CITY OF ALBUQUERQUE

Five-Year Forecast
Fiscal Year 2008-2012

Q^2 = quality of life now X
quality of life in the future

ALBUQUERQUE

December 2007

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EXECUTIVE SUMMARY

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The Five-Year Forecast estimates future revenues and expenditures for the General Fund and the subsidized funds for the present fiscal year, FY/08, and for FY/09 through FY/12. The purpose of this report is to identify key trends in revenues and expenditures and to provide information about the financial challenges anticipated over the next few years.

General Fund Revenues. The report projects a decrease in FY/08 General Fund recurring revenues of 2.7% with nonrecurring revenues increasing by 21.4% as compared to the unaudited FY/07 revenues. Total revenues projected for FY/08 are $11.4 million below the approved FY/08 budget and $8.2 million below the FY/07 unaudited revenues. The limitation in FY/08 revenues has two primary reasons. The reduction in the GRT rate of 1/8th cent effective January 1, 2007 and the movement of revenues and expenses for the photo enforcement program into its own fund. The FY/09 revenues continue to decline with the impact of the second 1/8th cent reduction in GRT effective July 2007. The total General Fund revenue growth in FY/09 decreases 1.9%. Added to the tax cuts is the weakness in the economy and slower growth in GRT revenues. In FY/08 there has been a fall off in construction GRT revenues, and the one-percent distribution in the first five months of FY/08 has declined 0.2%.

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

General Fund Expenditures. The City's Office of Management and Budget prepares expenditure projections including the costs of projected changes in major areas such as employee health care, fuels and CIP coming-on-line, which accounts for operating new facilities. From FY/09 through FY/12 wage growth is based on an inflation factor. For FY/09 the inflation factor is 2.67%. Anticipated CIP coming-on-line adds $3.5 million to FY/09 operating costs with the opening of new facilities, animal care service center improvements, new medians, parks, trails, drainage systems and expanded roadways. Total General Fund expenditures are projected to decrease 1% in FY/09 or $5.6 million below the revised FY/08 level. Expenditure growth is 7.2% in FY/10 slowing to 4.5% and 4.3% in FY/11 and FY/12 respectively.

The Challenge in FY/09. The forecast growth in expenditures far exceeds the growth in revenue producing a negative unreserved fund balance of $54.3 million by the close of FY/09, if steps are not taken to reduce spending or increase revenue. Revised FY/08 appropriations exceed the approved budget by $12 million due to FY/07 appropriated encumbrances of $8.4 million and the $5.1 million transfer of photo enforcement funds to the new fund. Revenue, however, is limited in FY/07 due to the half-year reduction of 1/8th cent in the GRT rate. (See Figure 1) The full impact of the reduction is realized in FY/08. FY/09 sees a second reduction in revenue as a full year of the second 1/8th cent in GRT is implemented.

The FY/08 forecast recognizes the following as already appropriated: reappropriated encumbrances of $8.4 million, additional mid-year appropriations of $2.1 million (contained in the FY/07 year-end clean-up bill), $1.2 million appropriated mid-year FY/08, and $5.1 million transferred to the Photo Enforcement Fund from FY/07 reversions.

The anticipated FY/09 budget is $6.4 million above the original FY/08 approved budget of $496,961 million. However, the estimated FY/09 total expenditure level is only $5.4 million below the current revised appropriation level in FY/08 of $509 million. The significant increases above the FY/08 approved budget are due to the following factors with slight adjustments for one-time costs.

Itemized FY/09 Increases ($000's)

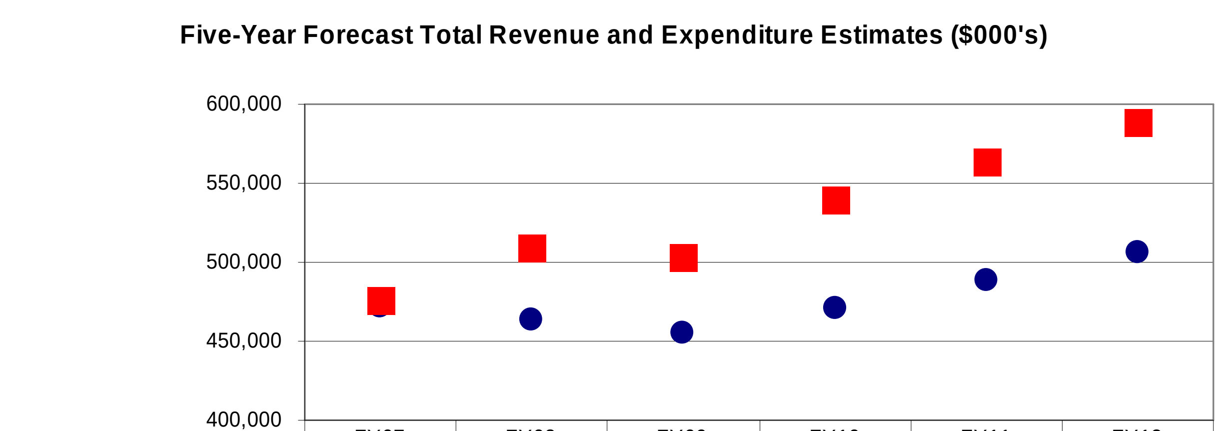
FY08 One Time (non Public Safety)	($14,697)
Annualized Increases in Wages & Benefits	869
2.67% Wage Increase	7,531
Employee Health Insurance Costs	1,444
Increase in Operating Costs	3,050
Transfer of Photo Enforcement Funding	(4,725)
Transfer to Other Funds	1,365
Transfer for Transit Services	3,501
Workers' Comp/Tort & Other	1,273
Vehicle Maintenance/Fuels	599
CIP Coming-on-Line	3,515
Minimum Wage	475
Increase in Public Safety Tax	724
Public Safety Tax Restoration	1,513
	$6,437

Anticipated FY/09 Budget	$503,398
FY/08 Original Approved Budget	496,961
	$6,437

The five year forecast is built with a 2.67% wage increase of $7.5 million and annualized salary increases of $869 thousand and increased employee health insurance costs of $1.4 million. Fuels and vehicle maintenance are increased $599 thousand over the FY/08 budget. The transfers for Transit, Parking and Open Space include increases in fuel costs as well. CIP coming on line is anticipated to increase the budget by $3.5 million. The transfer for Transit is $3.5 million higher primarily due to increased personnel and maintenance costs. Workers' Compensation costs are anticipated to increase 4.5% and Tort and Other costs are expected to increase 7.5% over the FY/08 level; this results in a $1.3 million increase. Other items included in the FY/09 budget forecast include the impact of the increase in the minimum wage, and additional Public Safety Quarter Cent funds. Operating costs are anticipated to increase $3.0 million due to higher utility costs. The creation of the Photo Enforcement Fund reduces general fund appropriations by a net of $4.7 million.

Included in the five year forecast is a Quarter Cent reserve of $2.1 million as an additional source of funding for police officer pay increases and $463 thousand for prisoner transport. Also reserved is the remaining $59 thousand IRB funds and the $200 thousand reserved in the FY/08 appropriation bill.

FIGURE 1



	FY07	FY08	FY09	FY10	FY11	FY12
TOTAL REVENUES	472,087	463,883	455,258	471,255	488,111	506,091
TOTAL EXPEND/APPROP	475,656	509,000	503,398	539,455	563,532	588,033

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

Global Insight (GI) assigns a 50% probability to the national economic baseline forecast that underlies this report, 20% to the optimistic and 30% to the pessimistic scenarios. As the national economy changes, City revenue forecasts are affected. The most recent (December) forecast includes a pessimistic scenario with the probability of a national recession at 35%. This analysis provides expenditure forecasts based on alternative scenario inflation rates (baseline, optimistic and pessimistic). The risk of a recession and further reductions in housing and construction are the biggest short term risks to the forecast. The slowdown in the national economy has a direct effect on startup firms in Albuquerque as well as on a firm's decision to relocate.

In the longer term, the erosion of tax base continues due to growth in internet sales, gaming opportunities, and retail sales beyond the municipal boundary. In the past ten years changes in state tax laws have cut into tax revenues. The State elimination of the tax on food and some medical services did not directly cut tax revenues to the City, but the tax on all other goods and services was increased by 0.5%. The tax rate in Albuquerque as of January 2008 is 6.75% and the unincorporated rate is 5.8125%. The difference in the tax rates between the City and the unincorporated areas makes it more desirable to build shopping areas outside the City. Also, the higher tax rates affect the City in other ways. It makes it more difficult to institute any additional taxes and increases pressure to reduce taxes. Efforts at the legislature to reduce taxes on services and the "pyramiding" problem will be stronger. Behavior to avoid taxes, by purchasing on the internet, locating in the unincorporated areas, and organization of contracts to limit taxes will become more prevalent. In the 2005 session, legislation providing a deduction for commercial aviation repairs and instituting an annual three day tax holiday negatively affected City GRT revenue. In 2007 bills were introduced that would put additional constraints on the growth of residential property tax. Currently, assessments are limited to increases of 3% annually on existing property. The proposed legislation expands this limitation to homes that are sold. Also in 2007, proposed legislation required cities to pay some portion of costs for prisoners held at county detention facilities. The forecast also includes a modest growth of $599 thousand for vehicle maintenance and fuels. The volatility in fuel prices could have a significant impact on the forecast.

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

	UNAUDITED ACTUAL FY07	REVISED APPROP FY08	FORECASTS FY09	FY10	FY11	FY12
RESOURCES:						
Recurring Revenue	453,849	441,743	450,916	469,263	487,642	505,633
% Chng Recur'g Revenue		-2.7%	2.1%	4.1%	3.9%	3.7%
Total Non-recurring	18,238	22,140	4,342	1,993	469	458
TOTAL REVENUES	472,087	463,883	455,258	471,255	488,111	506,091
% Chng Total Revenue		-1.7%	-1.9%	3.5%	3.6%	3.7%
BEGINNING FUND BALANCE	87,350	83,781	38,664	(9,476)	(77,676)	(153,096)
TOTAL RESOURCES	559,437	547,664	493,922	461,780	410,436	352,995
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	414,663	447,426	477,721	510,008	534,654	557,700
% Change Recurring Appropriation		7.9%	6.8%	6.8%	4.8%	4.3%
Non-recurring Exp/App:						
One-time Items	60,993	61,574	25,677	29,447	28,878	30,333
Total Non-recurring	60,993	61,574	25,677	29,447	28,878	30,333
TOTAL EXPEND/APPROP	475,656	509,000	503,398	539,455	563,532	588,033
UNADJUSTED FUND BALANCE	83,781	38,664	(9,476)	(77,676)	(153,096)	(235,037)
ADJUSTMENTS:						
Encumbrances	(8,359)	0	0	0	0	0
Unrealized Gains on Investments	34	34	34	34	34	34
Other Accounting Adjustments	(43)	(43)	(43)	(43)	(43)	(43)
TOTAL ADJUSTMENTS	(8,368)	(9)	(9)	(9)	(9)	(9)
ADJUSTED FUND BALANCE	75,413	38,655	(9,485)	(77,685)	(153,105)	(235,046)
RESERVES:						
Quarter Cent	0	2,563	2,563	2,563	2,563	2,563
Quarter Cent - Family & Community Svcs	1,929	0	0	0	0	0
Phote Enforcement Reversions	5,100	0	0	0	0	0
IRB Settlement	764	59	59	0	0	`
Campaign Finance Law	0	0	0	0	0	0
Special Reserve	300	200	200	200	200	200
1/12th Operating Reserve	40,991	41,413	41,950	44,955	46,961	49,003
TOTAL RESERVES	49,084	44,235	44,772	47,718	49,724	51,766
UNRESERVED FND BALANCE	26,329	(5,580)	(54,257)	(125,403)	(202,829)	(286,812)
1/12th Operating Reserve	39,638	42,417	41,950	44,955	46,961	49,003
Recurring Surplus/(Deficit)	39,186	(5,683)	(26,805)	(40,746)	(47,011)	(52,066)

ECONOMIC OUTLOOK

NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK

The national economy grew slowly following the recession in 2001, and a meaningful turnaround did not begin until FY/04. The third quarter of calendar year 2003 showed an increase of 7% in real gross domestic product (GDP) and increases in employment. FY/04 had real GDP growth of 4.1%, and FY/05 followed with growth of 3.7%. The Federal Reserve Bank (FRB) began increasing rates at the beginning of FY/05 on fears of inflation. In FY/07 real GDP increased by 2.1% and inflation as measured by the consumer price index (CPI) averaged 2.6%. Inflation slowed from a higher rate of 3.8% in FY/06 in large part due to a decrease in oil prices. Of some concern is that in FY/07 the CPI excluding food and energy (“core inflation”) also increased 2.6%. The average oil price for FY/06 as measured as West Texas Intermediate crude averaged $64.3 per bbl and in FY/07 averaged $63.4. The price of oil has increased throughout calendar year 2007 and in November has approached $100 per bbl. Global Insight (GI) sees these prices increasing in FY/08 to an average of $75.4 per barrel and remaining near this level for the remainder of the forecast. Still, inflation remains under control and GI expects the CPI to increase 2.5% in FY/08 and hover between 1.6% and 1.9% from FY/09 to FY/12.

GI also presents risks to the forecast in the form of optimistic and pessimistic scenarios. The pessimistic scenario, assigned a probability of 30%, assumes higher energy prices, a slowdown in technological improvements and the downward trend in the value of the dollar plunge the economy into a recession. The real GDP declines in the last quarter of 2007 and the first quarter of 2008. The FRB reacts to inflation pushing up the federal fund rate to 6.0% in FY/08 and remaining at this level for the remaining years. Unemployment increases, averaging 5.6% in FY/08 and slowly retreating to 5% by 2012. The optimistic scenario where the economy experiences “only a brief slowdown” is assigned a probability of 15%. In this scenario, productivity is stronger than the baseline, the world economy is stronger helping U.S. exports, business investment is stronger, and oil prices are lower. All of this helps strengthen GDP and weaken inflationary pressures. GDP growth averages 2.5% in FY/08 increasing to 3.6% in FY/09. Housing starts are well above baseline and unemployment increases slightly from the FY/07 level of 4.5% to 4.7% in FY/08 and declines to 4.1% by the end of the forecast. These scenarios are included in the revenue forecast in the Alternative Scenarios section.

Gross Domestic Product (GDP)

Following the recession of 2001, the economy rebounded slowly. In FY05 and FY/06 the economy had average growth of just over 3%. In FY/07 growth dipped to 2.1% as the economy faltered and the housing market slowed. The forecast from GI has growth of only 2.1% in FY/08 and growth below 3% for the remainder of the forecast.

Employment and Productivity

Following the recession in 2001 the economy started growing, but employment growth was slow. Growth in non-farm employment was only 0.3% in FY/04, before increasing at 1.9% and 1.6% in FY/06 and FY/07. FY/08 has employment growth of 0.9% and then remains at a growth rate of between 1.1% and 1.3% through FY/12.

Productivity growth as measured by output per hour, expanded rapidly in the late 1990's with rates up to 4% growth in FY/05. Growth has slowed and in FY/07 growth was only 0.5%. These high growth rates allowed wages to increase and not push up inflation. Productivity growth is expected to increase to 1.6% in FY/08 and stay near 2% for the remainder of the forecast.

Inflation

As measured by the consumer price index for urban consumers, inflation was low, around 2%, for the period FY/02-FY/04. In FY/05 inflation jumped to 3% driven largely by oil price increases with inflation reaching 3.8% in FY/06, but slowed in FY/07 to 2.6%. The forecast expects a small decline to 2.5% in FY/08. In FY/09 the rate slows to 1.6% and remains at 1.8% to 1.9% through FY/12.

