

# City of Boulder

## Sales & Use Tax Revenue Report

### May, 2004

Issued July 13, 2004

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This report provides information and analysis related to sales and use tax collections for fiscal year 2004. Any questions should be directed to Steve Felten, Acting Finance Director, at (303) 441-1819.

We are pleased to report that total sales and use tax collections for the **year-to-date** through May 2004 showed a 5.1% increase over the comparable period in 2003. All tax categories other than business use tax showed increases compared to 2003 (adjusted for the change in tax rate), as can be seen from the tables included in this report.

Recognizing that City of Boulder leading indicators do not necessarily correlate with those in Boulder County, some factors such as consumer confidence and increases in disposable income in the area do impact purchasing activity within the City. Therefore, the following economic prediction by Dr. Richard Wobbekind in the April 15, 2004 *Boulder County Business Report* may be at least partially predictive of trends in City revenue:

For the third consecutive quarter, the Boulder County Leading Economic Indicator increased from 101.6 to 102.4. This rise in the local LEI suggests that the jobless recovery is behind us, and that there will be second quarter employment growth in Boulder Valley...Another sign of the improving economy is the lower unemployment rate...The Boulder County unemployment rate (was) 5.2% for January (2004), a full percentage point below the prior year. ... Continued modest employment growth is expected.

Data published by the Colorado Department of Labor and Employment indicate a Boulder County unemployment rate of 4.1% for May 2004 compared to 5.7% in May 2003. In addition, the "Monthly Economic Summary" of Metro Denver (which includes Boulder County) for July 2004 noted several positive economic factors which point to continued improvement in the local economy.

On the other hand, the July 9, 2004 issue of the *Daily Camera* reported that "from January through June, Boulder County registered 264 foreclosures, a 17% increase from the 225 in 2003...", although the rate of increase in foreclosures appears to be slowing. So while there are positive signs of a turnaround in the local economy, there are also indicators that would lead one to be cautious in predicting that turnaround with certainty.

Again, it must be noted that general economic improvement will not overcome the basic negative change in competitive position in both retail and jobs. But, at some point we expect a new lower base to at least stabilize and experience modest growth from that point forward. With the exception of the current month, monthly retail sales tax results have shown improvement each month in 2004. Hopefully, this may signal that we have reached the new lower base in the retail sales category, which makes up about 80% of sales and use tax revenue.

#### REVENUE COMPARISONS

As illustrated in the following chart, May 2004 actual year-to-date sales and use tax revenue has increased by 5.1% over the comparable period in 2003. (**Note:** All "% Change" amounts in the tables and text have been adjusted to reflect the change in tax rate from 3.26% in 2003 to 3.41% in 2004 so that comparisons reflect the underlying sales base and are consistent. Also, all \$ amounts in this report are now presented in thousands of dollars and a "\$ Change" column has been added to certain of the tables. All dollar amounts are presented in nominal amounts - i.e.,

2003 tax and “\$ Change” amounts have not been adjusted for the change in the tax rate.)

<b>MAY YEAR-TO-DATE COMPARISONS – 2004 VERSUS 2003</b>		
<b>TAX CATEGORY</b>	<b>% CHANGE</b>	<b>% of TOTAL</b>
Retail Sales Tax	2.5%	80.1%
Business Use Tax	-1.6%	11.0%
Construction Use Tax	55.2%	5.8%
Motor Vehicle Use Tax	8.6%	3.2%
Refunds	-92.0%	-0.1%
<b>Total YTD Sales/Use Tax</b>	<b>5.1%</b>	<b>100.0%</b>

There were several nonrecurring items and timing differences during the first five months of 2004 that overstate the increases reflected in the table above and some of the other tables in this report. **Adjusting for these items, Total Sales & Use Tax increased approximately 4.6% (as compared to the 5.1% indicated above) and Retail Sales Tax increased approximately 0.8%.** Business and Construction Use Tax can fluctuate significantly from month to month depending on the level of equipment purchases/leases and construction projects in any given month, as evidenced in the table below.

Of greater significance for identifying trends is the percent change month by month for the year.

