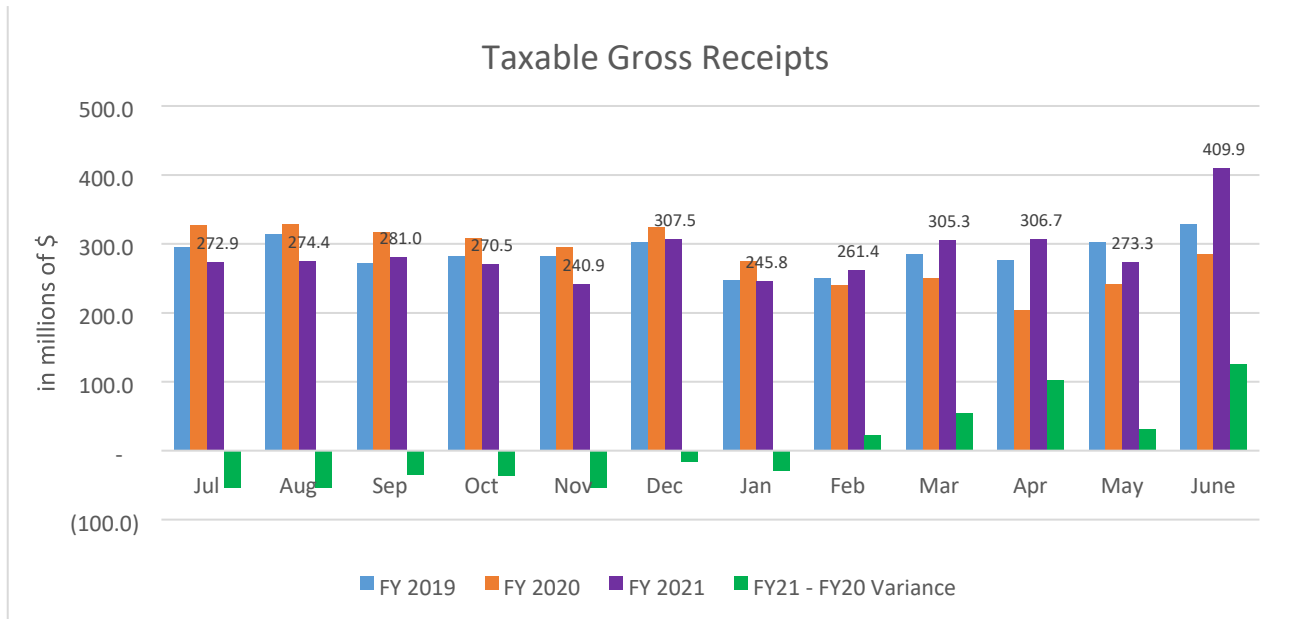
TO: Governing Body
VIA: Jarel LaPan Hill, City Manager
Mary McCoy, Finance Director
FROM: Bradley Fluetsch, CFA Planning and Investment Officer
RE: June GRT
DATE: August 25, 2021

Over the last decade, prior to the pandemic, strong population growth and a blossoming tourism sector resulted in steady increases in taxable gross receipts in Santa Fe and corresponding GRT revenues to the City of Santa Fe. As you are aware, the taxable gross receipts equates to revenue to Santa Fe businesses. Total taxable gross receipts for Santa Fe increased 1.58 percent from \$3.40 billion in FY20, during the height of the pandemic, to \$3.45 billion in FY21. Although the economic recovery has been strong in recent months, total taxable gross receipts in Santa Fe have yet to reach the pre-pandemic levels of \$3.60 billion in FY19.

As we review taxable gross receipts data from the last three years we see a tale of an uneven impact of the pandemic across economic sectors in Santa Fe. The pandemic negatively impacted taxable gross receipts in the hospitality industry cluster in sectors such as accommodations, food services and arts, entertainment and recreation. This industry cluster has not recovered to pre-pandemic levels. Other industries such as retail trade and real estate saw a decrease in taxable gross receipts in FY20, but rebounded in FY21 to surpass pre-pandemic levels. Finally, other industries such as construction and the professional, technical and scientific sectors posted year over year growth in all throughout the pandemic.

Federal stimulus spending of \$5 trillion in the last year bolstered the economic recovery for Santa Fe. Higher consumer spending, including spending in the hospitality industry, resulted in strong improvements to taxable gross receipts and GRT revenue during late FY21. June 2021 taxable gross receipts for Santa Fe businesses increased by \$125 million, or 44% over June 2020 levels. Not only did June 2021 numbers for taxable gross receipts in many industries surpass low levels reached in June 2020, but also in some cases even surpassed June 2019 levels. For example, for the month of June 2021, the Accommodation and Food Service industry gross receipts was \$58.3 million, an increase of \$33.8 million, or 138 percent, over June 2020 levels and an increase of \$6.3 million over June 2019 levels. The taxable gross receipts in the Arts, Entertainment and Recreation sector in June 2021 was up 172.2 percent over June 2020 and increased 9.3 percent over June 2019.

The economic recovery in Santa Fe is expected to continue, albeit at a more moderate pace in the coming months. The economic recovery has been uneven, and economists are forecasting that high-levels of consumer spending will moderate as the economy continues to recover through FY22. Additional economic disruption caused by COVID-19 variants like Delta remains a substantial unknown at this time.