Interest Rates

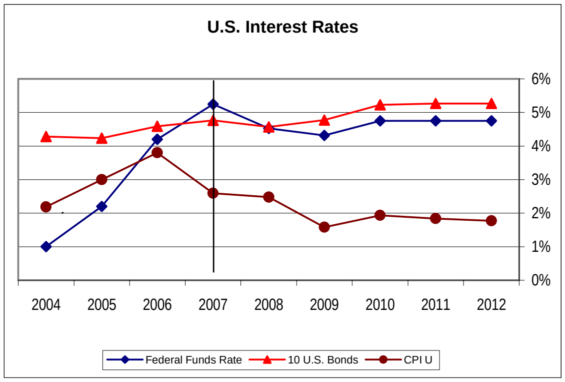
After cutting the federal funds rate to 1%, the lowest level since the 1960s, the FRB increased rates twice in 2004 and continued to increase throughout FY/05 into FY/06. Rates averaged 2% for FY/05 but were 4% at the end of the fiscal year. Rates were raised to 5.25% at the June 2006 meeting of the FRB. In September of 2007 the FRB decisively began lowering rates by making a cut in rates of 0.5%. This cut was based on the shifting risks of a slowing economy outweighing inflationary risks pressures. These cuts are aimed at offsetting the tightening in the credit markets caused by the mortgage lending problems. The FRB lowered rates by 0.25% in October 2007. GI expects the FRB to cut again rates by another 0.25% at the December meeting. Markets clearly are anticipating this cut. GI doesn't anticipate any further cuts and sees the FRB raising rates in 2009 back up to 4.75%. Ten year treasury bills are expected to slowly increase following a slight decrease from 4.8% in FY/07 to 4.6% in FY/08. By FY/12 the rates are expected to be at 5.3%.

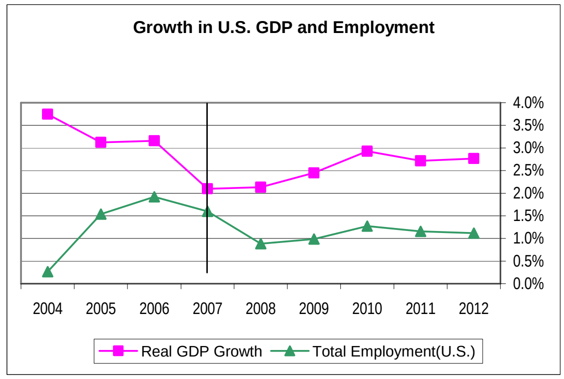
World Economy

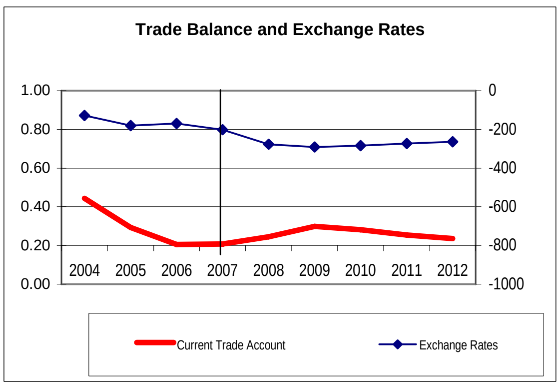
GI believes that the world economy will grow at rates above the U.S., but there is a risk that the sub prime mortgage problems in the U.S. will spillover to the rest of the world. The dollar will continue to weaken. The current trade account deficit continues to remain at high levels. In FY/07, the trade deficit was $793 million and is expected to decline to $750 million in FY/08 and $700 million in FY/09. With a strengthening of the dollar it grows back up to $764 million by FY/12.

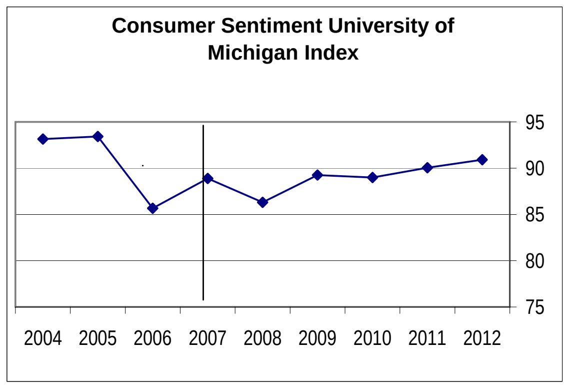
TABLE I

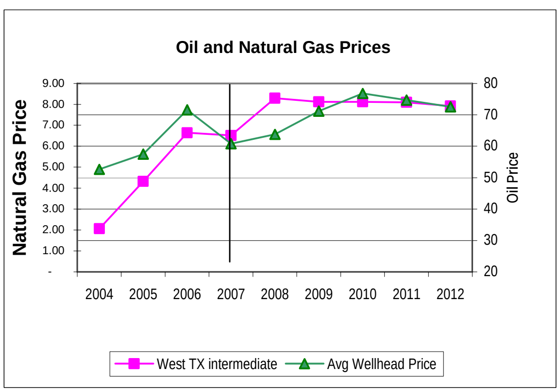
U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR)
October 2007 Baseline Forecast

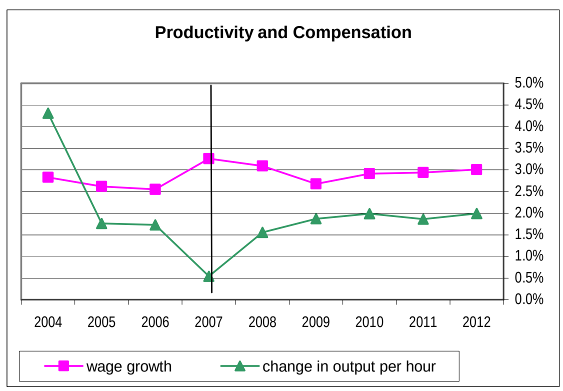












ALBUQUERQUE ECONOMY

Employment growth in the Albuquerque economy has begun to slow. Following very strong growth in non-agricultural employment of 3.1% in FY/06, growth slowed to 2.6% in FY/07 and is expected to grow at only 1.1% in FY/08. The slowdown is due in part to housing, and also layoffs at several major firms. Intel announced a cut of 1,000 jobs, Public Service Company of New Mexico (PNM) approximately 500 jobs (150 now and 350 next year), and Eclipse Aviation about 100 jobs. Manufacturing, after several years of weakness, had robust growth of 3% in FY/06 and 2.9% in FY/07, but with layoffs it posts a negative 3.6% for FY/08. This is expected to turn in FY/09 and have modest growth through out the remaining forecast years. The unemployment rate remains low from FY/07 throughout the forecast remaining in the 3.6% to 3.9% range.

Table 2 at the end of this section provides sector employment numbers for FY/03 to FY/12 by the major NAICS categories.

Wholesale and Retail Trade. This sector accounts for about 15% of employment in the MSA and has posted slow employment growth. From FY/03 to FY/07 the sector was flat and posted annual growth of 1.1% for this period. The forecast expects annual growth of about 1.3%.

Transportation, Warehousing and Utilities. Employment in this sector declined in the period FY/03 to FY/07, though FY/07 posted a positive growth of 1.4%. The forecast is for reductions in employment in FY/08 and FY/09 due to layoffs at PNM. The remaining years (FY/10 to FY/12) have expected growth of 1.7% annually.

Manufacturing. This sector accounted for about 6% of employment in the MSA in FY/07. The sector lost 5,500 jobs between FY/98 and FY/05, but had strong growth in FY/06 and FY/07 adding nearly 1,400 jobs. The sector is also important because of the effects it has on the rest of the economy. The jobs are relatively high paying and there are many local purchases having a larger multiplier effect on the economy than most industries. The employment forecast is weaker, led by the loss of around 1,000 jobs at Intel.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO are one of the largest employers in the area. This is also one of the fastest growing categories in the MSA economy. In the period FY/03 to FY/07, the sector increased at an average rate of 3.7%. In FY/06 and FY/07 growth rates were around 3.0% and this rate is expected for the remainder of the forecast.

Leisure and Hospitality. This category includes eating and drinking establishments as well as hotels and other travel related facilities. Growth has been volatile in this sector with only 1.3% in FY/03, 2.7% in FY/04, a decline of 0.5% in FY/05. In FY/06 growth was 3.8% followed by 4.4% in FY/07. GRT growth for this sector has been strong, and lodger’s tax grew at rates of 10.7% in FY/06 and 8.2% in FY/07. The forecast shows a slowing of growth in the sector from 4.4% in FY/07 to 2.7% in FY/08. The growth continues to slow and averages 1.3% for the remainder of the forecast.

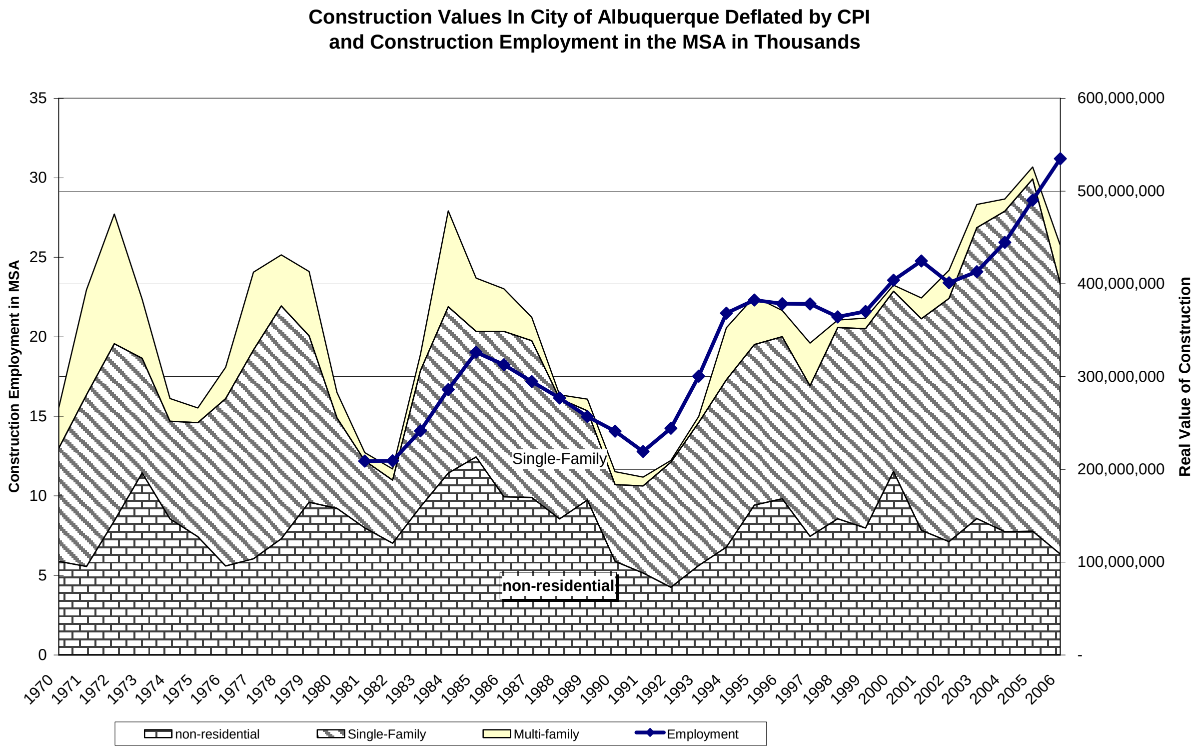
Financial Activities. This sector includes finance, insurance and real estate including credit intermediation. The employment in this sector increased at an annual average of 0.6% between FY/03 and FY/07. In FY/07 employment decreased by 0.6%. Average annual growth for the sector is expected to be stronger in the forecast but still is low at 1.3% annual average for FY/08 to FY/12.

Professional and Business Services. This category includes temporary employment agencies and some of Albuquerque's back-office operations. It also includes Sandia National Labs (SNL). This sector had average annual growth of 2.7% from FY/03 to FY/07. Growth in FY/05 through FY/07 was strong at 3.3% each year. The growth is expected to dip to only 0.4% in FY/08 with an average annual growth of 2.2% for the forecast years FY/08 to FY/12. These levels of growth do not include any adjustments for the recently announced lay offs at SNL.

Information. This sector includes businesses in publishing, broadcasting, telecommunications, and internet service establishments. This sector was very strong in the 1990s but lost over 2,300 jobs from FY/02 to FY/05 including the loss of jobs as the MCI call center closed. In FY/06 the sector grew by only 0.2%, but rebounded in FY/07 with growth of 7.2%. The growth in employment is expected to slow, but remain at a relatively high level of 3.7% annual growth.

Construction. Construction is typically cyclical, with significant swings in building and employment. The following chart (Figure 2) shows the real value of single-family, multi-family, and non-residential new permits from 1970 to 2006 (deflated by the CPI; 100=1982-84). Five distinct peaks occur in 1973, 1979, 1985, 1995 and 2005. The fall shown in 2006 continues through the first 10 months of 2007 with a fall in total value of 10% led by a decrease in the value of single-family dwellings of 31%. Construction employment is also decreasing. Commercial construction in real terms has remained relatively flat and the total annual value of commercial construction has not reached any of the previous peaks. The most recent information available is the first ten months of 2007; this information shows a continuing slowdown in the residential housing market. Single family construction in the first ten months of 2007 is well below the same period of 2006. The value of single family permits are down 31% and total of all categories of permit values is down 10%. Offsetting in part the losses in single family construction are a 117% increase in multi-family permits, a 33% increase in new commercial permits, and a 7.2% increase in permits issued for additions and alterations. The number of single family permits issued in 2006 was only 3,337 down 28.7% from 2005. In the first 10 months of 2007 on 1,945 permits have been issued; 35% below the first 10 months of 2006. This is the first real down turn in the construction cycle since 1991 and in September and October of 2007 residential housing permits are down substantially from previous months. The multi-family and commercial markets have held up construction to this point, but at the national level GI expects a slowdown in non-residential investment (mostly buildings and infrastructure) in the beginning of 2008.

FIGURE 2



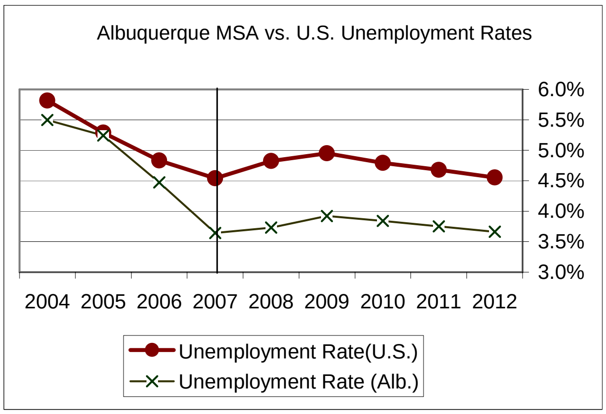
Building permits only tell part of the construction story. Non-building construction such as roads and storm drainage are not captured in the permit numbers. Large construction projects for the state, such as University hospital, are permitted by the State rather than the City. Employment in the construction sector gives a picture of growth in the entire MSA. As shown in the chart above, construction employment moves similarly to permit values, but differences occur. Growth in employment was very strong in 2000-2002, driven in large part by the Intel project and the Big-I reconstruction project. The Big-I was completed ahead of schedule in June 2002, and the Intel project was also finished in June of 2002. As these jobs were lost, the City saw a reduction in employment in FY/02 and some additional losses in FY/03 losses of 3.3% and 2.3% respectively. In FY/04, growth was 5.2% and in FY/05 employment exceeded the peak in FY/02, with growth of 9.8% and in FY/06 growth slowed only slightly to 8.8%. Growth in FY/07 was only 2.0% and employment is expected to decline 1.3% in FY/08 and remain flat in FY/09. The remainder of the forecast projects growth around 1.5%. Even so, the level of employment in the sector remains above historical levels. Permitting at the City, particularly residential, is expected to decline substantially. Many large projects recently completed, such as the drinking water project from the Water Authority and the University Hospital renovation, but others are starting that will have some offset such as the new cancer center at UNM that is of a similar dollar value as the hospital renovation.

