

# City of Boulder

## Sales & Use Tax Revenue Report

### June, 2004

Issued August 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.

Total sales and use tax collections for the **year-to-date** through June 2004 showed a 2.0% increase over the comparable period in 2003. All tax categories other than business use tax showed year-to-date increases compared to 2003 (adjusted for the change in tax rate), as can be seen from the tables included in this report. However, total sales and use tax collections for the **month** of June 2004 declined 10.1% compared to June 2003. Most of this decline is the result of higher than normal construction and business use tax activity in June 2003. But we were disappointed to see retail sales tax collections decline 2.4% in the month of June 2004 compared to June 2003.

Recent economic indicators are less than clear in providing direction as to what can be expected to happen in the local economy over the coming months. 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 July 9, 2004, *Boulder County Business Report* may be at least partially predictive of trends in City revenue:

“The Boulder County Leading Economic Indicator has increased for the fourth consecutive quarter (through the first quarter of 2004) suggesting there will be employment growth during the third quarter in Boulder and Broomfield counties... Boulder County employment for 2004 has started on a positive note, and is expected to continue in that direction.”

Data published by the Colorado Department of Labor and Employment indicate a Boulder County unemployment rate of 4.8% for June 2004 compared to 6.4% in June 2003, below the Colorado rate of 5.2%. In addition, the “Monthly Economic Summary” of Metro Denver (which includes Boulder County) dated August 3, 2004 noted several positive economic factors which point to continued improvement in the local economy. And on the national economic front, although the Federal Reserve Bank increased their target federal funds rate 0.25% on August 10, 2004, the Fed announced at the same time that this increase was made “... to head off potential inflation, saying the economy was poised to pick up after a recent slowdown.”

On the other hand, only 32,000 jobs were added to the national economy in July 2004 while analysts expected the economy to add in excess of 200,000 jobs during the month. In addition, the Commerce Department reported that consumer spending dropped 0.7% in June 2004 compared to May 2004, the sharpest drop since September 2001. A significant segment of the local Boulder economy is linked closely to the national economy, especially the technology sector. 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 – or at least the strength of 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. We thought we had reached that point of stabilization at the beginning of 2004, but this may not be the case. However, in light of the decline in June 2004 collections, staff is no longer certain that full year sales and use tax collections will be in line with budgeted revenues. Staff is in the process of updating revenue projections for 2004 to determine what adjustments should be made to these projections and related expenditures.

#### REVENUE COMPARISONS

As illustrated in the following chart, June 2004 actual year-to-date sales and use tax revenue has increased by 2.0% 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>JUNE YEAR-TO-DATE COMPARISONS – 2004 VERSUS 2003</b>		
<b>TAX CATEGORY</b>	<b>% CHANGE</b>	<b>% of TOTAL</b>
Retail Sales Tax	1.5%	80.7%
Business Use Tax	-4.9%	11.0%
Construction Use Tax	3.6%	5.3%
Motor Vehicle Use Tax	7.2%	3.1%
Refunds	-94.0%	-0.1%
<b>Total YTD Sales/Use Tax</b>	<b>2.0%</b>	<b>100.0%</b>

There were several nonrecurring items and timing differences during the first six 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 1.3% (as compared to the 2.0% indicated above) and Retail Sales Tax increased approximately 0.2%.** 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%	-2.4%
Business & Motor Vehicle Use Tax	17.4%	22.7%	2.8%	-19.1%	-11.8%	-13.9%
Construction Use Tax	93.0%	164.1%	166.2%	96.8%	-47.4%	-74.1%
Total	12.6%	9.5%	5.0%	5.0%	-4.7%	-10.1%

As mentioned above, the majority of June 2004's decrease was due to higher than normal levels of construction and business use tax activity in June 2003. For example, June 2003 reflects construction use tax received upon issuance of the St. Julien Hotel permit.

