

City of Boulder Sales & Use Tax Revenue Report April, 2005

Issued June 8, 2005

This report provides information and analysis related to sales and use tax collections for fiscal year 2005. Any questions should be directed to Laura Fisher, Revenue Manager at (303) 441-4017.

The following table compares April year-to-date 2005 collections to the comparable period in 2004.

REVENUE COMPARISONS TO COMPARABLE PERIOD IN PRIOR YEAR

Two fairly significant aberrations are included in actual April year-to-date sales and use tax revenue collections. To better reflect the trends in the on-going underlying economy, the data in Table I has been adjusted to exclude revenue related to these two aberrations. The first adjustment is to construction use tax. Although all construction use tax is one-time in nature as it is connected with specific projects, construction use tax revenue associated with the Twenty Ninth Street redevelopment project is particularly large and cannot be expected to be duplicated in subsequent years. Therefore, it has been excluded. The second adjustment is a timing related variance in retail sales tax. The accounting methods used by some grocery stores generate thirteen payments in a year. Therefore, one month of each year includes two payments. Such was the case in February where two payments were recorded in February of 2004 and only one payment in 2005. Revenue from that store has been excluded from the adjusted data.

As illustrated in the following table, on an adjusted basis, year-to-date 2004 sales and use tax revenue has increased by 3.38% over the comparable period in 2004.

TABLE I

ADJUSTED APRIL YTD COMPARISONS – 2005 VERSUS 2004		
TAX CATEGORY	% CHANGE	% of TOTAL
Retail Sales Tax	0.87%	79.42%
Business/Consumer Use Tax	-2.61%	11.21%
Construction Use Tax	53.06%	6.24%
Motor Vehicle Use Tax	-3.80%	3.19%
Refunds	423.14	-0.06%
Total YTD Sales/Use Tax	3.34%	100.00%

Although not as useful for analyzing trends, Table II reflects actual April year-to-date sales and use tax collections which have grown by 4.54%

TABLE II

ACTUAL APRIL YTD COMPARISONS – 2005 VERSUS 2004		
TAX CATEGORY	% CHANGE	% of TOTAL
Retail Sales Tax	0.34%	76.32%
Business/Consumer Use Tax	-2.61%	10.40%
Construction Use Tax	79.34%	10.66%
Motor Vehicle Use Tax	-3.80%	2.92%
Refunds	423.14%	-0.29%
Total YTD Sales/Use Tax	4.54%	100.0%

Even without revenue generated by the Twenty Ninth Street Project, year-to-date increases in the Construction Use Tax category are large. Year-to-date activity includes construction use paid by contractors for new buildings being constructed on the University of Colorado campus and for the National Institute of Standards and Technology. Business and construction use tax fluctuate significantly from month to month depending on the level of equipment purchases/leases and construction projects in that month. Therefore, collections in any given period cannot be considered indicative of a trend and increases of this magnitude are not expected to continue throughout the year.

Significant increases / decreases by tax category are summarized in Table III:

TABLE III

YTD RETAIL SALES TAX	
STRENGTHS: <ul style="list-style-type: none"> ▪ Eating Places up 4.11% ▪ General Retail up by 4.30% ▪ Transportation/Utilities up by 5.45% (primarily due to taxes on sales of natural gas and electricity by Xcel) ▪ Downtown (former CAGID) up 8.88% ▪ UHGID up by 4.84% 	WEAKNESSES: <ul style="list-style-type: none"> ▪ Food Stores down by 10.83% (down 7.49% on an adjusted basis) ▪ Pearl Street Mall essentially flat (down by 0.04%) ▪ Boulder Valley Regional Center down by 3.72%
YTD USE TAX	
STRENGTHS: <ul style="list-style-type: none"> ▪ Construction Use Tax up by 79.34% (53.06% on an adjusted basis excluding Twenty Ninth St. projects) ▪ Computer Related Business Use Tax up 37.61% 	WEAKNESSES: <ul style="list-style-type: none"> ▪ Automobile sales down by 3.80% (falls in Use Tax category because it is collected by the County Clerk's Office)

OTHER TAXES

- Accommodations Tax is up by 14.77%.
- Admissions Tax is down by 23.13%.

PROJECTIONS FOR THE FUTURE

Economic conditions appear to be improving significantly. A report on Boulder County Leading Economic Indicators from the April 1 – 14 issue of *The Boulder County Business Report* states the following:

The Boulder County Leading Economic Index has been growing steadily for almost two years, reaching 107.4 this quarter. During this past year, we began to see the adjusted year-over-year retail sales activity start to grow consistently. Similarly, personal income growth and other measures of household income are exceeding the national average. Finally, local employment experienced a positive rise in the fourth quarter of 2004. In summary, the Boulder County Leading Economic Index indicates that our economy is both growing and vibrant. After almost two straight years of index increases, we now can see some tangible signs of this recovery; positive job growth, improving retail sales activity, and increased personal and household incomes.

March 21, 2005 forecasts from the Office of State Planning and Budgeting are listed in Table IV:

TABLE IV

FORECAST	2004	2005	2006
Denver-Boulder CPI-U actual/forecast	0.1%	1.8%	1.9%
Projected Retail Sales Trade Growth	6.2%	5.8%	5.3%
Personal Income Growth	5.2%	5.2%	6.6%

Even though economic projections are positive and 2005 April year-to-date sales and use tax revenue is relatively strong, we are taking a conservative approach to forecasting and awaiting additional results before planning for significant increases.