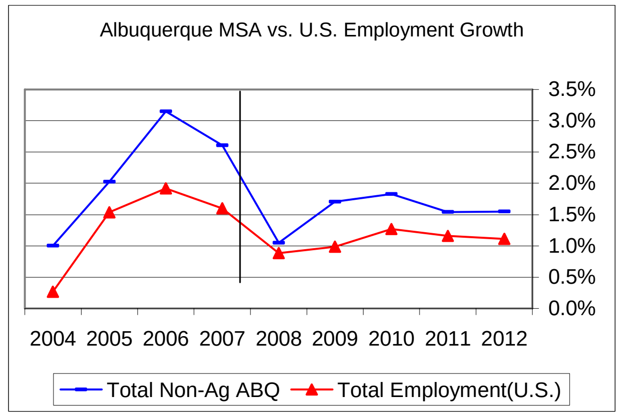
TABLE 2

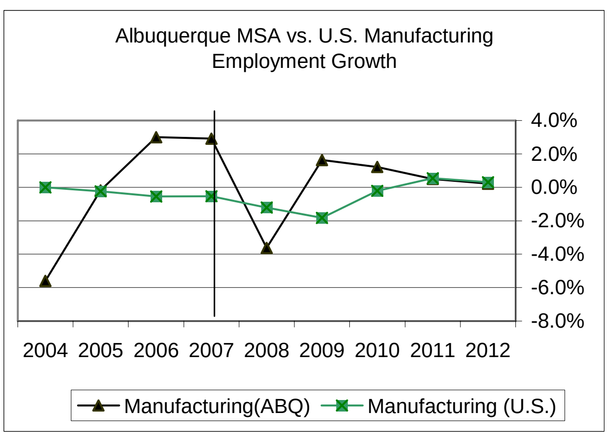
LOCAL ECONOMIC VARIABLES HISTORY AND FORECAST

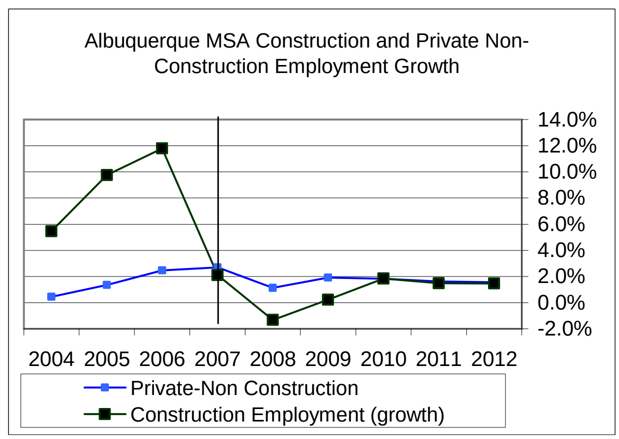
By Fiscal Year BBER FORUNM Baseline

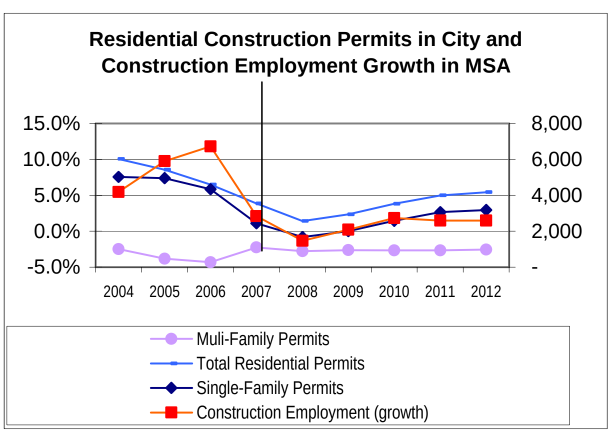
October2007











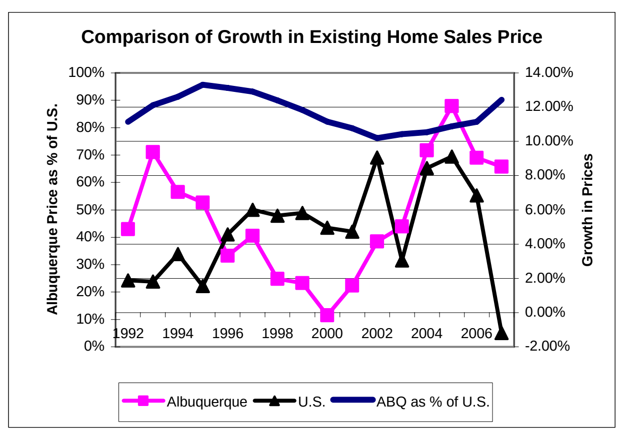


TABLE 3

Albuquerque MSA Employment by NAICS Categories (in thousands)

	History					Forecast					Growth	
	FY/03	FY/04	FY/05	FY/06	FY/07	FY/08	FY/09	FY/10	FY/11	FY/12	FY/03-FY/07	FY/08-FY/12
TOTAL NONAGRICULTURAL	362.417	366.058	373.467	385.225	395.267	399.420	406.238	413.669	420.050	426.561	2.2%	1.7%
CONSTRUCTION	23.500	24.783	27.200	30.408	31.050	30.642	30.710	31.276	31.743	32.210	7.2%	1.3%
MANUFACTURING	24.133	22.783	22.742	23.425	24.108	23.232	23.611	23.900	24.017	24.069	0.0%	0.9%
WHOLESALE TRADE	13.233	12.908	12.808	13.100	13.475	13.478	13.556	13.610	13.655	13.702	0.5%	0.4%
RETAIL TRADE	42.083	42.425	43.225	43.692	43.992	44.642	45.361	46.105	46.532	47.079	1.1%	1.3%
TRANSPORTATION, WAREHOUSING, AND UTILITIES	10.608	10.525	10.392	10.417	10.558	10.540	10.332	10.516	10.698	10.878	-0.1%	0.8%
INFORMATION	10.542	9.900	8.992	9.008	9.658	10.200	10.754	11.300	11.530	11.781	-2.2%	3.7%
FINANCIAL ACTIVITIES	18.850	18.950	19.192	19.417	19.292	19.320	19.526	19.874	20.223	20.356	0.6%	1.3%
PROFESSIONAL AND BUSINESS SERVICES	57.658	58.067	59.992	61.983	64.050	64.327	65.801	67.467	68.892	70.217	2.7%	2.2%
EDUCATIONAL AND HEALTH SERVICES	42.042	43.758	45.708	47.092	48.575	49.860	51.496	52.954	54.497	56.011	3.7%	3.0%
LEISURE AND HOSPITALITY	35.308	36.200	36.017	37.400	39.033	40.078	40.810	41.005	41.546	42.224	2.5%	1.3%
OTHER SERVICES	11.608	11.733	11.808	12.000	12.242	12.513	12.500	12.400	12.381	12.373	1.3%	-0.3%
GOVERNMENT	72.850	74.025	75.392	77.283	79.233	80.583	81.778	83.269	84.343	85.667	2.1%	1.5%
Local Government	35.567	36.133	37.067	38.075	39.325	40.297	41.052	41.931	42.830	43.753	2.5%	2.1%
State Government	23.133	23.850	24.258	24.800	25.375	25.706	26.077	26.489	26.855	27.270	2.3%	1.5%
Federal Government	14.150	14.042	14.067	14.408	14.533	14.579	14.648	14.850	14.659	14.644	0.7%	0.1%
Military Employment, Thousands	6.392	6.457	6.443	6.275	6.317	6.301	6.312	6.232	6.150	6.115	-0.3%	-0.7%

TABLE 4

Economic Variables Underlying the Forecast								
					Forecast			
	2005	2006	2007	2008	2009	2010	2011	2012
National Variables								
Real GDP Growth	3.1%	3.2%	2.1%	2.1%	2.5%	2.9%	2.7%	2.8%
Federal Funds Rate	2.2%	4.2%	5.3%	4.5%	4.3%	4.8%	4.8%	4.8%
10 U.S. Bonds	4.2%	4.6%	4.8%	4.6%	4.8%	5.2%	5.3%	5.3%
CPI U	3.0%	3.8%	2.6%	2.5%	1.6%	1.9%	1.8%	1.8%
Unemployment Rate(U.S.)	5.3%	4.8%	4.5%	4.8%	5.0%	4.8%	4.7%	4.6%
Total Non-FarmEmployment	1.5%	1.9%	1.6%	0.9%	1.0%	1.3%	1.2%	1.1%
Manufacturing Employment	-0.2%	-0.6%	-0.5%	-1.2%	-1.8%	-0.2%	0.5%	0.3%
Consumer sentiment index--University of Michigan	93.4	85.7	88.9	86.3	89.3	89.0	90.0	90.9
Exchange Rates	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Current Trade Account	(707.2)	(795.4)	(793.2)	(755.5)	(700.4)	(719.0)	(745.8)	(764.3)
wage growth	2.6%	2.6%	3.3%	3.1%	2.7%	2.9%	2.9%	3.0%
West TX Intermediate	48.8	64.3	63.4	75.3	74.1	74.2	74.0	72.8
change in output per hour	1.8%	1.7%	0.5%	1.6%	1.9%	2.0%	1.9%	2.0%
Albuquerque Variables								
Employment Growth and Unemployment in Albuquerque MSA								
Total Non-Ag ABQ	2.0%	3.1%	2.6%	1.1%	1.7%	1.8%	1.5%	1.6%
Private-Non Construction	1.4%	2.5%	2.7%	1.1%	1.9%	1.8%	1.6%	1.6%
Construction Employment (growth)	9.8%	11.8%	2.1%	-1.3%	0.2%	1.8%	1.5%	1.5%
Manufacturing(ABQ)	-0.2%	3.0%	2.9%	-3.6%	1.6%	1.2%	0.5%	0.2%
Unemployment Rate (Alb.)	5.2%	4.5%	3.6%	3.7%	3.9%	3.8%	3.8%	3.7%
Construction Units Permitted in City of Albuquerque								
Single-Family Permits	4,952	4,330	2,443	1,672	1,998	2,583	3,062	3,188
Muli-Family Permits	466	269	1,094	889	945	939	931	980
Total Residential Permits	5,418	4,599	3,537	2,561	2,943	3,522	3,993	4,168
Source Global Insight and FOR-UNM October 2007 Baseline Forecasts								

RISKS TO THE FORECAST

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

UPSIDE

- The national economy grows more rapidly. The GI optimistic scenario has only modest improvements in the short run with inflation and interest rates slightly below the baseline. The probability assigned to this scenario is 20%.
- High tech industry growth comes back faster than expected. Albuquerque lands further major investments by producers of semiconductors and/or other high tech industries and investments by their suppliers and customers. Existing manufacturing operations of all types expand, creating a more diversified manufacturing base.
- Albuquerque succeeds in attracting more investments in regional distribution centers and regional headquarters.
- Residential construction doesn't slow additionally. The inventory adjustment is made sooner and migration creates a demand that softens the slowdown in residential housing.
- Non-residential construction activity remains at or above current levels. There is a continuance and expansion of high-tech investment and more public sector construction.
- Business travel expands as the economy revitalizes and more business activity occurs.

DOWNSIDE

- The housing downturn continues and the problems in the financial markets has more effect on the local economy than is anticipated in the FOR-UNM forecast. Large public projects currently under construction are completed and there are fewer projects to replace them.
- The economy continues to grow slowly, and nationally fails to create more jobs. High oil prices choke off consumption and the weak dollar helps fuel inflation.
- Layoffs at SNL and Los Alamos labs could become larger that the currently announced layoffs.
- Downturn in the national economy and possible recession:
  - Affects several of the startup companies in the Albuquerque area.
  - Slows migration into New Mexico putting further pressure on construction.
  - Slows business and travel to New Mexico hurting tourist related industries.
- Other impacts on GRT from State laws:

  - Fixing the pyramiding problem in services GRT may reduce revenue.
  - It is not clear how movement to streamlined taxation for internet sales will affect the City.

- Other impacts on City from State laws:
  - Adjustment to property tax limitations.
  - Some form of a required annual payment by cities to counties for operating Corrections/Detention facilities.
- Impact fees push residential development away from the City of Albuquerque and to unincorporated Bernalillo County and Rio Rancho.
- The federal push against local franchise fees, particularly in telecommunications, is successful.
- Internet retail sales on taxable items become more prominent and/or the federal government makes all sales on Internet based business non-taxable.
- Increases in retail trade and services in the city of Rio Rancho and Valencia County further erode the tax base in the City.
- Inflation in general and fuel prices particularly put pressure on expenses and increase uncertainty in budgeting.

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

REVENUE OUTLOOK

PROJECTED REVENUES FOR FISCAL YEARS 2008-2012

The following Baseline Forecast Revenues (Table 5) includes actual FY/06 and unaudited FY/07 receipts, the budget and revised estimates for FY/08 and the baseline forecast receipts for fiscal years 2009-2012. In all cases, the figures reflect the accrual to revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. Table 5 depicts the rates of growth of the revenue projections directly to the right of the estimate. These factors are in many cases based on the economic forecast assumptions summarized in the tables in the previous section. The assumptions and revenue estimating methodology is provided in greater detail in the following table of economic variables.

Growth in General Fund revenues in FY/07 was about $2.6 million stronger than anticipated and the unaudited results show growth of 5.5% versus 5.0% estimated. FY/08 growth is projected to be weaker in GRT growth and charges for services, but stronger in property taxes. Total General Fund revenues for FY/08 are expected to be $5.79 million below the budget level. This reduction is in large part due to the creation of the Photo Enforcement fund and making a reduction of $4.7 million in revenues. This is offset by a like decrease in expenses. The other adjustments in FY/08 reflect weakness in GRT, charges for services, building permits and franchises, offset somewhat by property tax increases. FY/09 declines dramatically as the impact of a 1/8th cut in GRT takes affect. This tax cut hits in July and the 11 month effect is $17.5 million. FY/09 revenues are estimated to be $8.6 million below the estimated FY/08 revenues. The FY/09 GRT growth underlying the forecast is 2%, but the decrease in the tax rate indicates that the total GRT revenue is down 3.2%. Other General Fund revenues are relatively slow. Even though total revenues decrease, recurring revenues increase 2.1%. This occurs since the non-recurring revenues decline. Included in non-recurring revenues was the basic services ¼ cent GRT that was cut.

The long-term baseline forecast anticipates that General Fund recurring revenue growth will be 4.1%, 3.9%, and 3.7% for FY/10-FY/12 respectively.

Snapshot of Forecast
1) GRT growth in FY/08 is below the approved budget estimate. The economy has slowed led by slowdowns in construction and job growth. Growth of only 1.2% is now expected versus 4.3% in the FY/08 budget. The growth in the base for FY/09 is 2% but the 1/8th cent reduction in the GRT rate impacts 11 months or a reduction $17.5 million. Growth for FY/10 through FY/12 is estimated at 4.2% annual growth.
2) Property tax revenue has strong growth of 11% in FY/08 based on actual increases in tax base. Growth slows as there will not be as large additions to the housing stock.
3) Franchise revenues remain relatively flat.
4) Building permit revenues in FY/07 were down 17% and are expected to decrease an additional 10% in FY/08 based on the slowdown in permit revenue in the first quarter.
5) Charges for services slow in FY/07 and FY/08 as construction related revenues slow.
6) Fines and Penalties change in FY/08 as revenues are moved from the General Fund to the Photo Enforcement fund. This is offset by a corresponding decrease in expenses.
7) Other sectors grow by selected inflation rates.