<b>REVENUE CATEGORY</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUNE</b>
Retail Sales Tax	8.5%	2.9%	0.7%	1.4%	0.0%	
Consumer Use Tax (incl. motor vehicles)	17.4%	22.7%	2.8%	-19.1%	-11.8%	
Construction Use Tax	93.0%	164.1%	166.2%	96.8%	-47.4%	
Total	12.6%	9.5%	5.0%	5.0%	-4.7%	

The overall decline in sales and use tax in May was primarily due to a decline of \$187 thousand in construction use tax, which as indicated above can fluctuate significantly from month to month.

Retail Sales Tax: Year-to-date the retail sales tax category has increased 2.5%, which makes up approximately 80% of sales / use tax revenue. Most industry types and geographic areas in the City are positive compared to 2003. The primary reason for the lack of growth in retail sales tax is due to a decline in business-to-business sales in the Computer Related Business industry sector. This sector is heavily influenced by the national market for technology purchases by businesses.

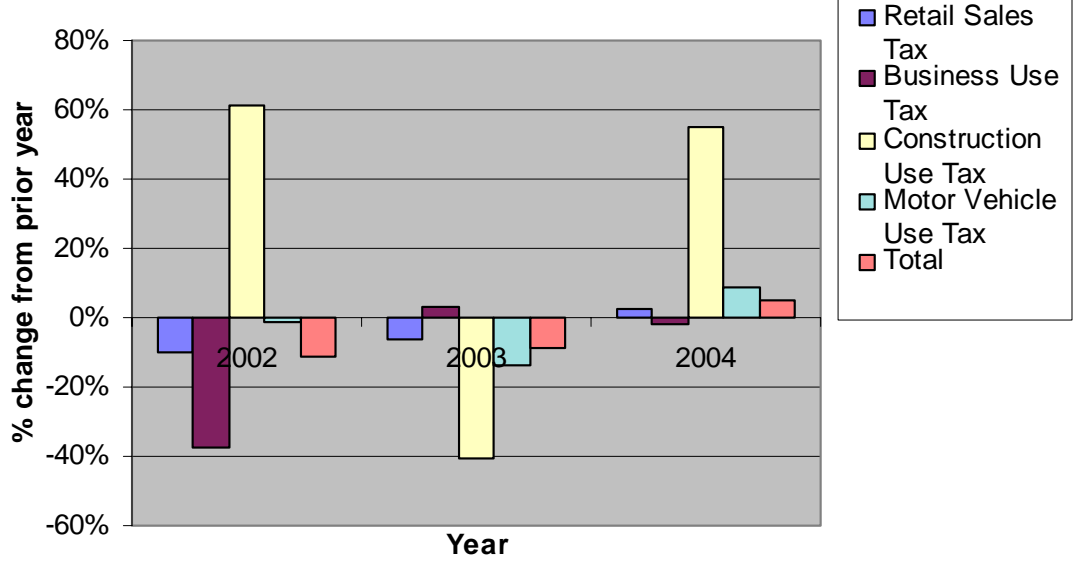
On a more positive note, core consumer retail (apparel stores, home furnishings and general retail) showed positive growth in the first five months of 2004 compared to the same period in 2003. The following chart details the “core consumer retail” components.

<b>CITYWIDE CORE RETAIL SALES TAX – MAY YTD 2004 VERSUS 2003 (in 1,000's)</b>			
<b>Category</b>	<b>2003</b>	<b>2004</b>	<b>Variance</b>
Apparel Stores	\$749	\$824	5.1%
Home Furnishings	881	944	2.4%
General Retail	4,479	4,787	2.2%
Total	\$6,109	\$6,555	2.6%