Retail Sales Tax: Year-to-date the retail sales tax category has increased 1.5%, which makes up approximately 81% of sales and 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. In addition, the decline in the “All Other” industry category was due to various nonrecurring activity in 2003.

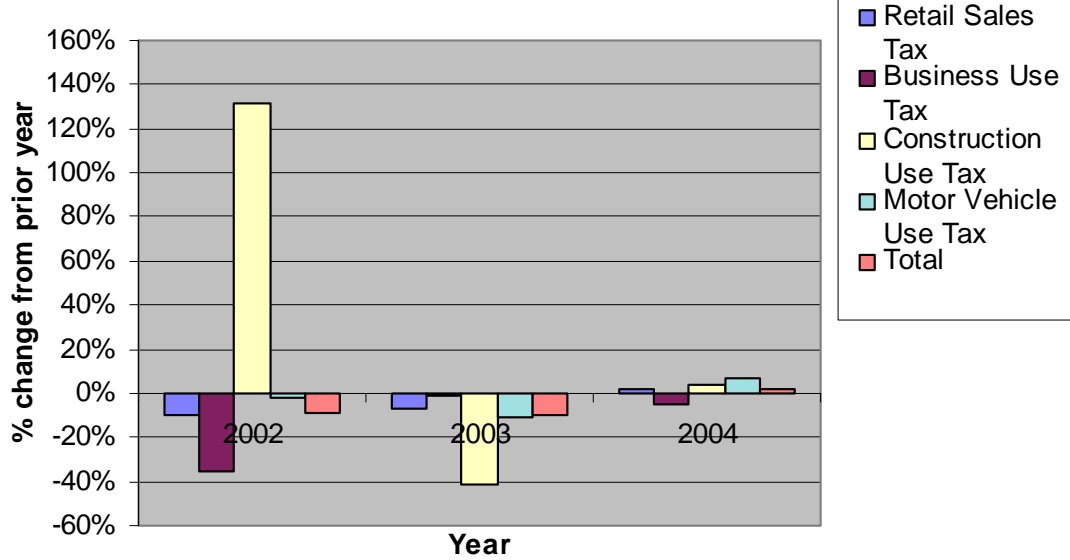
On a more positive note, core consumer retail (apparel stores, home furnishings and general retail) reflects positive growth for the first six months of 2004 compared to the same period in 2003. The following chart details the “core consumer retail” components.

<b>CITYWIDE CORE RETAIL SALES TAX – JUNE YTD 2004 VERSUS 2003 (in 1,000's)</b>			
<b>Category</b>	<b>2003</b>	<b>2004</b>	<b>Variance</b>
Apparel Stores	\$923	\$1,013	4.9%
Home Furnishings	1,086	1,166	2.6%
General Retail	5,707	6,053	1.4%
Total	\$7,716	\$8,232	2.0%

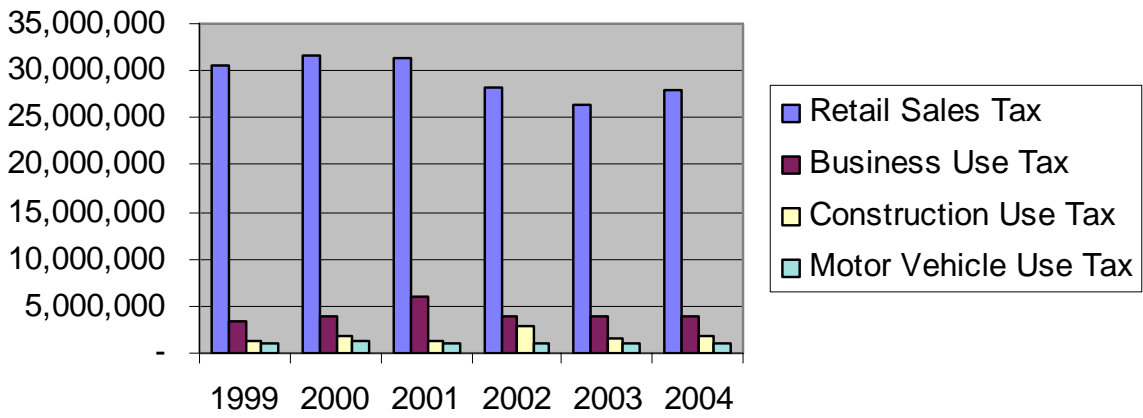
## **TREND ANALYSIS**

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 June.