June 2021 taxable gross receipts for Santa Fe businesses were strong, surpassing June 2020 by \$125.2 million. Please see attached source data from TRD. For the month of June 2021, the Accommodation and Food Service industry gross receipts were \$58.3 million, an increase over June 2020 levels of \$33.8 million, or 138 percent, and exceeding June 2019 by \$6.3 million. Arts, Entertainment and Recreation also continued its recovery in the month of June 2021, generating \$5.5 million in gross receipts, exceeding June 2020 by 172 percent and exceeding June 2019 by 9.3 percent. Real Estate, Rental and Leasing continues its strong pace exceeding June 2020 and 2019 levels. Below are additional details on the taxable gross receipts for other sectors for the month of June 2021.

- Retail Trade receipts grew to \$109.8 million in taxable gross receipts for June 2021 compared to \$83.0 million in June 2020 and \$89.8 million in June 2019.
- Accommodation and Food Services receipts grew \$33.8 million in June 2021 compared to June 2020, and exceed June 2019 by \$6.3 million.
- Construction was very strong at \$62.5 million for the month of June 2021, exceeding June 2020 by \$15.6 million and exceeding June 2019 by \$20.8 million.
- Professional, Scientific and Technical Services total gross receipts were \$50.6 million, up 75.9 percent compared to June 2020 and 70.5 percent over June 2019.
- June 2021 Utilities receipts grew 15.6 percent over June 2020 and were up 15.9 percent over June 2019 levels
- Healthcare and Social Assistance grew receipts 38.1 percent, or \$5.8 million, over June 2020 and \$6.1 million over June 2019.
- Arts, Entertainment and Recreation was up 172.2 percent over June 2020 and beat June 2019 by 9.3 percent.
- Real Estate, Rental and Leasing was up 132.5 percent over June 2020 for total receipts of \$17.3 million. It also exceeded June 2019 by \$7.3 million, or 72.2 percent.
- Finance and Insurance grew 21.8 percent, or \$1.2 million, and grew over 2019 as well.
- Wholesale Trade grew 25.5 percent over June 2020 but was less than June 2019.

The table below compares total taxable gross receipts for FY19, FY20 and FY21 by industry. Nine industries total taxable gross receipts declined and 12 industries increased from FY20 to FY21. The largest industry with taxable gross receipts is Retail Trade, which represents nearly a third of all taxable gross receipts, and grew 9.4 percent. The next-largest industry is Construction at 15 percent of all gross receipts and it grew 4.5 percent from FY20. Professional, Scientific and Technical Services is the third largest industry at 11 percent and grew 11.2 percent. Accommodation and Food Services is the fourth largest industry at 10 percent and it declined 19.3 percent from FY20. Rounding out the top five industries is Other Services, which it represents 8 percent of taxable gross receipts and declined 10.9 percent from FY20.

Total Annual Gross Receipts by industry	in Millions of \$				
	FY19	FY20	FY21	% Change FY19-FY20	% Change FY20-FY21
Accommodation and Food Services	540.9	445.9	359.9	-17.6%	-19.3%
Administrative and Support and Waste Management and Remediation Services	69.5	74.6	83.1	7.3%	11.4%
Agriculture, Forestry, Fishing and Hunting	5.7	5.4	6.2	-5.5%	14.7%
Arts, Entertainment, and Recreation	52.4	40.2	24.9	-23.4%	-37.9%
Construction	476.1	480.6	502.4	0.9%	4.5%
Educational Services	25.0	10.4	12.1	-58.4%	15.9%
Finance and Insurance	52.7	56.3	65.7	6.9%	16.8%
Health Care and Social Assistance	183.3	178.2	185.9	-2.8%	4.3%
Information	156.0	154.9	97.7	-0.7%	-36.9%
Management of Companies and Enterprises	3.7	3.3	2.5	-11.7%	-23.5%
Manufacturing	67.5	63.1	57.1	-6.6%	-9.5%
Mining, Quarrying, and Oil and Gas Extraction	0.2	0.5	0.2	116.7%	-61.2%
Other Services	314.0	291.6	259.7	-7.1%	-10.9%
Professional, Scientific, and Technical Services	317.2	331.2	368.5	4.4%	11.2%
Public Administration	0.5	0.8	0.6	74.2%	-27.4%
Real Estate and Rental and Leasing	109.4	102.1	133.8	-6.7%	31.1%
Retail Trade	996.7	950.5	1,039.9	-4.6%	9.4%
Transportation and Warehousing	10.6	9.6	10.2	-9.1%	5.9%
Unclassified Establishments	25.6	18.5	14.7	-27.7%	-20.7%
Utilities	91.1	87.4	96.5	-4.1%	10.4%
Wholesale Trade	91.9	90.6	95.1	-1.5%	4.9%
All Industries	<u>3,591.2</u>	<u>3,396.1</u>	<u>3,449.8</u>	<u>-5.4%</u>	<u>1.6%</u>

As you are aware, the GRT distribution from TRD to the City equates to revenue to the City. Due to the two month delay, the City received the Gross Receipts Tax generated in June 2021 from the Taxation and Revenue Department in August 2021. The City's June 2021 GRT distribution totaled \$12.5 million or an increase of \$3.1 million or 33% over June 2020 levels. The year over year increases seen during late FY21 were driven by higher consumer spending, including spending in the hospitality industry. According to TRD, the June GRT distribution includes the last 11 days of the May collection period, which will alter June's receipts discussed above. NM TRD estimated the 11 days of the Mayo collection period to be 7.5 percent of the May distribution, or \$775,000.