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

General Fund Revenue Estimates

Gross Receipts Tax. The GRT revenues for FY/07 were slightly stronger than anticipated, but FY/08 growth is slow and the forecast is for growth below the forecast of 4.3%. The growth in the GRT base, measured by the one-percent distribution, in the first quarter of FY/08 growth was 2.9% above FY/07 and in the first five months of FY/08 were down by 0.2% compared to the same five months of FY/07. Construction has declined rapidly from the very high level it had attained last year. The first quarter shows a decline of 9% while the first five months posts a decline of 17%. Retail trade in the first quarter posted a 3.3% increase, which is weaker than it has been, explaining in part why the first quarter was not very strong. The FY/08 budget had assumed underlying growth of 4.3%, but the new forecast estimates growth of only 1.2%. While construction slowness explains part of this decline, the remainder of the economy is not as strong as it was when the budget was prepared. The October 2007 BBER forecast has total employment growing at only 1.1% while in March 2007 the forecast was for growth of 2.6%. Layoffs are a large part of this as well as the slowdown in construction and the effect it has on the remainder of the economy. The growth in total GRT distribution is less as the reduction in the GRT of $1/8^{th}$ cent that took affect in January 2007 has its full effect. In FY/09 growth in the GRT base growth is forecast at 2% as there is still weakness in the economy. The total distribution is expected to decline by 3.2% with the impact of the $1/8^{th}$ cent tax cut slated to take effect in July 2008. This is a full 11 months of the tax cut. In the out years, the rate of growth increases to and holds at 4.2% in FY/10 through FY/12.

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

Local employment and incomes are major indicators of the level of non-construction gross receipts; these are proxies for the money that can be spent by local residents. Additionally, seasonality has a major impact, in addition to changes in employment or income. For example, Christmas spending makes the receipts accrued to December and January (actually on November and December spending) the largest of the year. The models also estimate the impact of changes in state taxation policy. A discussion of state tax policy is contained in the section "Risks to the Forecast".

The construction GRT model is based on housing construction and construction employment. Care is taken to account for the difference due to large construction projects such as UNMH expansion and the Coors – I-40 re-construction which had large impacts on GRT revenues for short periods. The estimates of construction values for the forecast are derived from the forecasts of residential housing provided by the BBER; adding the forecasts for construction and non-construction provides total GRT revenues.

Property Tax. FY/08 growth is estimated at 11% and reflects the county assessor's reassessments and new additions to the tax base. Growth for the period FY/09 through

FY/12 is held at 2.5% reflecting smaller increases due to slowed construction and State limitations in assessed value growth.

Franchise Taxes. Franchise taxes in FY/07 were somewhat weaker than estimated; telecommunications continues to be a drag, and the warm winter and lower than expected natural gas prices reduced the natural gas franchise. In FY/08 prices of natural gas are expected to increase, and a cold winter (even average) could increase revenues substantially over FY/07. The forecasts are based on GI forecasted increases in natural gas prices and assuming that distribution rates remain constant. For FY/08 franchise revenues for natural gas and other franchise (the telecommunications part) were adjusted down reflecting the softness in FY/07. All other franchise revenues were kept at the budget level. In the out years cable revenues are expected to grow about 3% annually, with a $275 thousand per year payment made in each year FY/06 through FY/09 to repay the $1.1 million one-time receipt from FY/03. QWEST telephone franchise revenue is kept flat, reflecting continued erosion of basic telephone service. Electricity is assumed to grow with the number of customers; likewise, natural gas grows with the number of customers, with adjustments for the cost of gas.

The Water Authority now has a 4% franchise fee. The past years PILOT (payment-in-lieu-of-taxes) are included in franchise revenue for historical comparison. The FY/05 revenue was below forecast, due to a wet spring. FY/08 was kept at the budgeted level and allowed to grow at 1.3% each year, reflecting increases in the number of customers.

Payments-In-Lieu-Of-Taxes (PILOT). PILOT revenues are kept at the FY/08 budgeted level. In FY/09 revenues grow only 1% due to a reduction in the GRT rate and the remainder of the forecast growth is set at 2.5% the expected increase in revenues.

Building Permits. Building inspection permit revenues were flat in FY/06 and declined by 18% in FY/07. It is expected that there will be another decline of 10% in FY/08. This is a reduction below the budgeted level which had held revenues flat at the expected FY/07 level. This reduction is based on the drastic downturn in the number of single family homes permitted that has occurred in the last year and in the first quarter of FY/08. The forecast for single family homes predicted by BBER anticipates a decline of 31% in single family building permits for FY/08. This follows a decline of 46% in FY/07. The declines in residential housing are partially offset by commercial, multi family and public construction and the value of permits thus limiting the decline in building permit revenue to 10%. In FY/09 growth is expected to be modest as housing starts go up, but commercial construction is not expected to be strong. The out years are forecast to post a rebound back up FY/07 levels with growth driven by the housing forecast.

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

Other Permits. Included in this category are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of City right of way, and other miscellaneous fees. FY/08 is held at the budgeted level and revenues are expected to grow at 2.5% for the remainder of the forecast.

Other Intergovernmental Assistance. Other intergovernmental assistance includes state shared revenues (excluding GRT), grants and county shared revenues. This category has declined in recent years due to changes in state policy and the manner in which grant revenue is received. In FY/06 revenue from FEMA increased revenues substantially to compensate the City for costs incurred related to hurricane Katrina. It is assumed that the corrections revenue fees will go away in FY/09 and the future revenues will be flat. It is expected that growth in vehicle fees will be offset by declines in cigarette tax revenues.

The other source of intergovernmental revenue is the state shared municipal road gas tax. The state shared gasoline tax revenue is now reported in the gasoline tax fund. This revenue source declined in FY/04 and was flat in FY/05, increased by 9% in FY/06 and declined by 3.3% in FY/07. FY/08 was adjusted up to an increase of 1% above the actual FY/07 level and then assumed to grow 1% a year. It is expected that higher gasoline prices will limit the future growth in revenue.

Charges for Services. Charges for services include fees charged for entry into City venues and services provided to citizens. It also includes some revenues for charges to other governmental entities. In FY/06 revenues increased 6%. Strong growth occurred in many areas, with the majority of increases in engineering fees, record search fees, animal service fees, legal fee charges for risk assessment, and BioPark revenues. FY/07 shows a decline of 2.4% with softness in construction related to engineering and records search fees. In FY/08 these revenues are expected to continue to slow and there is an additional reduction of $480 thousand in concession fees from the convention center. The revenue from the convention center is offset by a corresponding decrease in costs as we change how the liquor license contract is handled. With no major venues opening, the out years growth is estimated to grow at the base inflation rate.

Internal Service. Internal service charges have declined as many services provided by the City have been contracted out. In FY/08 there was a major increase of $715 thousand in the landscape contract between the Parks and Recreation Department and the Sunport. FY/08 is kept at the budgeted level and the rate of growth assumed from FY/09-FY/12 is the increase in wage and salary compensation as forecast by GI.

Indirect Overhead. Indirect overhead was strong in FY/05 due to increased capital spending. Preliminary FY/07 is low, but this is an unaudited number that doesn't reflect some adjustments that are likely to be made. FY/08 is left at the budgeted level and growth in the out years is based on wage and salary compensation as forecast by GI.

CIP-Funded Positions. FY/08 is kept at the approved budget level. The rate of growth for FY/09 to FY/12 is the increase in wage and salary compensation as forecast by GI. FY/11 is reduced to reflect the end of the transportation tax in the second half of FY/10.

Fines and Forfeitures. The FY/07 revenues were well above FY/06 due to the increase in the number of intersections added to the photo enforcement program. In

FY/08 revenues are adjusted down to account for transfer of revenues to the new Photo Enforcement Fund. In FY/08 the revenues of $930 thousand includes $100 thousand of air quality penalties and $830 thousand transferred from the Photo Enforcement Fund to pay for positions that remain in the General Fund, but are paid for by the Photo Enforcement Program. This is primarily 70% of hearing office costs and one sworn officer. In FY/09 there is $100 thousand for air quality permits and $880 thousand in transfers from the Photo Enforcement Fund. In the remaining years the revenue is increased by the compensation forecast from GI.

Interest Earnings. Interest earnings were up in FY/07. In FY/08 we will see the impact of the Federal Reserve Bank decreasing rates and revenues are expected to decline. Rates of growth for future years are based on growth in GRT and expected increases in fund balances. The City should also get some additional interest income as longer term rates finally increase.

Other Miscellaneous Revenues. Other miscellaneous receipts for FY/08 are not changed from the budgeted level; they grow at the rate of inflation for the remainder of the forecast.

Interfund Transfers. Interfund transfers are kept at the level in the approved FY/08 budget. FY/09 is held at this level and then growth increases at the rate of inflation as forecasted by GI for the remainder of the forecast.

Table 5
GENERAL FUND REVENUE ESTIMATES
BASELINE FORECAST
REVENUES in (000's)

		Unaudited	Budget	Five year					Growth Rates				
	FY/06	FY/07	FY/08	FY/08	FY/09	FY/10	FY/11	FY/12	FY/08	FY/09	FY/10	FY/11	FY/12
GRT (w/o public safety or basic services)	253,565	274,762	284,303	277,941	283,530	295,563	308,108	321,066	1.2%	2.0%	4.2%	4.2%	4.2%
GRT 1/4 Public Safety*	34,066	36,933	38,196	37,361	38,112	39,729	41,415	43,157	1.2%	2.0%	4.2%	4.2%	4.2%
Basic Services 1/4**	34,066	29,451	19,098	18,680	1,588	-	-	-	-36.6%	-91.5%	-100.0%		
Total GRT	321,697	341,147	341,597	333,982	323,230	335,293	349,523	364,223	-2.1%	-3.2%	3.7%	4.2%	4.2%
Property Taxes	28,605	30,452	30,782	33,801	34,646	35,512	36,400	37,310	11.0%	2.5%	2.5%	2.5%	2.5%
Telephone Franchise	3,242	3,199	3,070	3,070	3,070	3,070	3,070	3,070	-4.0%	0.0%	0.0%	0.0%	0.0%
Electric Franchise	5,887	5,932	5,960	5,960	6,079	6,201	6,325	6,451	0.5%	2.0%	2.0%	2.0%	2.0%
Gas Franchise	5,494	5,606	6,422	5,861	6,255	6,316	6,357	6,452	4.6%	6.7%	1.0%	0.6%	1.5%
Cable Franchise	3,358	3,642	3,706	3,706	3,817	4,152	4,559	4,696	1.8%	3.0%	8.8%	3.0%	3.0%
Other Franchise	772	599	808	672	679	686	692	699	12.1%	1.0%	1.0%	1.0%	1.0%
Water Utility Franchise	5,203	5,164	5,195	5,195	5,263	5,331	5,400	5,470	0.6%	1.3%	1.3%	1.3%	1.3%
Franchise (subtotal)	23,955	24,142	25,161	24,464	25,163	25,755	26,404	26,840	1.3%	2.9%	2.4%	4.9%	4.2%
PILOT	1,465	1,510	1,570	1,570	1,586	1,625	1,666	1,708	0.0%	1.0%	2.5%	2.5%	2.5%
Building Permits	12,243	10,204	10,485	9,183	9,275	10,203	11,223	11,560	-10.0%	1.0%	10.0%	10.0%	3.0%
Other Licenses/Fees	2,960	3,035	3,106	3,106	3,184	3,263	3,345	3,428	2.3%	2.5%	2.5%	2.5%	2.5%
Gasoline Tax Distrs	2,571	2,486	2,380	2,511	2,536	2,561	2,587	2,613	1.0%	1.0%	1.0%	1.0%	1.0%
Other Intergov'l	3,918	2,688	2,200	2,986	2,206	2,250	2,295	2,341	11.1%	-26.1%	2.0%	2.0%	2.0%
Charges for Services	19,166	18,704	19,277	17,866	18,212	18,547	18,875	19,215	-4.5%	1.9%	1.8%	1.8%	1.8%
Internal Service	1,010	997	1,759	1,759	1,806	1,859	1,913	1,971	76.44%	2.7%	2.9%	2.9%	3.0%
Indirect Overhead	13,811	13,045	14,154	14,154	14,533	14,956	15,395	15,859	8.5%	2.7%	2.9%	2.9%	3.0%
CIP-Funded Positions	7,692	7,284	9,211	9,211	9,457	9,733	8,507	8,763	26.45%	2.67%	2.91%	2.94%	3.01%
Fines and Forfeitures	1,802	9,199	5,632	930	980	1,009	1,038	1,069	-89.9%	5.4%	2.9%	2.9%	3.0%
Other Miscellaneous	1,242	753	873	873	887	904	921	937	16.0%	1.6%	1.9%	1.8%	1.8%
Interest on Invest	3,015	3,852	3,124	3,500	3,570	3,722	3,880	4,043	-9.1%	2.0%	4.2%	4.2%	4.2%
Interfund Transfers	2,140	2,591	3,987	3,987	3,987	4,064	4,139	4,212	53.9%	1.6%	1.9%	1.8%	1.8%
Total Revenue	447,293	472,087	475,298	463,883	455,258	471,255	488,111	506,091	-1.7%	-1.9%	3.5%	3.6%	3.7%
Non-Recurring Revenue	8,527	18,238	22,214	22,140	4,342	1,993	469	458	21.4%	-80.4%	-54.1%	-76.5%	-2.3%
Recurring Revenue	438,766	453,849	453,084	441,743	450,916	469,263	487,642	505,633	-2.7%	2.1%	4.1%	3.9%	3.7%

** Basic Serivices has 1/8th cuts in January 2007(5 months cut FY/07 full impact FY/08) and in July 2008(11 months cut in FY/09 full impact FY/10).

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/08 through FY/12. For the current fiscal year ending June 30, 2008, expenses are projected using the original appropriation as a base then adjusting to account for subsequent FY/08 appropriation adjustments such as the re-appropriation of FY/07 encumbrances, additional FY/08 appropriations included in both legislation passed by council and the FY/07 year end cleanup bill, and the reduction in General Fund appropriations associated with the establishment of the Photo Enforcement fund.

FY/09 estimated costs were, for the most part, derived independently of FY/08 estimates. The FY/09 forecast was fashioned using the latest available information, including actual payroll information updated to early November with vacant positions assumed fully funded. Additionally, all subsidized funds and internal service funds receiving transfers from the General Fund were analyzed independently before adjustments were made for this General Fund forecast.

The forecast beyond FY/09 is largely driven by inflation factors applied to the FY/09 numbers as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of Global Insight except for some changes made to selected rates to better reflect local costs. Three separate scenarios of the national and local economic activity are factored into the methodology to present baseline, optimistic, and pessimistic scenarios of anticipated spending. Table B includes the expenditure and revenue outlook together in a General Fund Table. Table C summarizes those expenses by major category showing the percentage growth in each.