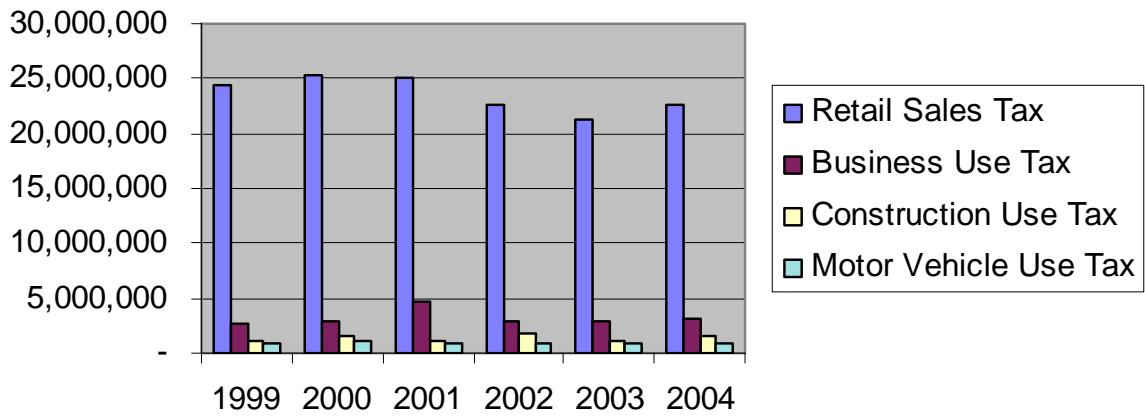
## **TREND ANALYSIS**

The graphs on the following pages illustrate percentage change trends by tax category over the three-year period, 2002-2004, the sales & use tax by category collected since 1999, the percentage change in geographic areas, and the proportion of the total generated by each category of tax. All of the information is through May.

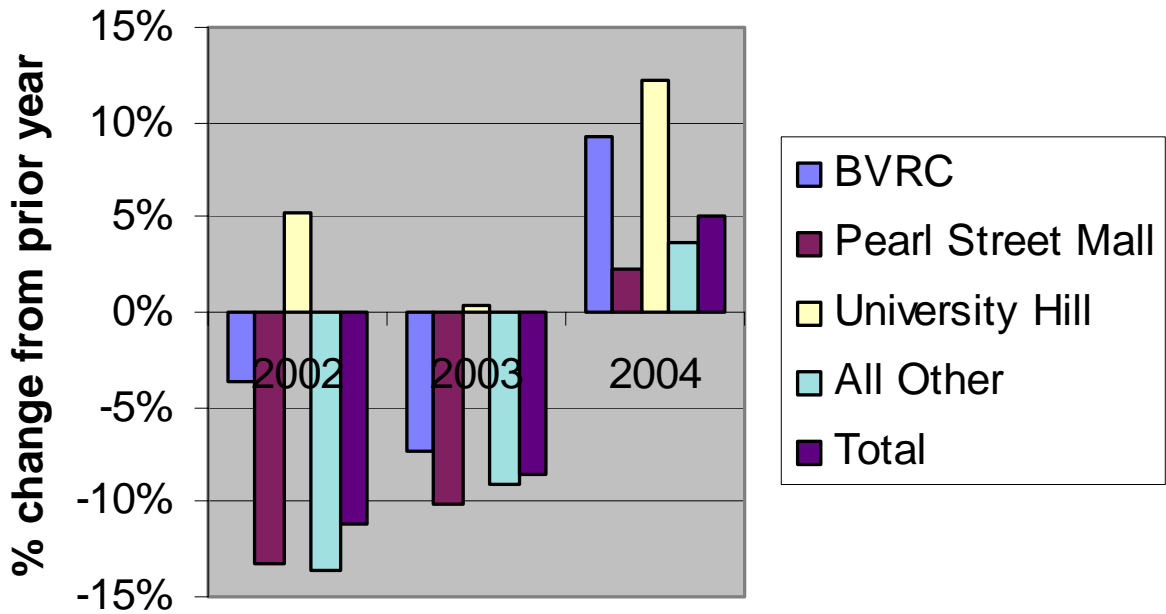
### Sales & Use Tax Trends



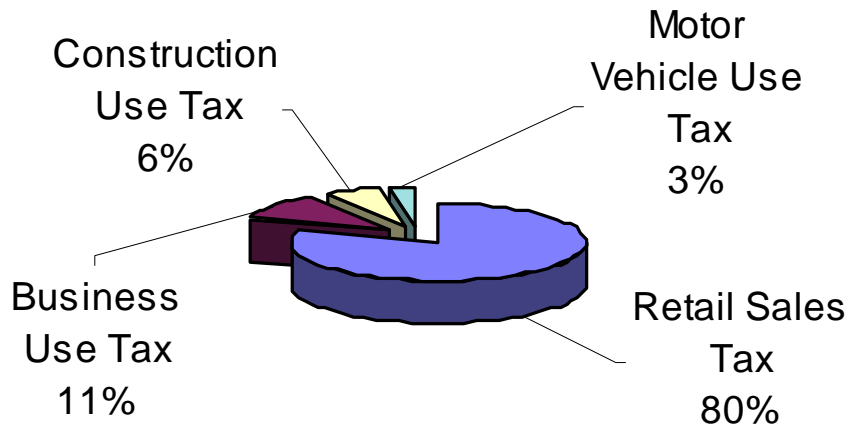
### Sales & Use Tax Collected by Category 1999-2004