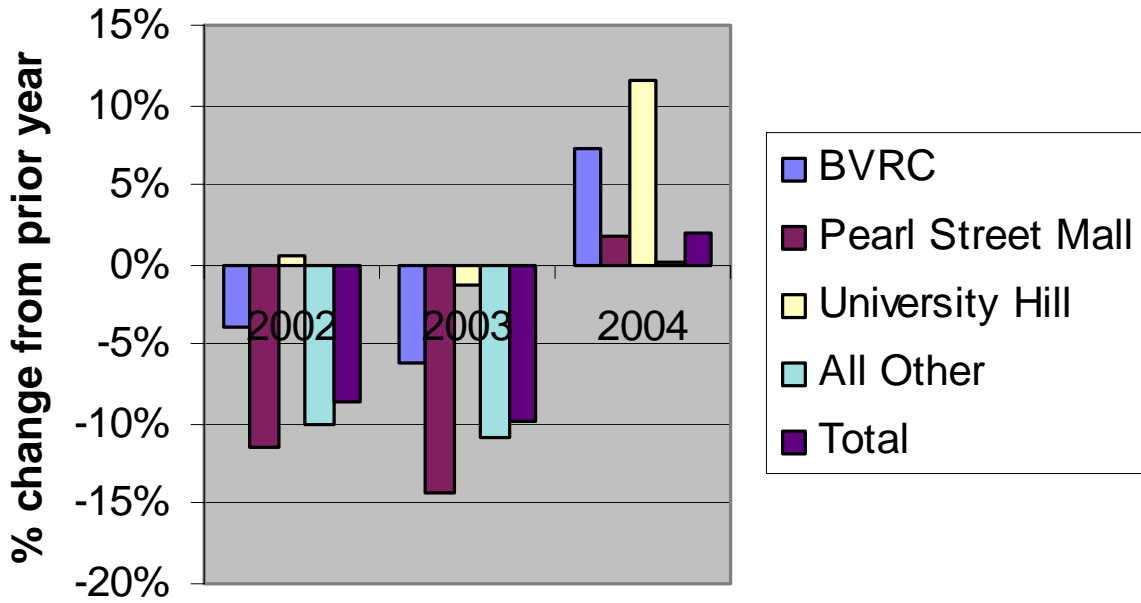
### Sales & Use Tax Trends



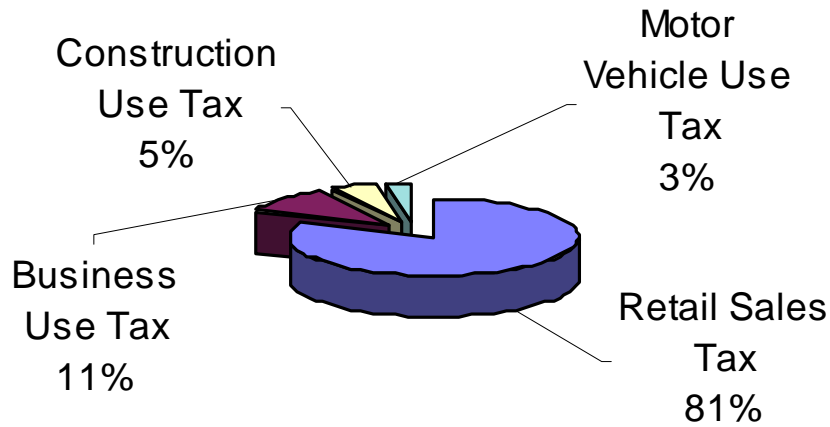
### Sales & Use Tax Collected by Category 1999-2004