TABLE A

BASELINE SCENARIO FACTORS	SHORT NAME	FACTORS FY09	FY10	FY11	FY12
CPI - All Urban Consumers, All Items	CPI-U	1.58%	1.94%	1.84%	1.77%
EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm	WAGES	2.67%	2.91%	2.94%	3.01%
Price Index Consumer Exp Medical Care	MEDICAL	3.08%	2.95%	2.85%	2.94%
PRICE INDEX - Consumer Expenditures, New Cars	NEWAUTO	1.52%	1.60%	0.86%	0.56%
PRICE INDEX - Consumer Exp, Transportation Services	AUTOREP	2.31%	2.36%	2.29%	2.28%
PRICE INDEX - Consumer Exp, House Oper, Natural Gas	NATGAS	10.68%	10.47%	-1.06%	-1.71%
PRICE INDEX - Consumer Exp, Gasoline & Oil	FUEL	-3.26%	0.60%	0.97%	-0.35%
PPI - Fuels & Related Products, Electric Power	ELECT	1.63%	1.67%	1.55%	1.40%
PRICE INDEX - Govt Consumption, Noncompensation	GOVT	2.48%	2.34%	2.33%	2.28%
PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts	TIRES	0.13%	-0.61%	-0.82%	-0.92%
Growth of Gross Receipts Tax Revenue	GRT	2.00%	4.20%	4.20%	4.20%

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

	UNAUDITED ACTUAL FY07	REVISED APPROP FY08	FORECASTS FY09	FY10	FY11	FY12
RESOURCES:						
Recurring Revenue	453,849	441,743	450,916	469,263	487,642	505,633
% Chng Recur'g Revenue		-2.7%	2.1%	4.1%	3.9%	3.7%
Total Non-recurring	18,238	22,140	4,342	1,993	469	458
TOTAL REVENUES	472,087	463,883	455,258	471,255	488,111	506,091
% Chng Total Revenue		-1.7%	-1.9%	3.5%	3.6%	3.7%
BEGINNING FUND BALANCE	87,350	83,781	38,664	(9,476)	(77,676)	(153,096)
TOTAL RESOURCES	559,437	547,664	493,922	461,780	410,436	352,995
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	414,663	447,426	477,721	510,008	534,654	557,700
% Change Recurring Appropriation		7.9%	6.8%	6.8%	4.8%	4.3%
Non-recurring Exp/App:						
One-time Items	60,993	61,574	25,677	29,447	28,878	30,333
Total Non-recurring	60,993	61,574	25,677	29,447	28,878	30,333
TOTAL EXPEND/APPROP	475,656	509,000	503,398	539,455	563,532	588,033
UNADJUSTED FUND BALANCE	83,781	38,664	(9,476)	(77,676)	(153,096)	(235,037)
ADJUSTMENTS:						
Encumbrances	(8,359)	0	0	0	0	0
Unrealized Gains on Investments	34	34	34	34	34	34
Other Accounting Adjustments	(43)	(43)	(43)	(43)	(43)	(43)
TOTAL ADJUSTMENTS	(8,368)	(9)	(9)	(9)	(9)	(9)
ADJUSTED FUND BALANCE	75,413	38,655	(9,485)	(77,685)	(153,105)	(235,046)
RESERVES:						
Quarter Cent	0	2,563	2,563	2,563	2,563	2,563
Quarter Cent - Family & Community Svcs	1,929	0	0	0	0	0
Phote Enforcement Reversions	5,100	0	0	0	0	0
IRB Settlement	764	59	59	0	0	`
Campaign Finance Law	0	0	0	0	0	0
Special Reserve	300	200	200	200	200	200
1/12th Operating Reserve	40,991	41,413	41,950	44,955	46,961	49,003
TOTAL RESERVES	49,084	44,235	44,772	47,718	49,724	51,766
UNRESERVED FND BALANCE	26,329	(5,580)	(54,257)	(125,403)	(202,829)	(286,812)
1/12th Operating Reserve	39,638	42,417	41,950	44,955	46,961	49,003
Recurring Surplus/(Deficit)	39,186	(5,683)	(26,805)	(40,746)	(47,011)	(52,066)

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

	UNAUDITED ACTUAL FY07	REVISED APPROP FY08	FORECASTS FY09		FY10		FY11		FY12	
PERSONNEL	278,853	317,670	327,221	3.0%	336,747	2.9%	346,640	2.9%	357,067	3.0%
OPERATING	92,406	89,283	72,542	-18.8%	74,018	2.0%	75,512	2.0%	77,020	2.0%
CAPITAL	13,033	3,936	0	na	0	na	0	na	0	na
TRANSFERS	91,261	86,071	87,387	1.5%	96,414	10.3%	104,452	8.3%	107,921	3.3%
ADDITIONAL ITEMS FACTORED	103	12,040	16,248	na	32,276	na	36,927	na	46,024	na
GRAND TOTAL	475,656	509,000	503,398	-1.1%	539,455	7.2%	563,532	4.5%	588,033	4.3%

An overall decrease of 1.1% in operational expenses is projected for FY/09. The decrease is due in part to increases in personnel and transfers of 3.0% and 1.5%, respectively, offset by a decrease in operating expenditures. Personnel costs increase due to a 2.67% cost of living increase based on the employment cost index reflected in Table A and higher other employee benefit costs. The amounts could increase as new union contracts will be negotiated toward the end of FY/08 when the current contracts expire.

For FY/09 operations and capital decrease as one time funding is removed. There is also a decrease in appropriation due to the establishment of the Photo Enforcement fund.

Transfers to other funds from the General Fund increase approximately 1.5% in FY/09. The Transfer to Transit Fund 661 and the Transfer to Parking Fund 641 contribute to this increase. Additional items include the restoration of one time Public Safety Quarter Cent Tax funding removed from capital and operating, plus additional FY/09 Public Safety revenue, the increased costs for minimum wage and operating costs associated with the Capital Implementation Program.

The City's Capital Implementation Program also contributes to the increase in costs. Capital projects coming on-line in FY/09 will require $3.5 million in increased funding. These include opening new facilities, animal care service center improvements, and maintenance of new parks, medians, roadways and storm drains. Table D details the incremental operational costs anticipated for the listed capital projects. The estimates were extracted from data submitted by departments during the 2007 General Obligation Bond process and then updated by key fiscal staff in the respective departments. While the City's capital program is beginning to focus more on rehabilitation and repair of existing facilities than on new facilities, this forecast assumes some new projects in out years that will require additional operating dollars.

TABLE D ($000's) Project Title	FY/09	FY/10	FY/11	FY/12
Cultural and Recreational Services				
Museum Renovation	50.0	140.1	53.5	
Casa San Ysidro		68.1		
Japanese Garden/Sasebo Experience - BioPark FY/07 Bond	48.0			
Asian Experience/Tiger Habitat -BioPark FY/07 Bond		237.0	45.2	
South Pacific Ocean Experience - BioPark			150.2	1,105.5
Tingley Beach, Phase II FY/07 Bond	377.9			
Insectarium I & II - Bio Park	139.2	103.2		
Library Automation	41.3	45.4	50.0	54.9
Museum History Exhibit			30.0	
Balloon Museum Multipurpose (Simulator) Theater		432.3	(35.0)	
Environmental Health				
Animal Care Service Center Improvements	888.4	888.4		
Los Angeles Landfill Rehab - Security System	15.0	15.0	15.0	15.0
Family and Community Services				
N. Doming Baca CC - new facility		797.0		
Downtown Teen Center	325.0			
Jeanne Bellamah Gym			67.0	
Fire Department				
Mesa del Sol Fire Station	789.0	555.0		
Double Eagle Fire Station (Funded by Impact Fees)		2,617.0		
Ventana Ranch Fire Station (Funded by Impact Fees)		1,341.0		
Municipal Development				
Intersection Signalization	39.0	43.0	48.0	55.0
Maintenance of New Lights	30.0	34.0	38.0	42.0
Roadway marking/signings	28.0	32.0	36.0	40.0
Maintenance of New/Expanded Roadways	21.0	23.0	25.0	27.0
Maintenance of New Drainage Systems	195.0	195.0	200.0	200.0
Parks and Recreation				
Tennis Complex Operation and Maintenance		50.0		150.0
New Mexico Golf Academy				
New Park Acreage	253.0	238.0	340.0	248.0
Old Town Restrooms (Lease Back)	55.0			
Metro Park		350.0		
Medians, Streetscapes and Trails	162.0	365.0	227.0	150.0
Regional East-West Trail		45.0	45.0	45.0
Trails & Bikeways	46.0	48.0	50.0	52.0
Therapeutic Pool - West Side				400.0
Extreme SportsPark			150.0	
Aquatics				800.0
Planning				
New York MRA			234.0	
Police				
Radio Frequency Infrastructure		300.0		
Double Eagle Hanger/Substation			300.0	
Mesa del Sol Area Command			700.0	
Remodel Old Main Facility				100.0
Training Academy Expansion		50.0		
Seniors				
Los Volcanes Senior Fitness Center	12.0			
North Domingo Baca Multigenerational Center		779.0	260.0	
North Valley Sr. Center Fitness & Classroom Expansion		159.0		
Centralized Kitchen/Social Services			619.0	
Bear Canyon Sr. Center Fitness Center Expansion			78.0	
Total CIP Costs	3,514.8	9,950.50	3,725.9	3,484.4
(In thousands)	3,514.8	9,950.5	3,725.9	3,484.4

There is a 2.67% wage increase built into the five year forecast. See Table E for the previous eight year history of compensation adjustments by union series.

TABLE E

UNION	2009	2008	2007		2006		2005	** 2004	2003	2002	2001	Total
CPI Urban	1.58%	3.4%	3.4%		3.4%		3.7%	4.1%	2.1%	2.3%	3.4%	19.0%
Blue Collar - Local 624 - AFSCME, AFL-CIO	2.67%	3.5%	3.5%	*	3.2%	*	3.2%	0.0%	0.0%	0.0%	7.7%	14.1%
Clerical and Technical - AFSCME 2962	2.67%	3.5%	3.5%		3.2%		3.2%	0.0%	9.6%	0.0%	4.0%	20.0%
Fire Firefighters Union	2.67%	4.5%	4.5%		3.2%		3.2%	0.0%	6.8%	3.0%	3.0%	19.2%
J Series - Security Staff	2.67%	3.5%	3.5%		3.2%		3.2%	0.0%	3.3%	0.0%	6.5%	16.2%
J Series - Corrections Officers	2.67%	3.5%	3.5%		3.2%		3.2%	0.0%	0.0%	0.0%	18.8%	25.2%
Bargaining Management	2.67%	3.5%	3.5%		3.2%		3.2%	0.0%	1.9%	6.2%	5.0%	19.5%
Non-Bargaining Management	2.67%	3.5%	3.5%		3.2%		3.2%	0.0%	1.9%	6.2%	5.0%	19.5%
Albuq. Police Officers Assoc.	2.67%	4.5%	4.5%		3.9%		3.9%	0.0%	0.5%	6.5%	7.2%	22.0%
United Transportation - Local 1745	2.67%	3.5%	3.5%		3.2%		3.2%	0.0%	4.9%	4.2%	9.2%	24.7%

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

REVENUES AND EXPENDITURES UNDER ALTERNATIVE SCENARIOS

ALTERNATIVE SCENARIOS

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

GI prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. Added to this are possible local events, primarily losses or gains in employment that are not incorporated in the baseline. These events are presented below in the separate sections on the optimistic and pessimistic scenarios.

The expenditures in these scenarios differ from the baseline in the use of the alternative inflation factors.

OPTIMISTIC SCENARIO

This scenario is based on the GI high growth scenario that is assigned a probability of 15%. This scenario has modest increases in growth led by productivity increases and low inflation.

National Assumptions

- Real GDP growth is only slightly above the baseline.
- Inflation rates are low, wage pressure is held in check by low inflation and productivity increases.
- Because of the check on inflation, FRB policy is not as aggressive.
- The unemployment rate is below baseline at about 5.2%.

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Local Assumptions

- Jobs were added for:
    - Sony Imageworks- a total of 300 jobs beginning with the third quarter 2008.
    - Advent Solar- 600 jobs above baseline. 150 per quarter beginning in the third quarter 2009.
- The national scenario drives up residential building permits and construction employment.

Specific Revenue Assumptions

- Building permits revenue doesn't slow as much and expand more rapidly in the future years.
- GRT growth is strong, but model results somewhat limit growth due to low inflation.
- Property tax is allowed to grow at 3%.
- Telecom and cable franchises are more optimistic.

Optimistic Scenario Summary

GLOBAL INSIGHT OPTIMISTIC SCENARIO						
	2007	2008	2009	2010	2011	2012
All Items	2.6%	2.1%	1.0%	1.6%	1.6%	1.6%
Employment Cost Index-Wages & Salary	3.3%	3.1%	2.6%	3.0%	3.1%	3.2%
Medical Care	3.2%	2.7%	2.6%	2.4%	2.5%	2.7%
New Cars	0.3%	-0.1%	1.1%	1.2%	0.4%	0.2%
Trasportation	2.5%	2.8%	1.9%	2.0%	2.1%	2.2%
Natural Gas	-7.5%	0.2%	7.5%	10.1%	-1.1%	-1.7%
Gasoline & Oil	3.2%	0.5%	-7.0%	0.4%	0.9%	-0.4%
Electricity Chained Price Index	6.7%	2.3%	0.8%	1.2%	1.2%	1.2%
PRICE INDEX-Govt Consumption Noncompensation	4.4%	3.6%	2.2%	2.2%	2.2%	2.2%
Tires/Tubes/Accessories/Parts	4.1%	1.7%	-0.4%	-1.0%	-1.1%	-1.2%

	Budget	Five year					Growth Rates				
	FY/08	FY/08	FY/09	FY/10	FY/11	FY/12	FY/08	FY/09	FY/10	FY/11	FY/12
Gross Receipts	303,401	301,435	293,049	303,052	313,153	322,703	-0.6%	-2.8%	3.4%	3.3%	3.0%
Public Safety GRT	38,196	37,967	39,172	40,736	42,094	43,377	-0.7%	3.2%	4.0%	3.3%	3.0%
Taxes	57,513	60,180	61,976	63,468	65,262	66,879	4.6%	3.0%	2.4%	2.8%	2.5%
Shared	4,580	5,436	5,117	5,194	5,272	5,352	18.7%	-5.9%	1.5%	1.5%	1.5%
Permits	13,591	12,698	12,871	14,404	16,157	18,162	-6.6%	1.4%	11.9%	12.2%	12.4%
Charges for Services	19,277	19,277	19,650	20,011	20,366	20,366	0.0%	1.9%	1.8%	1.8%	0.0%
Intra City	19,900	19,900	20,465	21,085	21,733	22,423	0.0%	2.8%	3.0%	3.1%	3.2%
Misc	9,629	5,303	5,464	5,608	5,733	5,852	-44.9%	3.0%	2.6%	2.2%	2.1%
CIP Funded	9,211	9,211	9,533	9,867	10,222	10,612	0.0%	3.5%	3.5%	3.6%	3.8%
Total Revenue	475,298	471,406	467,297	483,426	499,992	515,725	-0.8%	-0.9%	3.5%	3.4%	3.1%
Total non-recurring	22,214	22,421	1,979	2,021	2,065	2,115	22.9%	8.8%	2.1%	2.1%	2.4%
Recurring Revenue	453,084	448,985	465,318	481,405	497,927	513,611	2.3%	3.6%	3.5%	3.4%	3.1%

FIVE YEAR FORECAST
GENERAL FUND - OPTIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000S)