## Sales & Use Tax by Area



## Sales & Use Tax by Category



Significant increases / decreases by tax category are summarized below:

<b>YTD RETAIL SALES TAX</b>	
<b>STRENGTHS:</b> <ul style="list-style-type: none"> <li>▪ Food Stores up 15.0% (largely due to timing differences)</li> <li>▪ Eating Places up 4.6%</li> <li>▪ Core Retail Categories (Apparel Stores, Home Furnishings &amp; General Retail) up 2.6%</li> <li>▪ Transportation/Utilities up 7.3%</li> <li>▪ Automotive Trade up 3.9%</li> <li>▪ Building Material – Retail up 13.2%</li> <li>▪ North 28<sup>th</sup> St. Commercial up 6.0%</li> <li>▪ BVRC up 9.9%</li> <li>▪ Pearl Street Mall up 4.3%</li> <li>▪ Public Utilities up 8.1%</li> </ul>	<b>WEAKNESSES:</b> <ul style="list-style-type: none"> <li>▪ Computer Related Business down 37.6%</li> <li>▪ All Other Industries down 9.7%</li> <li>▪ North Broadway down 20.0% (due to large one-time activity in 2003)</li> <li>▪ Out of State down 17.9%</li> </ul>
<b>YTD USE TAX</b>	
<b>STRENGTHS:</b> <ul style="list-style-type: none"> <li>▪ General Retail up 178.9% (primarily due to a large audit assessment)</li> <li>▪ Construction Use Tax up 73.4%</li> <li>▪ N. Broadway Annex up 9,077.7% (due primarily to construction activity)</li> <li>▪ All Other Boulder up 58.7% (primarily due to construction activity and a large audit assessment)</li> <li>▪ Out of State up 183.9% (primarily construction related)</li> <li>▪ Gunbarrel Industrial up 22.4%</li> <li>▪ County Clerk up 8.6% (represents taxes associated with purchases of motor vehicles)</li> </ul>	<b>WEAKNESSES</b> <ul style="list-style-type: none"> <li>▪ All Other Industries down 33.9% (primarily due to large audit assessments in 2003)</li> <li>▪ Boulder Industrial down 34.2% (due to a large audit assessment in 2003)</li> </ul>

#### **OTHER TAXES**

- Accommodations Tax is up by 3.9%.
- Admissions Tax is up by 16.8%.

#### **BUDGET IMPLICATIONS**

The 2004 May year-to-date total sales and use tax collections are in line with the amounts budgeted for the fiscal year.

#### **CHANGE IN GEOGRAPHIC AREAS**

In reviewing the tables included in this report you will note that sales and use tax data for Crossroads Mall is no longer provided. Amounts previously reflected in the Crossroads Mall category are now reflected in “Boulder Valley Regional Center”. Due to confidentiality requirements in the Boulder Revised Code we are not allowed to disclose information on individual tax filers. Due to the fact that Crossroads Mall is approaching the point of being one business, we have temporarily decided we must cease reporting this category separately. Once redevelopment of Twenty Ninth Street is under way and new businesses are open we will again provide separate data.