## 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 12.4% (largely due to timing differences)</li> <li>▪ Eating Places up 4.3%</li> <li>▪ Core Retail Categories (Apparel Stores, Home Furnishings &amp; General Retail) up 2.0%</li> <li>▪ Transportation/Utilities up 3.7%</li> <li>▪ Building Material – Retail up 11.7%</li> <li>▪ North 28<sup>th</sup> St. Commercial up 4.0% (largely due to timing differences)</li> <li>▪ BVRC up 7.6%</li> <li>▪ Pearl Street Mall up 3.3%</li> <li>▪ Public Utilities up 4.2%</li> </ul>	<b>WEAKNESSES:</b> <ul style="list-style-type: none"> <li>▪ Computer Related Business down 31.5%</li> <li>▪ All Other Industries down 10.4%</li> <li>▪ North Broadway down 15.6% (due to large one-time activity in 2003)</li> <li>▪ Out of State down 16.1%</li> </ul>
<b>YTD USE TAX</b>	
<b>STRENGTHS:</b> <ul style="list-style-type: none"> <li>▪ General Retail up 159.3% (primarily due to a large audit assessment)</li> <li>▪ Automotive Trade up 7.2%</li> <li>▪ Construction Use Tax up 3.6%</li> <li>▪ Computer Related Business up 20.5%</li> <li>▪ N. Broadway Annex up 5,226.4% (due primarily to construction activity)</li> <li>▪ All Other Boulder up 64.2% (primarily due to construction activity and a large audit assessment)</li> <li>▪ Gunbarrel Industrial up 18.9%</li> <li>▪ County Clerk up 7.2% (represents taxes associated with purchases of motor vehicles)</li> </ul>	<b>WEAKNESSES</b> <ul style="list-style-type: none"> <li>▪ All Other Industries down 32.1% (primarily due to large audit assessments in 2003)</li> <li>▪ Downtown (former CAGID) down 76.8% (primarily due to construction activity in 2003)</li> <li>▪ Boulder Industrial down 33.3% (primarily due to a large audit assessment in 2003)</li> </ul>

**OTHER TAXES**

- Accommodations Tax is up by 3.9%.
- Admissions Tax is up by 12.6%.

**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)

**Net Sales/Use Tax Receipts by Tax Category**

Sales Tax
Business Use Tax
Construction Use Tax
Motor vehicle
Refunds
<b>Total Sales &amp; Use Tax</b>

JUNE YTD Actual				
2003	2004	\$ Change	% Change	% of Total
26,393	28,033	1,640	1.5%	80.7%
3,808	3,789	(19)	-4.9%	11.0%
1,694	1,836	142	3.6%	5.3%
972	1,090	118	7.2%	3.1%
(303)	(19)	284	-94.0%	-0.1%
<b>32,564</b>	<b>34,729</b>	<b>2,165</b>	<b>2.0%</b>	<b>100.0%</b>

**Net Sales/Use Tax Receipts by Industry Type**

Food Stores
Eating Places
Apparel Stores
Home Furnishings
General Retail
Transportation/Utilities
Automotive Trade
Building Material-Retail
Construction Use Tax
Construction Sales Tax
Consumer Electronics
Computer Related Business Sector
All Other
Refunds
<b>Total Sales &amp; Use Tax</b>

JUNE YTD Actual				
2003	2004	\$ Change	% Change	% of Total
4,395	5,129	734	11.6%	14.8%
3,797	4,132	335	4.0%	11.9%
951	1,015	64	2.0%	2.9%
1,091	1,168	77	2.3%	3.4%
5,896	6,570	674	6.5%	18.9%
3,109	3,431	322	5.5%	9.9%
2,637	2,842	205	3.0%	8.2%
787	919	132	11.6%	2.6%
1,600	1,828	228	9.2%	5.3%
122	138	16	8.1%	0.4%
594	636	42	2.4%	1.8%
2,206	2,151	(55)	-6.8%	6.2%
5,682	4,789	(893)	-19.4%	13.8%
(303)	(19)	284	-94.0%	-0.1%
<b>32,564</b>	<b>34,729</b>	<b>2,165</b>	<b>2.0%</b>	<b>100.0%</b>