	UNAUDITED ACTUAL FY07	REVISED APPROP FY08	FORECASTS FY09	FY10	FY11	FY12
RESOURCES:						
Recurring Revenue	453,849	449,192	464,567	481,405	497,927	513,611
1/16th GRT Reduction						
% Chng Recur'g Revenue		-1.0%	3.4%	3.6%	3.4%	3.1%
Total Non-recurring	18,238	22,214	2,730	2,021	2,065	2,115
TOTAL REVENUES	472,087	471,406	467,297	483,426	499,992	515,725
% Chng Total Revenue		-0.1%	-0.9%	3.5%	3.4%	3.1%
BEGINNING FUND BALANCE	87,350	83,781	46,187	(68)	(61,356)	(131,966)
TOTAL RESOURCES	559,437	555,187	513,484	483,358	438,636	383,759
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	414,663	447,426	476,848	505,850	532,328	555,562
% Change Recurring Appropriation		7.9%	6.6%	6.1%	5.2%	4.4%
Non-recurring Exp/App:						
One-time Items	60,993	61,574	36,704	38,864	38,274	39,629
Total Non-recurring	60,993	61,574	36,704	38,864	38,274	39,629
TOTAL EXPEND/APPROP	475,656	509,000	513,552	544,714	570,602	595,191
UNADJUSTED FUND BALANCE	83,781	46,187	(68)	(61,356)	(131,966)	(211,431)
ADJUSTMENTS:						
Encumbrances	(8,359)	0	0	0	0	0
Unrealized Gains on Investments	34	34	34	34	34	34
Other Accounting Adjustments	(43)	(43)	(43)	(43)	(43)	(43)
TOTAL ADJUSTMENTS	(8,368)	(9)	(9)	(9)	(9)	(9)
ADJUSTED FUND BALANCE	75,413	46,178	(77)	(61,365)	(131,975)	(211,440)
RESERVES:						
Quarter Cent - Central Processing	0	2,563	2,563	2,563	2,563	2,563
Quarter Cent - Family & Community Svcs	1,929	0	0	0	0	0
Phote Enforcement Reversions	5,100	0	0	0	0	0
IRB Settlement	764	59	59	0	0	`
Campaign Finance Law	0	0	0	0	0	0
Special Reserve	300	200	200	200	200	200
1/12th Operating Reserve	40,991	41,413	42,796	45,393	47,550	49,599
TOTAL RESERVES	49,084	44,235	45,618	48,156	50,313	52,362
UNRESERVED FND BALANCE	26,329	1,943	(45,695)	(109,521)	(182,288)	(263,802)
1/12th Operating Reserve	39,638	42,417	42,796	45,393	47,550	49,599
Recurring Surplus/(Deficit)	39,186	1,766	(12,281)	(24,445)	(34,401)	(41,951)

PESSIMISTIC SCENARIO

This scenario is based on the GI pessimistic alternative that is assigned a probability of 30%. This scenario is driven by high oil prices, increases in inflation, higher interest rates and weakness in the world economy which limits export growth.

National Assumptions

- GDP growth is negative for two quarters.
- Further decreases in the housing market.
- Job growth remains below growth in the labor force. Unemployment peaks at 5.8% in the third quarter of 2008.
- Consumer confidence plunges and consumption falls.
- Inflation accelerates and the FRB increases rates to 6% in FY/09.

Local Assumptions

- Employment is reduced for:
    - Layoffs at Sandia National Labs- total of 1,500 jobs; 200 per quarter in 2008 and 175 per quarter in 2009.
    - Layoffs at Los Alamos National labs- total of 2,000 jobs; 200 per quarter in 2008 through 2010.
    - Eclipse loses additional jobs that were added to the baseline. A total of 600 jobs; 100 each in the first and second quarters of 2008 and 200 each in the third and fourth quarters of 2008.
    - LoPresti loses additional jobs that were added to the baseline. A total of 300 jobs; 100 in each of the first three quarters of 2008.
- Single-family housing is driven down by the national scenario and higher interest rates.
- Construction employment is lower based on the weak national scenario.

Specific Revenue Assumptions

- The GRT model used the income model which had lower growth rates than the employment model.
- Building permit revenues are reduced based on the City building permit forecast in the BBER forecast.
- Franchise fees are weaker due to slower growth.
- Charges for services are reduced with lower revenues from construction revenues and entrance fees.

PESSIMISTIC SCENARIO FACTORS

GLOBAL INSIGHT PESSIMISTIC SCENARIO						
	2007	2008	2009	2010	2011	2012
All Items	2.6%	2.8%	2.1%	2.5%	2.5%	2.6%
Employment Cost Index-Wages & Salary	3.3%	3.0%	2.5%	2.5%	2.8%	3.4%
Medical Care	3.2%	2.9%	3.7%	3.9%	4.1%	4.3%
New Cars	0.3%	0.2%	1.9%	2.2%	2.0%	1.9%
Trasportation	2.5%	3.1%	2.8%	2.8%	2.9%	3.1%
Natural Gas	-7.5%	4.4%	13.6%	11.6%	-0.2%	-0.9%
Gasoline & Oil	3.2%	9.2%	-1.4%	0.8%	1.1%	-0.1%
Electricity Chained Price Index	6.7%	2.6%	2.3%	2.5%	2.4%	2.4%
PRICE INDEX-Govt Consumption Noncompensation	4.4%	3.9%	2.7%	2.6%	2.7%	2.8%
Tires/Tubes/Accessories/Parts	4.1%	2.1%	0.8%	0.1%	0.1%	0.0%

	Budget	Five year					Growth Rates				
	FY/08	FY/08	FY/09	FY/10	FY/11	FY/12	FY/08	FY/09	FY/10	FY/11	FY/12
Gross Receipts	303,401	296,161	283,529	291,676	303,263	315,279	-2.6%	-4.3%	2.9%	4.0%	4.0%
Public Safety GRT	38,196	37,303	37,899	39,207	40,764	42,380	1.0%	1.6%	3.4%	4.0%	4.0%
Taxes	57,513	59,597	61,182	62,453	64,016	65,391	6.2%	2.7%	2.1%	2.5%	2.1%
Shared	4,580	5,436	4,867	4,939	5,012	5,087	5.1%	-10.5%	1.5%	1.5%	1.5%
Permits	13,591	11,473	10,714	11,547	12,457	13,451	-13.3%	-6.6%	7.8%	7.9%	8.0%
Charges for Services	19,277	18,346	18,701	19,045	19,382	19,382	-1.9%	1.9%	1.8%	1.8%	0.0%
Intra City	19,900	19,900	20,218	20,831	21,471	22,153	19.6%	1.6%	3.0%	3.1%	3.2%
Misc	9,629	5,303	5,409	5,532	5,678	5,829	-61.6%	2.0%	2.3%	2.6%	2.7%
CIP Funded	9,211	9,211	9,533	9,867	10,222	10,612	26.5%	3.5%	3.5%	3.6%	3.8%
Total Revenue	475,298	462,730	452,053	465,096	482,266	499,564	-2.0%	-2.3%	2.9%	3.7%	3.6%
Total non-recurring	22,214	22,089	1,979	2,021	2,065	2,115	21.1%	-91.0%	2.1%	2.1%	2.4%
Recurring Revenue	453,084	440,640	450,073	463,074	480,201	497,450	0.4%	2.1%	2.9%	3.7%	3.6%

FIVE YEAR FORECAST
GENERAL FUND - PESSIMISTIC SCENARIO
RESOURCES, APPROPRIATIONS AND FUND BALANCES
($000S)

	UNAUDITED ACTUAL FY07	REVISED APPROP FY08	FORECASTS FY09	FY10	FY11	FY12
RESOURCES:						
Recurring Revenue	453,849	440,640	449,323	463,074	480,201	497,450
1/16th GRT Reduction						
% Chng Recur'g Revenue		-2.9%	2.0%	3.1%	3.7%	3.6%
Total Non-recurring	18,238	22,089	2,730	2,021	2,065	2,115
TOTAL REVENUES	472,087	462,730	452,053	465,096	482,266	499,564
% Chng Total Revenue		-2.0%	-2.3%	2.9%	3.7%	3.6%
BEGINNING FUND BALANCE	87,350	83,781	37,511	(17,234)	(91,329)	(173,131)
TOTAL RESOURCES	559,437	546,511	489,563	447,861	390,936	326,434
EXPENDITURES/APPROPRIATIONS:						
Recurring Expenditures/Appropriations	414,663	447,426	470,899	501,646	527,197	551,994
% Change Recurring Appropriation		7.9%	5.2%	6.5%	5.1%	4.7%
Non-recurring Exp/App:						
One-time Items	60,993	61,574	35,899	37,545	36,870	37,987
Total Non-recurring	60,993	61,574	35,899	37,545	36,870	37,987
TOTAL EXPEND/APPROP	475,656	509,000	506,798	539,191	564,067	589,981
UNADJUSTED FUND BALANCE	83,781	37,511	(17,234)	(91,329)	(173,131)	(263,547)
ADJUSTMENTS:						
Encumbrances	(8,359)	0	0	0	0	0
Unrealized Gains on Investments	34	34	34	34	34	34
Other Accounting Adjustments	(43)	(43)	(43)	(43)	(43)	(43)
TOTAL ADJUSTMENTS	(8,368)	(9)	(9)	(9)	(9)	(9)
ADJUSTED FUND BALANCE	75,413	37,502	(17,243)	(91,338)	(173,140)	(263,556)
RESERVES:						
Quarter Cent	0	2,563	2,563	2,563	2,563	2,563
Quarter Cent - Family & Community Svcs	1,929	0	0	0	0	0
Phote Enforcement Reversions	5,100	0	0	0	0	0
IRB Settlement	764	59	59	0	0	`
Campaign Finance Law	0	0	0	0	0	0
Special Reserve	300	200	200	200	200	200
1/12th Operating Reserve	40,991	41,413	42,233	44,933	47,006	49,165
TOTAL RESERVES	49,084	44,235	45,055	47,696	49,769	51,928
UNRESERVED FND BALANCE	26,329	(6,733)	(62,298)	(139,034)	(222,909)	(315,484)
1/12th Operating Reserve	39,638	42,417	42,233	44,933	47,006	49,165
Recurring Surplus/(Deficit)	39,186	(6,786)	(21,576)	(38,572)	(46,996)	(54,544)

Comparison of Scenarios—National and Local Variables

Indicator/FY	SCENARIO			Difference from Base		
	Optimistic	Baseline	Pessimistic	Optimistic	Pessimistic	
Employment -Albuquerque MSA						**L**
2008	1.2%	1.1%	0.9%	0.2%	-0.2%	**O**
2009	2.3%	1.7%	0.9%	0.6%	-0.8%	**C**
2010	2.1%	1.8%	1.6%	0.3%	-0.3%	**A**
2011	1.6%	1.5%	1.7%	0.0%	0.1%	**L**
2012	1.4%	1.6%	1.8%	-0.1%	0.2%	
MSA Construction Employment						**I**
2008	1.6%	-1.3%	-1.6%	2.9%	-0.3%	**N**
2009	1.7%	0.2%	-1.0%	1.5%	-1.2%	**D**
2010	1.5%	1.8%	1.6%	-0.3%	-0.3%	**I**
2011	1.7%	1.5%	2.1%	0.2%	0.6%	**C**
2012	1.1%	1.5%	2.2%	-0.3%	0.8%	**A**
Residential Housing Permits-Inside City						**T**
2008	2850	2561	2244	289	(317)	**O**
2009	3759	2943	2092	816	(851)	**R**
2010	4456	3522	2651	934	(871)	**S**
2011	4867	3993	3407	874	(586)	
2012	4899	4168	3715	731	(453)	
Real GDP						
2008	2.5%	2.1%	1.4%	0.4%	-0.7%	
2009	3.6%	2.5%	0.9%	1.1%	-1.5%	
2010	3.3%	2.9%	2.1%	0.4%	-0.9%	
2011	3.1%	2.7%	2.6%	0.3%	-0.1%	
2012	2.8%	2.8%	2.7%	0.0%	0.0%	**N**
Price Index Consumer Price Index-Urban Consumers						**A**
2008	1.5%	2.5%	2.8%	-1.0%	0.3%	**T**
2009	1.4%	1.6%	2.1%	-0.2%	0.5%	**I**
2010	1.3%	1.9%	2.5%	-0.6%	0.6%	**O**
2011	1.3%	1.8%	2.5%	-0.5%	0.7%	**N**
2012	1.1%	1.8%	2.6%	-0.7%	0.8%	**A**
Interest Rates-Federal Funds Rate						**L**
2008	4.4%	4.5%	4.2%	-0.2%	-0.3%	
2009	4.4%	4.3%	5.0%	0.1%	0.7%	**I**
2010	4.5%	4.8%	6.0%	-0.3%	1.3%	**N**
2011	4.5%	4.8%	6.0%	-0.3%	1.3%	**D**
2012	4.5%	4.8%	6.0%	-0.3%	1.3%	**I**
Interest Rates-10 Year Treasury Bond						**C**
2008	4.4%	4.6%	4.5%	-0.2%	-0.1%	**A**
2009	4.9%	4.8%	5.8%	0.1%	1.0%	**T**
2010	5.0%	5.2%	6.3%	-0.2%	1.1%	**O**
2011	5.0%	5.3%	6.3%	-0.2%	1.1%	**R**
2012	5.0%	5.3%	6.3%	-0.2%	1.1%	**S**
West Texas Intermediate Crude- Dollars per barrel						
2008	68.85	75.33	81.34	(6.48)	6.01	
2009	63.95	74.12	81.67	(10.17)	7.54	
2010	63.87	74.17	81.67	(10.30)	7.50	
2011	63.49	73.96	81.46	(10.47)	7.50	
2012	62.51	72.82	80.33	(10.31)	7.50	

REVENUE COMPARISON
(In Thousands of Dollars)

	Pessimistic -Baseline					Optimitic-Baseline				
	FY/08	FY/09	FY/10	FY/11	FY/12	FY/08	FY/09	FY/10	FY/11	FY/12
Gross Receipts	-461	-1,589	-3,888	-4,844	-5,786	4,813	7,931	7,489	5,045	1,638
Public Safety GRT	-58	-212	-523	-651	-778	606	1,060	1,007	678	220
Taxes	-238	-213	-440	-454	-467	345	581	575	793	1,021
Shared	-61	125	128	130	133	-61	375	383	391	399
Permits	-816	-1,745	-1,919	-2,111	-1,537	408	412	938	1,589	3,174
Charges for Services	480	489	498	507	167	1,411	1,438	1,465	1,491	1,151
Intra City	0	-108	-47	24	111	0	140	207	286	381
Misc	0	-28	-103	-161	-220	0	27	-26	-105	-198
CIP Funded	0	76	134	1,714	1,848	0	76	134	1,714	1,848
Total Revenue	-1,154	-3,205	-6,160	-5,845	-6,527	7,523	12,040	12,171	11,881	9,634

REVENUE HISTORY

GENERAL FUND REVENUE HISTORY

A history of major revenue sources for the General Fund from FY/01 to FY/07 is presented below. These numbers reflect a one-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. Recurring receipts grew at a compound annual rate of 6.2%. The growth is boosted by the addition of a mill in property tax revenue, added in FY/04, and the introduction of the quarter-cent public safety tax in FY/05. After adjusting for additional taxes, the growth in the general fund recurring revenues is 5.3%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/01 and FY/07. The City's General Fund has become somewhat more reliant on the gross receipts taxes, more on local taxes (franchises and property tax), and less dependent on intra-city revenues and charges for services.

The Albuquerque economy expanded rapidly from FY/92 to FY/95. There was a construction boom and many firms and people moved here from California and other locales. The economy began slowing substantially in FY/96. This affected gross receipts tax collections resulting in slow growth from FY/96 to FY/00. In FY/01, growth was somewhat stronger as the semiconductor industry began hiring again. In addition, large projects such as the Big-I reconstruction and the construction of another fabrication unit at Intel helped boost construction employment. Unfortunately this rebound was short lived as the national economy went into recession in FY/02. The end of FY/03 showed signs of a resurgence in the economy as employment and GRT revenues grew substantially faster than originally estimated. FY/04 had substantial growth in GRT of 9.2%, far exceeding the growth in the underlying economy. FY/05 experienced moderate growth in employment and GRT growth at 4.2% was stronger than the estimate. FY/06 again showed strong growth of 7.1%. The Albuquerque and New Mexico economies picked up with employment growth nearing 3% in early 2006. The construction industry led the economy with strong employment growth, resulting in growth in construction GRT and construction related revenues such as building permits and engineering fees.