(All amounts in thousands)

<b>Net Sales/Use Tax Receipts by Tax Category</b>	<b>MAY YTD Actual</b>				
	2003	2004	\$ Change	% Change	% of Total
Sales Tax	21,160	22,692	1,532	2.5%	80.1%
Business Use Tax	3,015	3,102	87	-1.6%	11.0%
Construction Use Tax	1,019	1,654	635	55.2%	5.8%
Motor vehicle	801	910	109	8.6%	3.2%
Refunds	(227)	(19)	208	-92.0%	-0.1%
<b>Total Sales &amp; Use Tax</b>	<b>25,768</b>	<b>28,339</b>	<b>2,571</b>	<b>5.1%</b>	<b>100.0%</b>

<b>Net Sales/Use Tax Receipts by Industry Type</b>	<b>MAY YTD Actual</b>				
	2003	2004	\$ Change	% Change	% of Total
Food Stores	3,628	4,359	731	14.9%	15.4%
Eating Places	3,119	3,399	280	4.2%	12.0%
Apparel Stores	776	825	49	1.6%	2.9%
Home Furnishings	885	946	61	2.2%	3.3%
General Retail	4,637	5,245	608	8.1%	18.5%
Transportation/Utilities	2,532	2,884	352	8.9%	10.2%
Automotive Trade	2,125	2,348	223	5.6%	8.3%
Building Material-Retail	616	730	114	13.3%	2.6%
Construction Use Tax	904	1,640	736	73.4%	5.8%
Construction Sales Tax	90	94	4	-0.1%	0.3%
Consumer Electronics	514	497	(17)	-7.6%	1.8%
Computer Related Business Sector	1,830	1,764	(66)	-7.8%	6.2%
All Other	4,339	3,627	(712)	-20.1%	12.8%
Refunds	(227)	(19)	208	-92.0%	-0.1%
<b>Total Sales &amp; Use Tax</b>	<b>25,768</b>	<b>28,339</b>	<b>2,571</b>	<b>5.1%</b>	<b>100.0%</b>

<b>Net Sales/Use Tax Receipts by Geographic Area</b>	<b>MAY YTD Actual</b>				
	2003	2004	\$ Change	% Change	% of Total
North Broadway	452	371	(81)	-21.5%	1.3%
Downtown (former CAGID)	1,822	1,822	-	-4.4%	6.4%
Downtown Extension	160	166	6	-0.8%	0.6%
UHGD (the "hill")	356	418	62	12.3%	1.5%
East Downtown	237	330	93	33.1%	1.2%
N. 28th St. Commercial	1,733	1,947	214	7.4%	6.9%
N. Broadway Annex	53	441	388	695.5%	1.6%
University of Colorado	341	323	(18)	-9.4%	1.1%
Basemar	472	504	32	2.1%	1.8%
Boulder Valley Regional Center	6,220	7,111	891	9.3%	25.1%
Table Mesa	708	730	22	-1.4%	2.6%
The Meadows	396	479	83	15.6%	1.7%
All Other Boulder	1,260	1,706	446	29.4%	6.0%
Boulder County	240	329	89	31.1%	1.2%
Metro Denver	835	856	21	-2.0%	3.0%
Colorado All Other	45	40	(5)	-15.0%	0.1%
Out of State	2,607	2,373	(234)	-13.0%	8.4%
Airport	6	2	(4)	-68.1%	0.0%
Gunbarrel Industrial	1,202	1,584	382	26.0%	5.6%
Gunbarrel Commercial	339	353	14	-0.5%	1.2%
Pearl Street Mall	756	809	53	2.3%	2.9%
Boulder Industrial	2,901	2,543	(358)	-16.2%	9.0%
Unlicensed Receipts	281	150	(131)	-49.0%	0.5%
County Clerk	801	910	109	8.6%	3.2%
Public Utilities	1,772	2,061	289	11.2%	7.3%
Refunds	(227)	(19)	208	-92.0%	-0.1%
<b>Total Sales &amp; Use Tax</b>	<b>25,768</b>	<b>28,339</b>	<b>2,571</b>	<b>5.1%</b>	<b>100.0%</b>

<b>Miscellaneous Tax Statistics</b>	<b>MAY YTD Actual</b>			
	2003	2004	\$ Change	% Change
Food Service Tax	146	151	5	3.4%
Accommodations Tax	727	755	28	3.9%
Admissions Tax	149	174	25	16.8%
License Fees	11	13	2	18.2%