**Net Sales/Use Tax Receipts by Geographic Area**

North Broadway
Downtown (former CAGID)
Downtown Extension
UHGID (the "hill")
East Downtown
N. 28th St. Commercial
N. Broadway Annex
University of Colorado
Basemar
Boulder Valley Regional Center
Table Mesa
The Meadows
All Other Boulder
Boulder County
Metro Denver
Colorado All Other
Out of State
Airport
Gunbarrel Industrial
Gunbarrel Commercial
Pearl Street Mall
Boulder Industrial
Unlicensed Receipts
County Clerk
Public Utilities
Refunds
<b>Total Sales &amp; Use Tax</b>

JUNE YTD Actual				
2003	2004	\$ Change	% Change	% of Total
517	507	(10)	-6.2%	1.5%
2,681	2,281	(400)	-18.7%	6.6%
230	206	(24)	-14.4%	0.6%
427	498	71	11.5%	1.4%
303	401	98	26.5%	1.2%
2,147	2,369	222	5.5%	6.8%
79	471	392	470.0%	1.4%
387	371	(16)	-8.4%	1.1%
573	606	33	1.1%	1.7%
7,608	8,536	928	7.3%	24.6%
853	890	37	-0.3%	2.6%
478	566	88	13.2%	1.6%
1,611	2,139	528	26.9%	6.2%
446	443	(3)	-5.0%	1.3%
1,166	1,259	93	3.2%	3.6%
60	51	(9)	-18.7%	0.1%
3,485	3,079	(406)	-15.5%	8.9%
7	4	(3)	-45.4%	0.0%
1,453	1,854	401	22.0%	5.3%
410	426	16	-0.7%	1.2%
950	1,012	62	1.8%	2.9%
3,577	3,133	(444)	-16.3%	9.0%
319	167	(152)	-50.0%	0.5%
972	1,090	118	7.2%	3.1%
2,128	2,389	261	7.3%	6.9%
(303)	(19)	284	-94.0%	-0.1%
<b>32,564</b>	<b>34,729</b>	<b>2,165</b>	<b>2.0%</b>	<b>100.0%</b>

**Miscellaneous Tax Statistics**

Food Service Tax
Accommodations Tax
Admissions Tax
License Fees

JUNE YTD Actual			
2003	2004	\$ Change	% Change
178	185	7	3.9%
967	994	27	2.8%
206	232	26	12.6%
13	14	1	7.7%