Over the FY/01 to FY/07 period, the General Fund has been affected by several changes in revenue. There were some changes in tax rates, a quarter cent GRT for public safety was added in FY/05 and in FY/04 one mill in property tax was shifted from capital to operations. In January 2007 1/8th cent of gross receipts tax was cut in conjunction with the County taking over operations of the Bernalillo County detention center and raising taxes by 1/8th. The largest fee increase was for building permit fees. In FY/03, there was an overall increase in fees of approximately 30%. There are some small new fees for inspections of body art establishments, and in FY/05 fines associated with the new red-light ordinance began in June 2005. A new court paid corrections fee was collected in FY/05, two years after the original corrections fee was directed to parking structure construction for the new Metropolitan court house. Since the aquarium/botanic gardens came on line in FY/97 no large venues have opened. The General Fund has lost revenue sources including: the state shared gasoline tax now registered in the Gasoline Tax Road Fund and revenues from the Convention Center. However, the contract for operating the Convention Center has offsetting reductions in expenditures.

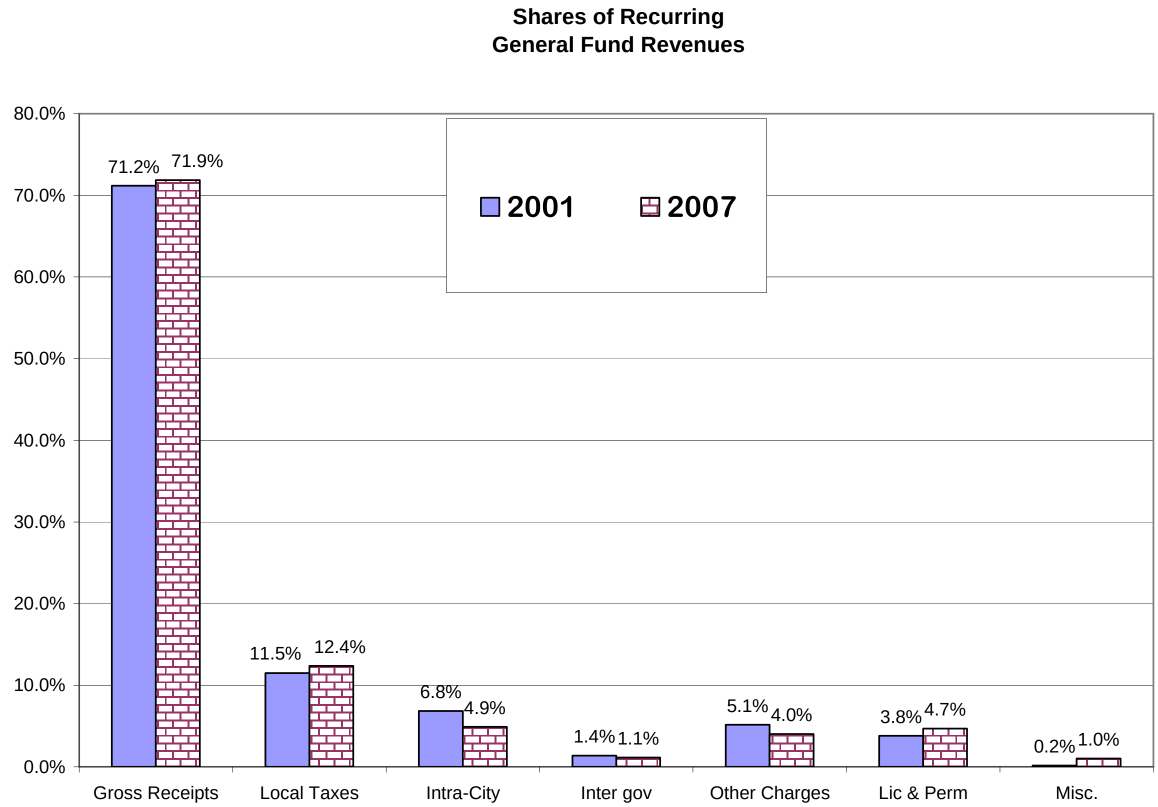
The specific changes for different revenue categories are discussed below, with gross receipts at the end of the section.

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

REVENUE SOURCE	FY/01	FY/02	FY/03	FY/04	FY/05	FY/06	Unaudited FY/07	GROWTH FY01 TO FY07	Compound ANNUAL RATE	FY/07
GROSS RECEIPTS TAX	224,184	225,723	236,013	257,801	268,596	287,631	304,214	35.7%	5.2%	5.8%
BASIC SERVICES										
GRT PUBLIC SAFETY					28,923	34,066	36,933			0
TOTAL GRT	224,184	225,723	236,013	257,801	297,519	321,697	341,147	52.2%	7.2%	6.0%
OTHER LOCAL TAXES	36,172	36,697	39,568	48,465	49,980	53,621	56,103	55.1%	7.6%	4.6%
LICENSES AND PERMITS	8,723	8,643	12,279	13,716	15,026	15,203	13,239	51.8%	7.2%	-12.9%
OTHER INTERGOV'L AID	4,354	4,863	4,521	5,039	5,267	6,359	5,174	18.8%	2.9%	-18.6%
INTRA-CITY CHARGES(1)	20,518	20,940	20,696	22,532	23,221	22,523	21,326	3.9%	0.6%	-5.3%
OTHER SERVICE CHARGES	16,188	15,697	17,074	17,684	18,079	19,139	18,704	15.5%	2.4%	-2.3%
INTEREST EARNINGS	3,229	974	746	427	1,590	3,024	3,852	19.3%	3.0%	27.4%
MISCELLANEOUS	531	607	504	3,471	913	3,350	9,951	1774.0%	63.0%	197.1%
INTERFUND TRANSFERS	3,663	3,436	1,509	1,927	2,128	2,140	2,591	-29.3%	-5.6%	21.1%
TOTAL REVENUES	317,563	317,581	332,909	371,063	413,724	447,057	472,087	48.7%	6.8%	5.6%
LESS NON-RECURRING(2)	3,519	3,407	3,200	8,447	12,980	8,527	18,238	518.3%	35.5%	113.9%
RECURRING REVENUES	314,044	314,174	329,709	362,616	400,744	438,530	453,849	144.5%	16.1%	3.5%

Local Taxes. This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category increased its share of total recurring revenues from 11.5% in FY/01 to 12.4% in FY/07. Property tax revenues increased at a compound rate of 12%, mostly due to the shift of one mill in property taxes to the General Fund in FY/04. Franchise revenues grew 3.2% for the period. The gas franchise revenues increased at a compound rate of 12.4% reflecting the increase of the franchise fee from 2% to 3% of gross revenues and the increases in the price of natural gas. Electricity experienced a growth of 0.8% slowed by reductions in electric rates over the period. The water utility franchise includes PILOT revenues paid by the water utility received prior to FY/05. Though not totally comparable, the franchise agreement of 4% signed in FY/05, yields revenues of a comparable size to the PILOT paid by the water utility in the past. Growth for FY/05 in the water franchise was slowed due to wet weather in the spring. FY/06 was strong following the weakness and the rate increases and FY/07 was relatively flat. PILOT, not including the Water Authority, grew 11% with general revenue growth and an increase in the rates from the addition of a quarter cent in gross receipts tax.

Intergovernmental Assistance. Intergovernmental revenues other than the gross receipts tax accounted for 1.4% of General Fund recurring receipts in FY/01 and 1.1% in FY/07. Municipal gasoline tax revenue increased an average of 1.0%, while other recurring intergovernmental sources declined with the exception of non-recurring sources. In FY/06 the largest was approximately $900 thousand from FEMA for hurricane Katrina expenses. Motor vehicle fees were flat. Cigarette tax revenues continue to decline a total of 23.6% from FY/01 to FY/07. The General Fund received a new revenue source in State-shared revenues from DWI citations to be used for corrections facilities operations. These revenues were erratic and varied from $300 thousand to over $800 thousand per year. FY/00 is the last year the City received this citation revenue though some revenues owed in FY/00 were received in FY/01. This distribution was then directed to help construct a parking structure for the new Metropolitan Courthouse; another distribution was put in place by the legislature to begin in FY/04. In FY/05 the City received revenue of $451 thousand and $355 thousand in FY/06 and $275 thousand in FY/07.



Other Charges (Charges for Services). Revenues from other charges accounted for 5.1% of General Fund recurring revenues in FY/01 and 4.0% in FY/07. The opening of the Aquarium/Botanic Gardens during FY/97 provided the General Fund with a significant new revenue source. In its first partial year of operations, the Aquarium/Botanic Gardens generated over $1.3 million in admissions revenues, but revenue had declined in FY/01 to only $792 thousand. It has rebounded somewhat with increases in fees and new venues such as the butterfly pavilion. In FY/04, the operation of the Convention Center was privatized mid-year, reducing revenue by about $1.6 million. The full year impact of this change was approximately $2.2 million, but was offset by reduced expenses. Engineering fees increased from $986 thousand to $1.6 million increasing to $2.7 million in FY/06 and down to $1.86 million in FY/07. These revenues fluctuate with construction. Revenues from charges for legal services increased in FY/98, with a fee increase that brought revenues up to $2.1 million. Revenues have tapered off and in FY/03 were only $1.5 million but increased to $1.95 million in FY/04 and $1.7 million in FY/05 and around $2 million in FY/06 and FY/07. This revenue in large part is dependent on vacancies in the legal department and hiring of outside counsel for risk management cases. Charges for police over-time services are an offset to pay officers for private use; it remained relatively flat at around $1 million, until increases in the overhead rate and increased use of over-time brought revenues up to $1.4 million in FY/05 and FY/06. In FY/07 revenues were over $1.5 million. The creation of the Alarm Fund for FY/04 resulted in increases in the fines that are kept in the General Fund. In FY/05, $382 thousand was transferred to the General Fund, up from approximately $150 thousand under the previous ordinance. Alarm revenues to the general fund have been around $300 thousand and in FY/07 receipts were $264 thousand. Additionally, in FY/03 with the opening of the City's new crime lab, Bernalillo County began paying an annual amount of approximately $550 thousand for crime lab services, up from approximately $100 thousand. Reimbursements from the County for library services in the unincorporated areas increased slightly from $1 million in FY/00 to $1.1 million in FY/06, a reflection that the City is not operating any additional libraries for the County.

Intra-City Revenues. These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other interfund transfers, excluding PILOT. In FY/01 these accounted for 6.8% of recurring revenues and 4.9% in FY/07. This does not include transfers for the Transportation Infrastructure Tax considered non-recurring. The reduction as a share of revenue is due to both slow growth in indirect overhead and to a reduction in internal service charges. Revenues for CIP funded positions increased substantially in FY/02 to FY/05. These positions are associated with capital projects at the zoo, Tingley Beach, and tax increment funded programs.

Interfund transfers totaled $3.6 million in FY/03, but $1.9 million of this was a non-recurring transfer from the police mini-substation fund. Transfers were $2.1 million in FY/05 and FY/06 and increasing to $2.6 million in FY/07 due to a $426 thousand transfer from solid waste to fund security.

Revenues from internal service charges fell from $3.6 million in FY/97 to $1.3 million in FY/03, falling to $1 million in FY/04. In FY/99 the movement of radio and telephone maintenance to a separate fund reduced expenditures by $790 thousand. The City has also discontinued the provision of many of its office services, engineering services and surveying services. Engineering and surveying fell from $920 thousand in FY/00 to $180 thousand in FY/05 and then increased to $232 thousand in FY/07.

Indirect overhead revenues in FY/01 were $14.7 million; in FY/06 $13.8 million and the unaudited number for FY/07 is $13 million. This number is likely to change in the audit, probably somewhat up.

Licensing, Permit Fees. The share for this category was 3.8% in FY/01 and 4.7% in FY/07. License and permit revenues increased at one of the fastest rates of any group of revenues. Building permits lead the way with an annual average of 9%. Building permit fees were increased an average of 30% in FY/03 and construction has been strong, with the exception of FY/07 where there was a decline in building permit revenue.

Miscellaneous

This category has grown from 0.2% of revenues in FY/02 to 1.1% in FY/07. One of the largest components of miscellaneous revenue is interest earnings. Interest earnings are a large source of income that declined in FY/02 to FY/04, but grew rapidly in FY/06 with increases in interest rates. FY/07 also showed an increase due to increased fund balances and the GASB requirement to post unrealized gains (losses). In FY/07 miscellaneous revenues increased due to the STOP photo enforcement program. Fines for the program were over $9 million. In FY/08 these revenues were moved with expenses to a new fund.

Gross Receipts Tax. The Gross Receipts Tax remains the major contributor to the General Fund making up 71.9% of recurring revenues in FY/07. In FY/05, the City imposed a new ¼ cent tax for public safety; there is a gap from July 1, 1999 to January 1, 2000 when the ¼ cent quality of life tax expired and the ¼ cent transportation tax had not been imposed.

The following table provides a summary of the GRT from FY/00 to FY/07 as a revenue source for the City of Albuquerque. The locally imposed GRT consists of the municipal imposed ½ cent (2 quarters), basic services ¼ cent, public safety ¼ cent, infrastructure 1/16 cent and currently the transportation infrastructure ¼ cent. Only the transportation infrastructure tax is not in the General Fund. The transportation tax was imposed for ten years beginning in January 2000. Past uses of this quarter cent tax were quality of life and open space, which have expired. In FY/07 1/8th cent of the basic services tax was cut in January 2007. Due to the GASB accrual seven months of revenue were actual booked in FY/07. In the FY/08 budget, the remaining 1/8th cent of the basic services tax was cut beginning in July 2008.

The compound annual growth of gross receipts tax revenues is 6.3% in the period FY/99 to FY/05. Much of this growth is from the 9.2% growth experienced in FY/04 with the addition of the ¼ cent for public safety tax. Most of the other years had much lower growth rates. From FY/98 to FY/00 the 1/4 and 1/16 cent distributions were affected by the imposition of an additional 2% administrative fee imposed to fund a new computer system for state gross receipts distributions. In order to look at the growth in the tax base and ignore changes in tax rates and other technical changes, it is best to look at the one-percent distribution. The one-percent distribution had growth of 4.5% in this period, when adjusted for inflation the one-percent distribution had average growth of 1.8%.