<b>TOTAL CITY SALES &amp; USE TAX COLLECTIONS - BY MONTH &amp; CATEGORY (amounts in thousands)</b>															
<b>REVENUE CATEGORY</b>	<b>YEAR</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>TOTAL</b>	<b>% Chg</b>
<b>RETAIL SALES TAX</b>	1999	4,342	4,713	5,494	4,694	5,236	6,110	4,886	5,040	6,125	4,909	5,164	7,732	64,445	11.3%
	2000	4,451	5,116	6,067	4,726	4,848	6,374	4,943	5,153	6,856	5,225	4,858	8,080	66,697	3.5%
	2001	4,958	4,489	6,247	4,636	4,824	6,190	4,464	4,841	5,889	4,792	4,519	6,822	62,671	-6.0%
	2002	4,539	3,904	4,958	4,545	4,682	5,663	4,381	4,725	5,570	4,169	4,316	6,273	57,725	-7.9%
	2003	3,872	3,875	5,055	4,093	4,265	5,232	4,168	4,664	5,172	4,288	4,247	5,940	54,871	-4.9%
	2004	4,394	4,170	5,327	4,340	4,461	-	-	-	-	-	-	-	22,692	na
Change from prior year (Month)		8.5%	2.9%	0.7%	1.4%	0.0%	na	na	na	na	na	na	na		
Change from prior year (YTD)		8.5%	5.7%	3.7%	3.2%	2.5%	na	na	na	na	na	na	na		
<b>CONSUMER USE TAX</b>	1999	687	719	879	586	688	914	969	868	1,087	687	572	1,476	10,132	5.2%
	2000	699	785	989	810	714	1,055	788	946	1,295	697	901	1,420	11,099	9.5%
	2001	1,166	899	1,772	909	889	1,428	1,012	975	956	1,415	749	1,091	13,261	19.5%
	2002	716	566	1,294	784	497	1,092	809	671	648	768	629	1,153	9,627	-27.4%
	2003	798	518	836	878	786	963	657	819	915	635	1,046	1,053	9,904	2.9%
	2004	980	665	899	743	725	-	-	-	-	-	-	-	4,012	na
Change from prior year (Month)		17.4%	22.7%	2.8%	-19.1%	-11.8%	na	na	na	na	na	na	na		
Change from prior year (YTD)		17.4%	19.5%	13.0%	3.7%	0.5%	na	na	na	na	na	na	na		
<b>CONSTRUCTION USE TAX</b>	1999	154	172	224	214	241	316	170	216	420	136	159	145	2,567	-0.3%
	2000	239	477	168	364	355	141	388	254	229	259	174	250	3,298	28.5%
	2001	191	331	173	171	198	187	227	311	471	319	195	166	2,940	-10.9%
	2002	214	566	282	443	215	1,182	195	198	158	167	167	384	4,171	41.9%
	2003	104	122	139	238	416	675	220	260	239	162	293	388	3,256	-21.9%
	2004	210	337	387	490	229	-	-	-	-	-	-	-	1,653	na
Change from prior year (Month)		93.0%	164.1%	166.2%	96.8%	-47.4%	na	na	na	na	na	na	na		
Change from prior year (YTD)		93.0%	131.4%	144.6%	125.8%	55.1%	na	na	na	na	na	na	na		
<b>TOTAL SALES &amp; USE TAX</b>	1999	5,137	5,574	6,495	5,469	6,116	7,334	6,020	6,120	7,625	5,730	5,844	9,350	76,814	9.6%
	2000	5,387	6,374	7,209	5,879	5,917	7,552	6,077	6,353	8,376	6,175	5,756	9,743	80,798	5.2%
	2001	6,312	5,640	8,172	5,688	5,910	7,805	5,700	6,119	7,313	6,521	5,463	8,073	78,716	-2.6%
	2002	5,468	5,036	6,521	5,772	5,391	7,923	5,384	5,584	6,255	5,082	5,110	7,800	71,326	-9.4%
	2003	4,740	4,506	6,023	5,074	5,425	6,794	5,045	5,742	6,257	5,081	5,585	7,334	67,606	-5.2%
	2004	5,583	5,161	6,612	5,572	5,409	-	-	-	-	-	-	-	28,337	na
Change from prior year (Month)		12.6%	9.5%	5.0%	5.0%	-4.7%	na	na	na	na	na	na	na		
Change from prior year (YTD)		12.6%	11.1%	8.7%	7.7%	5.1%	na	na	na	na	na	na	na		
Rate changes: 1996 - 2.86% to 3.11%; 1998 - 3.26%; 2004 - 3.41%															