<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	5,341	-	-	-	-	-	-	28,033	na
Change from prior year (Month)		8.5%	2.9%	0.7%	1.4%	0.0%	-2.4%	na	na	na	na	na	na		
Change from prior year (YTD)		8.5%	5.7%	3.7%	3.2%	2.5%	1.5%	na	na	na	na	na	na		
<b>BUSINESS &amp; MOTOR VEHICLE 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	867	-	-	-	-	-	-	4,879	na
Change from prior year (Month)		17.4%	22.7%	2.8%	-19.1%	-11.8%	-13.9%	na	na	na	na	na	na		
Change from prior year (YTD)		17.4%	19.5%	13.0%	3.7%	0.5%	-2.4%	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	183	-	-	-	-	-	-	1,836	na
Change from prior year (Month)		93.0%	164.1%	166.2%	96.8%	-47.4%	-74.1%	na	na	na	na	na	na		
Change from prior year (YTD)		93.0%	131.4%	144.6%	125.8%	55.1%	3.6%	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	6,392	-	-	-	-	-	-	34,729	na
Change from prior year (Month)		12.6%	9.5%	5.0%	5.0%	-4.7%	-10.1%	na	na	na	na	na	na		
Change from prior year (YTD)		12.6%	11.1%	8.7%	7.7%	5.1%	2.0%	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				
JUNE YTD Actual				Standard Industrial Code	JUNE YTD Actual			
2003	2004	\$ Change	% Change		2003	2004	\$ Change	% Change
53	26	(27)	-53.1%	Food Stores	4,342	5,103	761	12.4%
63	57	(6)	-13.5%	Eating Places	3,733	4,074	341	4.3%
28	2	(26)	-93.2%	Apparel Stores	923	1,013	90	4.9%
4	2	(2)	-52.2%	Home Furnishings	1,086	1,166	80	2.6%
191	518	327	159.3%	General Retail	5,707	6,053	346	1.4%
91	156	65	63.9%	Transportation/Utilities	3,018	3,275	257	3.7%
980	1,099	119	7.2%	Automotive Trade	1,657	1,743	86	0.6%
9	9	-	-4.4%	Building Material-Retail	778	909	131	11.7%
1,600	1,828	228	9.2%	Construction Use Tax	-	-	-	na
-	-	-	na	Construction Sales Tax	122	138	16	8.1%
47	21	(26)	-57.3%	Consumer Electronics	547	615	68	7.5%
1,050	1,323	273	20.5%	Computer Related Business	1,156	828	(328)	-31.5%
2,358	1,674	(684)	-32.1%	All Other	3,324	3,116	(208)	-10.4%
6,474	6,715	241	-0.8%	<b>Total Sales &amp; Use Tax</b>	26,393	28,033	1,640	1.5%
JUNE YTD Actual				Geographic Code	JUNE YTD Actual			
2003	2004	\$ Change	% Change		2003	2004	\$ Change	% Change
14	63	49	330.2%	North Broadway	503	444	(59)	-15.6%
696	169	(527)	-76.8%	Downtown (former CAGID)	1,986	2,112	126	1.7%
33	14	(19)	-59.4%	Downtown Extension	197	192	(5)	-6.8%
-	56	56	na	UHGD (the "hill")	427	442	15	-1.0%
18	42	24	123.1%	East Downtown	285	359	74	20.4%
25	61	36	133.3%	N. 28th St. Commercial	2,122	2,308	186	4.0%
7	390	383	5226.4%	N. Broadway Annex	72	81	9	7.6%
102	43	(59)	-59.7%	University of Colorado	285	327	42	9.7%
8	13	5	55.4%	Basemar	564	593	29	0.5%
204	198	(6)	-7.2%	Boulder Valley Regional Center	7,403	8,335	932	7.6%
3	7	4	123.1%	Table Mesa	850	883	33	-0.7%
7	10	3	36.6%	The Meadows	472	557	85	12.8%
658	1,130	472	64.2%	All Other Boulder	953	1,009	56	1.2%
154	86	(68)	-46.6%	Boulder County	292	357	65	16.9%
60	55	(5)	-12.4%	Metro Denver	1,106	1,204	98	4.1%
1	1	-	-4.4%	Colorado All Other	60	51	(9)	-18.7%
244	233	(11)	-8.7%	Out of State	3,241	2,846	(395)	-16.1%
-	-	-	na	Airport	7	4	(3)	-45.4%
1,307	1,626	319	18.9%	Gunbarrel Industrial	145	228	83	50.3%
1	1	-	-4.4%	Gunbarrel Commercial	409	425	16	-0.7%
24	11	(13)	-56.2%	Pearl Street Mall	926	1,001	75	3.3%
1,730	1,207	(523)	-33.3%	Boulder Industrial	1,845	1,926	81	-0.2%
157	86	(71)	-47.6%	Unlicensed Receipts	163	82	(81)	-51.9%
972	1,090	118	7.2%	County Clerk	-	-	-	na
49	123	74	140.0%	Public Utilities	2,080	2,267	187	4.2%
6,474	6,715	241	-0.8%	<b>Total Sales &amp; Use Tax</b>	26,393	28,033	1,640	1.5%