Current “base” sales and use tax revenue projections:

TABLE V

FORECAST	2004	2005	2006
Base Sales/Use Tax actual/forecast	1.01%	1.00%	2.00%

In addition to projected increases in the city’s current retail “base,” the Twenty Ninth Street project (replacing the old Crossroads Mall) is coming closer to fruition. It will add approximately 850,000 square feet of retail and restaurants including a state-of-the-art theater. Demolition of the old Crossroads Mall has already occurred and construction has begun on the new complex. Merchants committed to date include:

American Century Theater	Pei Wei Asian Diner	Soma Café
Home Depot	Ruby’s Diner	Wild Oats Corp. Headquarters
Bath & Body Works	Clark’s England	Coldwater Creek
Lucky Brand	Lucy	Sigrid Olsen
Victoria’s Secret	White House/Black Market	

The Home Depot is scheduled to open January 1, 2006 and the grand opening for the balance of the center planned for October 1, 2006. Twenty Ninth Street will be an appreciated addition to our sales tax base but will not enable funding a return to service levels of the past. Retail competition in surrounding communities limits the ultimate sales tax revenue potential of the project and means it will not recapture the level of sales tax previously generated by Crossroads Mall. We will be very conservative in projecting and appropriating new revenue to ensure that our service/expenditure base is sustainable.

This report will be updated and will be available on approximately the tenth business day of each month.

Total Net Sales/Use Tax Receipts by Tax Category	APRIL YTD Actual			
	2004	2005	% Change	% of Total
Sales Tax	18,231,488	18,293,826	0.34%	76.32%
Business Use Tax	2,559,910	2,493,021	-2.61%	10.40%
Construction Use Tax	1,424,444	2,554,663	79.34%	10.66%
Motor vehicle	727,482	699,807	-3.80%	2.92%
Refunds	-13,355	-69,866	423.14%	-0.29%
Total Sales and Use Tax	22,929,968	23,971,451	4.54%	100.00%

Total Net Sales/Use Tax Receipts by Industry Type	APRIL YTD Actual			
	2004	2005	% Change	% of Total
Food Stores	3,587,134	3,223,160	-10.15%	13.45%
Eating Places	2,649,147	2,769,709	4.55%	11.55%
Apparel Stores	640,549	637,769	-0.43%	2.66%
Home Furnishings	760,629	759,409	-0.16%	3.17%
General Retail	4,222,299	4,258,726	0.86%	17.77%
Transportation/Utilities	2,355,314	2,445,894	3.85%	10.20%
Automotive Trade	1,854,626	1,785,937	-3.70%	7.45%
Building Material-Retail	537,156	524,984	-2.27%	2.19%
Construction Use Tax	1,409,795	1,902,992	34.98%	7.94%
Construction Sales Tax	83,416	88,602	6.22%	0.37%
Consumer Electronics	413,251	548,567	32.74%	2.29%
Computer Related Business Sector	1,258,314	1,467,814	16.65%	6.12%
All Other	3,171,693	3,627,755	14.38%	15.13%
Refunds	-13,355	-69,866	423.14%	-0.29%
Total Sales and Use Tax	22,929,968	23,971,451	4.54%	100.00%

Total Net Sales/Use Tax Receipts by Geographic Area	APRIL YTD Actual			
	2004	2005	% Change	% of Total
North Broadway	298,581	328,428	10.00%	1.37%
Downtown	1,405,321	1,624,758	15.61%	6.78%
Downtown Extension	131,869	166,383	26.17%	0.69%
UHGID (the "hill")	602,550	324,524	-46.14%	1.35%
East Downtown	256,895	237,300	-7.63%	0.99%
N. 28th St. Commercial	1,545,664	1,387,072	-10.26%	5.79%
N. Broadway Annex	174,423	65,174	-62.63%	0.27%
University of Colorado	293,566	408,415	39.12%	1.70%
Basemar	403,320	403,285	-0.01%	1.68%
BURA (inc xrds)	5,729,717	5,836,028	1.86%	24.35%
Table Mesa	582,490	594,829	2.12%	2.48%
The Meadows	394,326	325,882	-17.36%	1.36%
All Other Boulder	1,412,088	1,384,714	-1.94%	5.78%
Boulder County	264,470	287,797	8.82%	1.20%
Metro Denver	711,866	1,097,907	54.23%	4.58%
Colorado All Other	32,970	62,207	88.68%	0.26%
Out of State	1,918,091	1,831,694	-4.50%	7.64%
Airport	2,036	2,144	5.33%	0.01%
Gunbarrel Industrial	1,174,667	1,184,302	0.82%	4.94%
Gunbarrel Commercial	278,979	283,310	1.55%	1.18%
Pearl Street Mall	622,121	626,839	0.76%	2.61%
Boulder Industrial	2,125,318	2,206,842	3.84%	9.21%
Unlicensed Receipts	151,971	887,136	483.75%	3.70%
County Clerk	727,482	699,807	-3.80%	2.92%
Public Utilities	1,702,543	1,784,539	4.82%	7.44%
Refunds	-13,355	-69,866	423.14%	-0.29%
Total Sales and Use Tax	22,929,968	23,971,451	4.54%	100.00%

Miscellaneous Tax Statistics	APRIL YTD Actual		
	2004	2005	% Change
Total Food Service Tax	118,556	126,333	6.56%
Accommodations Tax	550,053	631,276	14.77%
Admissions Tax	151,286	116,288	-23.13%
License Fees	9,975	9,775	-2.01%
Trash Tax	311,439	411,687	32.19%