COMPARISON OF YEAR-TO-DATE ACTUAL REVENUE FOR THE YEAR 2004 TO COMPARABLE PERIOD IN 2003 (amounts in thousands)

USE TAX BY CATEGORY				SALES TAX BY CATEGORY				
MAY YTD Actual				Standard Industrial Code	MAY YTD Actual			
2003	2004	\$ Change	% Change		2003	2004	\$ Change	% Change
25	23	(2)	-12.0%	Food Stores	3,604	4,336	732	15.0%
54	45	(9)	-20.3%	Eating Places	3,065	3,354	289	4.6%
27	1	(26)	-96.5%	Apparel Stores	749	824	75	5.2%
4	2	(2)	-52.2%	Home Furnishings	881	944	63	2.4%
157	458	301	178.9%	General Retail	4,480	4,786	306	2.1%
79	132	53	59.7%	Transportation/Utilities	2,453	2,752	299	7.3%
808	918	110	8.6%	Automotive Trade	1,317	1,431	114	3.9%
6	8	2	27.5%	Building Material-Retail	610	722	112	13.2%
904	1,640	736	73.4%	Construction Use Tax	-	-	-	na
-	-	-	na	Construction Sales Tax	90	94	4	-0.1%
46	18	(28)	-62.6%	Consumer Electronics	468	480	12	-1.9%
862	1,132	270	25.5%	Computer Related Business	967	631	(336)	-37.6%
1,863	1,289	(574)	-33.9%	All Other	2,476	2,338	(138)	-9.7%
4,835	5,666	831	12.0%	<b>Total Sales &amp; Use Tax</b>	21,160	22,692	1,532	2.5%
MAY YTD Actual				Geographic Code	MAY YTD Actual			
2003	2004	\$ Change	% Change		2003	2004	\$ Change	% Change
25	13	(12)	-50.3%	North Broadway	428	358	(70)	-20.0%
234	144	(90)	-41.2%	Downtown (former CAGID)	1,588	1,678	90	1.0%
6	12	6	91.2%	Downtown Extension	153	154	1	-3.8%
(1)	49	50	na	UHGID (the "hill")	358	369	11	-1.5%
5	39	34	645.7%	East Downtown	232	291	59	19.9%
18	46	28	144.3%	N. 28th St. Commercial	1,715	1,902	187	6.0%
4	384	380	9077.7%	N. Broadway Annex	50	57	7	9.0%
88	33	(55)	-64.1%	University of Colorado	253	290	37	9.6%
7	9	2	22.9%	Basemar	465	495	30	1.8%
182	171	(11)	-10.2%	Boulder Valley Regional Center	6,037	6,937	900	9.9%
2	4	2	91.2%	Table Mesa	706	726	20	-1.7%
5	8	3	53.0%	The Meadows	390	471	81	15.5%
570	946	376	58.7%	All Other Boulder	691	760	69	5.1%
41	82	41	91.2%	Boulder County	198	248	50	19.7%
44	36	(8)	-21.8%	Metro Denver	791	820	29	-0.9%
-	-	-	na	Colorado All Other	45	39	(6)	-17.1%
65	193	128	183.9%	Out of State	2,541	2,181	(360)	-17.9%
-	-	-	na	Airport	6	2	(4)	-68.1%
1,097	1,404	307	22.4%	Gunbarrel Industrial	105	180	75	63.9%
1	-	(1)	-100.0%	Gunbarrel Commercial	338	352	14	-0.4%
23	9	(14)	-62.6%	Pearl Street Mall	733	800	67	4.3%
1,436	988	(448)	-34.2%	Boulder Industrial	1,466	1,557	91	1.5%
144	86	(58)	-42.9%	Unlicensed Receipts	137	64	(73)	-55.3%
801	910	109	8.6%	County Clerk	-	-	-	na
38	100	62	151.6%	Public Utilities	1,734	1,961	227	8.1%
4,835	5,666	831	12.0%	<b>Total Sales &amp; Use Tax</b>	21,160	22,692	1,532	2.5%