GROSS RECEIPTS TAX REVENUES, FY'S 2000 - 2007

($000's)

DETAIL ON GROSS RECEIPTS:	FY 00	FY 01	FY 02	FY 03	FY/04	FY/05	FY/06	FY/07	FY'S 00-07 PERCENT CHANGE	COMPOUND ANNUAL RATE
GENERAL FUND:										
MUNICIPAL IMPOSED 1/2 CENT	51,406	54,610	55,034	57,569	62,778	65,333	70,079	76,302	48.4%	5.8%
BASIC SERVICES 1/4 CENT	24,327	26,486	26,557	27,916	30,442	31,712	34,066	29,451		
first 1/8th	12,164	13,243	13,279	13,958	15,221	15,856	17,033	18,467	51.8%	6.1%
Second 1/8 (9)	12,164	13,243	13,279	13,958	15,221	15,856	17,033	10,984	-9.7%	-1.4%
PUBLIC SAFETY 1/4 CENT(8)						28,923	34,066	36,933		
INFRASTRUCTURE 1/16 CENT (2)	6,236	6,622	6,643	6,983	7,612	7,961	8,542	9,236	48.1%	5.8%
	81,969	87,718	88,234	92,468	100,832	133,930	146,753	151,922	85.3%	9.2%
STATE SHARED RECEIPTS										
1% DISTRIBUTION (3)	105,915	110,264	110,715	115,901	126,639	131,767	141,128	152,730	44.2%	5.4%
.35%/.225% DISTRIBUTION (3,4)	23,835	24,822	24,915	26,082	28,499	29,653	31,759	34,370	44.2%	5.4%
	129,750	135,086	135,631	141,984	155,138	161,420	172,887	187,100	44.2%	5.4%
TOTAL TAX RECEIPTS	211,719	222,804	223,865	234,452	255,970	295,350	319,640	339,022	60.1%	7.0%
PENALTY & INTEREST	940	1,406	1,858	1,562	1,831	2,169	2,057	2,057	-13.6%	-2.1%
TOTAL GENERAL FUND DISTRIBUTION	212,659	224,210	225,723	236,013	257,801	297,519	321,697	341,079	60.4%	7.0%
MUNICIPAL IMPOSED 1/4 CENT										
OPEN SPACE & PARK DEVT (6)	2,070									
TRANSPORTATION INFRASTRUCTURE (7)	10,131	26,486	26,557	27,916	30,442	31,712	34,066	36,933		
	12,201	26,486	26,557	27,916	30,442	31,712	34,066	36,933	NA	NA
TOTAL GROSS RECEIPTS TAX REVENUES(1)	224,860	250,696	252,281	263,930	288,243	329,231	355,763	378,012	NA	NA

(1) After adjustments in compliance with GASB.

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

(3) Administrative fee on distributions above the 1/2 cent (1/4 and 1/16 cent distributions) increased from three to five percent in FY/98. It returned to three percent in FY/01.

(4) Effective August 1, 1992, the State took back 1/8th cent of their distribution of State shared receipts to municipalities.

(5) Quality of Life Tax sunset December 31, 1996.

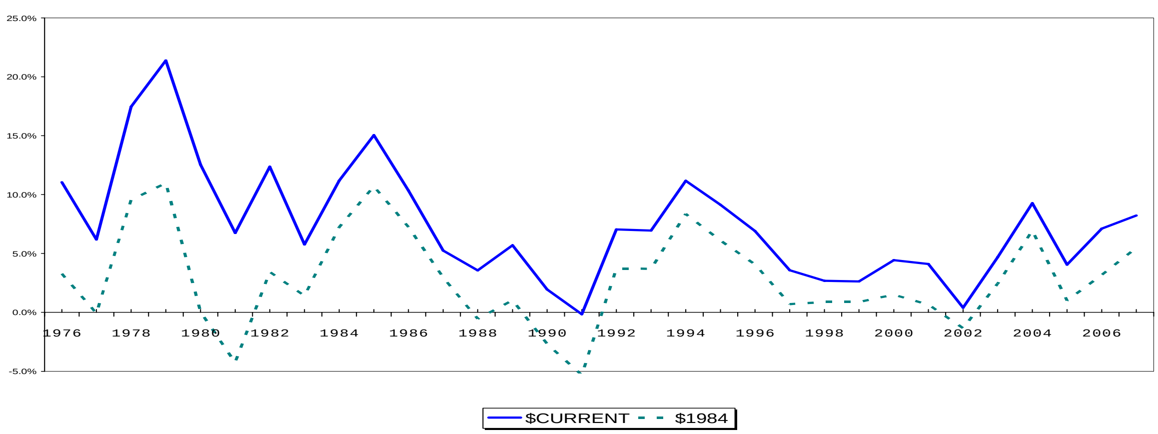
(6) 1/4 Cent for Open Space and Park Development went into effect July 1, 1997. Tax sunset June 30, 1999.

(7) 1/4 Cent Transportation Infrastructure tax went into effect January 1, 2000 and will sunset December 31, 2009

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

(9) Was cut effective January 2007

GROWTH IN THE GRT 1% DISTRIBUTION
% CHANGE OVER PRIOR YEAR, FY'S 1976-2007



The year-over-year growth in the one-percent distribution received as State shared revenues is charted above in current dollars and inflation adjusted to constant 1984 dollars. The tax mimics the performance of the Albuquerque economy. The gross receipts tax is an "elastic" revenue source, as revenues are sensitive to economic growth and inflation. The negative real growth in FY/81, FY/91, and FY/02 corresponds to national recessions. Following the slowdown in FY/91, the Albuquerque economy boomed, construction was strong, lead by the construction at Intel, DOE and military facilities. In addition, manufacturing experienced a boom in the semiconductor industry. In FY/95, the economy began slowing as the Intel project was completed and construction began tapering off. Sandia National Labs began reducing local purchases in 1995 as employment declined from 8,100 in FY/95 to about 6,600 in FY/00. Engineering and management services declined over 3% in 2 years. As about 90% of the semiconductor production in New Mexico was dependent on Asian markets, the Asian financial crisis that began in the fall of 1997, hit New Mexico hard. Major semiconductor manufacturers (Intel, Philips, Sumitomo, Motorola) all had slowdowns and layoffs. Over 2,300 jobs were lost in the manufacturing industry from FY/97 to FY/00, about 500 of these jobs were from Levi Strauss who also was affected by the crisis. Certainly there were secondary affects as producers who usually made large local purchases of inputs to their manufacturing process did not do so, or deferred them. In FY/01 manufacturing made a bit of a turn, and then in FY/02, driven by the national recession, employment declined for three straight quarters. In FY/03 the economy turned and employment grew by about 1%, though manufacturing continued to lose jobs. Manufacturing from FY/01 to FY/04 lost about 4,900 jobs. This included slowdowns at EMCORE, Motorola selling its capacity and Philips shutting down its New Mexico operations. In FY/05 there was some improvement in the economy, but construction remained the strong point and manufacturing remained weak. The manufacturing employment turned in FY/06 as employment gained 3% and in FY/07 increased again at a rate of 2.9%. This was the result of gains in employment at several manufacturing firms including Eclipse Aviation, Advent Solar, Meralat, TempurPedic, and Emcore. Growth in construction flattened at the end of FY/07. This slowdown is in large part due to the slowdown in the permits for single-family housing.

The one-percent distribution demonstrates how these events affected gross receipts tax revenues. From FY/97 to FY/99 the real growth in the one-percent distribution was less than 1%. FY/00 was a stronger year at 1.6% real growth. FY/01 again slowed to 0.7% growth caused in large part by the higher inflation rate of 3.4%. There was growth of 0.4% in FY/02, resulting in a negative real (inflation adjusted) growth rate. In FY/03 the turn around in the economy was reflected by a nominal 4.7% growth rate (2.4% in real terms). In FY/04 growth exceeded all expectations at 9.2%; this was with 1% growth in employment and low inflation. Some of the growth can be explained by the annexation of existing retail, but much of the growth remains unexplained. In FY/05 growth was 4%, but inflation for the year averaged 3%, making real growth an anemic 1%. In FY/06 growth increased to 7.1% making real growth a relatively strong 3.2%. It should be noted that real growth from 1976 to 2007 was 2.7% while the last 10 years only averaged 2.1%.

Changes to Gross Receipts Tax Base

Between FY/99 and FY/07 the state legislature has exempted or allowed deductions from the gross receipts tax base for:

- prescription drugs,
- Medicare expenditures,
- movie production costs,
- hospitals including for profits,
- construction materials purchased locally for use on Indian reservations,
- 40% deduction for jet fuels,
- Deduction for food and medical services,
- Commercial airline repairs,
- Three day gross receipts tax holiday in August,
- Nursing home and health provider deductions,
- Renewable energy deductions, and
- Compensating tax credit for electric generation.

ACCURACY OF THE REVENUE ESTIMATES

ACCURACY OF THE REVENUE ESTIMATES

A summary of information on the accuracy of the General Fund revenue estimates over the past ten years is presented below. The first set of columns reports the accuracy of the 4-month revised estimates, which are prepared in February and March of the year in question in conjunction with the compilation of the Mayor's Budget for the next fiscal year. The second set of columns present the error of the 6 month revised estimates that are prepared as part of the Five-Year Forecast presented in December during the fiscal year in question. The final set of columns report the error on the original budget estimates prepared in February and March of the prior year. In each case, the figures are presented for the Gross Receipts Tax, for total recurring receipts, and for non-recurring revenues. For FY/00 an additional line was added to account for the loss of $4.6 million in gasoline tax to the new gasoline road tax fund. CIP-funded positions are excluded from the calculations because expenditures on these positions are always fully reimbursed, with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/07.

ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES

ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)

(in $000s)

	MARCH REVISION 4 MONTH ESTIMATE		FIVE YEAR FORECAST 6 MONTH ESTIMATE		APPROVED BUDGET 16 MONTH ESTIMATE	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
FISCAL YEAR 2007(Unaudited Results)						
Gross Receipts Tax	2,952	0.9%	9,507	2.8%	13,759	4.0%
Recurring Revenues Less CIP	2,603	0.6%	9,670	2.1%	12,564	2.8%
Non-Recurring	-	0.0%	7,626	41.8%	8,400	46.1%
FISCAL YEAR 2006						
Gross Receipts Tax	5,380	1.7%	6,974	2.2%	13,283	4.1%
Recurring Revenues Less CIP	10,095	2.3%	16,919	3.9%	25,986	6.0%
Non-Recurring	281	3.3%	6,442	75.5%	0	0.0%
FISCAL YEAR 2005						
Gross Receipts Tax	3,172	1.1%	3,172	1.1%	15,476	5.2%
Recurring Revenues Less CIP	3,725	0.9%	4,305	1.1%	11,903	3.0%
Non-Recurring	4,743	36.9%	4,519	35.2%	10,164	79.1%
FISCAL YEAR 2004						
Gross Receipts Tax	8,571	3.3%	8,571	3.3%	17,742	6.9%
Recurring Revenues Less CIP	10,125	2.9%	10,103	2.8%	17,809	5.0%
Non-Recurring	-372	-4.6%	(921)	-11.4%	4,849	59.9%
FISCAL YEAR 2003						
Gross Receipts Tax	4,626	2.0%	4,647	2.0%	(1,374)	-0.6%
Recurring Revenues Less CIP	5,139	1.6%	5,729	1.8%	(5,531)	-1.7%
Non-Recurring	640	20.0%	(200)	-6.3%	640	20.0%
FISCAL YEAR 2002						
Gross Receipts Tax	(5,735)	-2.5%	(5,735)	-2.5%	(8,760)	-3.9%
Recurring Revenues Less CIP	(4,051)	-1.3%	(12,496)	-4.1%	(16,938)	-5.6%
Non-Recurring	0	0.0%	0	0.0%	2,707	79.5%
FISCAL YEAR 2001						
Gross Receipts Tax	(1,555)	-0.7%	(1,555)	-0.7%	5,123	2.3%
Recurring Revenues Less CIP	880	0.3%	435	0.1%	4,592	1.5%
Non-Recurring	0	0.0%	445	33.1%	645	48.0%
FISCAL YEAR 2000						
Gross Receipts Tax	692	0.3%	5,002	2.3%	(1,253)	-0.6%
Recurring Revenues Less CIP	(141)	0.0%	(3,972)	-1.4%	(12,330)	-4.2%
W/O Gasoline Tax	(141)	0.0%	511	0.2%	(7,847)	-2.7%
Non-Recurring	0	0.0%	2,320	92.8%	2,500	100.0%
FISCAL YEAR 1999						
Gross Receipts Tax	(2,335)	-1.1%	(535)	-0.3%	2,065	1.0%
Recurring Revenues Less CIP	(2,530)	-0.9%	(790)	-0.3%	1,743	0.6%
Non-Recurring	-196	-27.3%	119	16.6%	719	100.0%
FISCAL YEAR 1998						
Gross Receipts Tax	(165)	-0.1%	(1,670)	-0.8%	(6,770)	-3.4%
Recurring Revenues Less CIP	2,929	1.0%	3,352	1.1%	(2,564)	-0.9%
Non-Recurring	1,121	12.3%	4,371	47.9%	4,371	47.9%

ACTUAL AND ESTIMATED GENERAL FUND REVENUES FOR FY/07

All figures in $1,000's

REVENUE SOURCES:	UNAUDITED ACTUAL FY/07	ESTIMATES 2nd Revision (March 2006) Estimate	Difference	Percent	1st Revision (Dec. 2005) Estimate	Difference	Percent	Approved Budget (May 2005) Estimate	Difference	Percent
Gross Receipts Taxes	341,147	338,195	(2,952)	-0.9%	331,640	(9,507)	-2.8%	327,388	(13,759)	-4.0%
Property Taxes	30,452	30,032	(420)	-1.4%	30,032	(420)	-1.4%	29,663	(789)	-2.6%
Telephone Franchise	3,199	3,070	(129)	-4.0%	3,070	(129)	-4.0%	3,070	(129)	-4.0%
Electric Franchise	5,932	5,843	(89)	-1.5%	5,843	(89)	-1.5%	5,843	(89)	-1.5%
Gas Franchise	5,606	5,717	111	2.0%	5,717	111	2.0%	5,717	111	2.0%
Cable Franchise	3,642	3,599	(43)	-1.2%	3,599	(43)	-1.2%	3,346	(296)	-8.1%
Other Franchise	599	800	201	33.5%	800	201	33.5%	800	201	33.5%
Water Utility	5,164	5,172	8	0.2%	5,172	8	0.2%	5,172	8	0.2%
PILOT (excluding Water)	1,510	1,510	0	0.0%	1,510	0	0.0%	1,510	0	0.0%
Building Permits	10,204	10,485	281	2.8%	9,183	(1,021)	-10.0%	10,199	(5)	0.0%
Other Licenses/Fees	3,035	3,045	10	0.3%	3,119	84	2.8%	3,119	84	2.8%
Gasoline Tax Distrs	2,486	2,335	(151)	-6.1%	2,571	85	3.4%	2,335	(151)	-6.1%
Other Intergov'l	2,688	3,002	314	11.7%	2,322	(366)	-13.6%	2,673	(15)	-0.5%
Charges for Services	18,704	18,483	(221)	-1.2%	17,936	(768)	-4.1%	18,366	(338)	-1.8%
Internal Service	997	1,012	15	1.5%	1,055	58	5.8%	1,055	58	5.8%
Indirect Overhead	13,045	13,662	617	4.7%	13,627	582	4.5%	13,627	582	4.5%
Fines and Forfeitures	7,284	7,855	571	7.8%	9,114	1,830	25.1%	9,114	1,830	25.1%
Interest on Invest	9,199	9,158	(41)	-0.4%	2,097	(7,102)	-77.2%	2,097	(7,102)	-77.2%
Other Miscellaneous	753	893	140	18.7%	768	15	2.1%	838	85	11.4%
Interfund Transfers	3,852	3,025	(827)	-21.5%	3,025	(827)	-21.5%	2,600	(1,252)	-32.5%
CIP Funded Positions	2,591	2,609	18	0.7%	2,606	15	0.6%	2,606	15	0.6%
TOTAL REVENUE	472,087	469,502	(2,585)	-0.5%	454,806	(17,281)	-3.7%	451,138	(20,949)	-4.4%
LESS: NON-RECUR	18,238	18,238	0	0.0%	10,612	7,438	40.8%	9,838	(8,400)	-46.1%
RECURRING REVENUE	453,849	451,264	(2,585)	-0.6%	444,194	(24,719)	-5.4%	441,300	(12,549)	-2.8%