

CITY OF GRAND JUNCTION, COLORADO

RESOLUTION NO. 16-23

A RESOLUTION ADOPTING THE 2022 BBC RESEARCH AND CONSULTING REPORT ON THE PRIMARY SOURCES OF THE ECONOMIC ACTIVITY THAT RESULTS IN CITY SALES TAX REVENUE AND RATIFYING ACTIONS IN CONNECTION THEREWITH

RECITALS:

In 2015 the City commissioned a study to determine the sources of City sales tax revenue. That study, and the report thereon, considered purchases made by City households, purchases made by non-City households in Mesa County, sales to businesses, and spending by visitors from outside Mesa County.

During 2022, BBC Research and Consulting updated the past study and developed new information regarding the sources of economic activity result in City sales tax revenue and the percentages of tax that are attributable to the four categories of consumers. The results of that study ("City of Grand Junction Sales Tax Sources Report 2022" or "Report") are attached and incorporated as if fully set forth.

The City Council has previously considered the Report and with this Resolution does adopt the Report and the findings made therein as the best evidence of the sources of City sales tax revenue in the City. Furthermore, the City Council recognizes the importance of the Report as the same may be used by the City to evaluate and establish tax policies and strategies concerning the sources of economic activity and the taxes paid by certain taxpayers.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRAND JUNCTION, COLORADO:

That the City Council hereby adopts the attached City of Grand Junction Sales Tax Sources Report 2022 ("Report") and ratifies, confirms, and approves the use of the same by the City Council and the officers, employees and agents of the City as may be necessary or required by the City.

PASSED and ADOPTED this 15th day of February 2023.

ATTEST:



Amy Phillips
City Clerk


Abe Herman
Council President Pro Tem



Sources of Grand Junction Sales Tax Revenue 2018-2020

City of Grand Junction

FINAL REPORT

Final Report

February 8, 2023

Sources of Grand Junction Sales Tax Revenue 2018-2020

Prepared for

Jodi Welch
Finance Director
City of Grand Junction
City Hall
250 North 5th Street
Grand Junction, CO 81501

Prepared by

BBC Research & Consulting
1999 Broadway, Suite 2200
Denver, Colorado 80202-9750
303.321.2547 fax 303.399.0448
www.bbcresearch.com
bbc@bbcresearch.com

BBC
RESEARCH &
CONSULTING

Table of Contents

Summary of Sales Tax Sources	1
Methodology	2
Results	9

Sources of Grand Junction Sales Tax Revenue 2018-2020

The City of Grand Junction (the City), relies heavily on the sales tax revenues to fund government operations. The City collects sales tax from more than 7,000 vendors in the City on retail tangible personal property as defined by City Ordinance #2551. As such, 60 percent of City General Fund revenues come from sales, use and lodging taxes. The current sales tax rate in Grand Junction is 3.25 percent, increased by 0.50 percent in 2019 by a vote of Grand Junction citizens for the purpose of supporting fire and police services in the City. The City has retained BBC Research & Consulting to provide an analysis of the primary sources of the economic activity that results in sales tax revenues, following a past study done in 2015. BBC has worked with the City staff to update the past study, with the most recent information available, across a longer time period to capture additional nuances in the post-pandemic economy.

Summary of Sales Tax Sources

As shown in Figure 1, in 2020 BBC estimated sales tax revenues from four sources:

- Purchases from Grand Junction households (29.7%);
- Purchases from non-Grand Junction households (23.2%);
- Spending by visitors from outside of Mesa County (25.2%); and
- Sales to businesses (21.9%).

Figure 1.
Grand Junction Sales Tax Sources

Consumer Type	2018		2019		2020	
	Dollar Amount	Percentage of Total	Dollar Amount	Percentage of Total	Dollar Amount	Percentage of Total
Households in:						
Grand Junction	\$ 13,705,092	28.9%	\$ 13,845,129	28.4%	\$ 16,696,972	29.7%
Remainder of Mesa County	\$ 10,842,946	22.9%	\$ 10,915,877	22.4%	\$ 13,068,540	23.2%
Visitors	\$ 12,941,396	27.3%	\$ 13,300,353	27.9%	\$ 14,181,558	25.2%
Businesses	\$ 9,901,585	20.9%	\$ 10,633,049	21.2%	\$ 12,326,982	21.9%
Total	\$ 47,391,018	100%	\$ 48,694,408	100%	\$ 56,274,052	100%

Source: BBC Research & Consulting 2023.

Compared to 2007 and 2015, these estimates represent a decrease in the proportion of sales taxes derived from businesses and visitors from outside of Mesa County. It is important to note that sales taxes in 2020 were substantially impacted by the COVID-19 pandemic. As a result, the City wanted to analyze sales tax from 2018 and 2019. In addition, the overall magnitude of sales tax revenues increased in 2020 due to the increase in sales tax rates.

The remainder of this report provides details on the sales tax sources in the City and the process used to derive these estimates.

Methodology

The sales taxes collected by the City can be attributable to four sources:

- Purchases by City of Grand Junction households;
- Purchases by non-Grand Junction households in Mesa County;
- Sales to businesses; and
- Spending by visitors from outside of Mesa County.

The study team has used various tools of economic and financial analysis to estimate the share of sales tax revenues attributable to each of these sources, outlined in the following steps:

Step 1: Number of households. The Colorado Department of Local Affairs State Demography Office provides estimates of the number of households in each county throughout the state and certain communities within the County. BBC took the estimated number of households in Mesa County and Grand Junction for 2019 from the State Demography Office, as shown in Figure 2.

Figure 2.
Number of Households

	2017	2018	2019
Number of households			
Mesa County	66,520	67,293	68,186
Grand Junction	28,620	29,150	29,574
Household size			
Mesa County	2.29	2.29	2.29
Grand Junction	2.46	2.46	2.46
Share of Grand Junction households in Mesa County	43.0%	43.3%	43.4%

Source: State Demography Office, Colorado Department of Local Affairs.

Step 2: Household income. BBC used data from the American Community Survey (ACS) from the United States Census Bureau for 2015-2019 to determine the median household income for Mesa County households and Grand Junction households. Multiplying the median household income, with the number of households in the previous step, the study team calculated the total household income for Mesa County households and Grand Junction households. BBC then estimated the median household income for households in Mesa County that are not in Grand Junction, as shown in Figure 3.

Figure 3.
Total Households income in Grand Junction, Mesa County, and Mesa County Households Outside of Grand Junction

	Median Household Income	Number of Households	Total Household Income (Millions)	Share of Household Income
Grand Junction households	\$52,504	29,574	\$1,553	41%
Mesa County households outside Grand Junction	\$57,699	38,612	\$2,223	59%
Mesa County households	\$55,379	68,186	\$3,776	100%

Source: ACS 2015-2019 estimates, US Census Bureau.

Step 3: Consumer Expenditure estimates. Using data from the Bureau of Labor Statistics' 2019 Consumer Expenditure Survey (CES), BBC estimated the proportion of household income for Mesa County residents (both residents from Grand Junction and those from the remainder of the County) devoted to taxable purchases. To do so, BBC collected data from CES on share of income by expenditure category, for the 3rd income quintile, as associated with the Mesa county and Grand Junction household income estimations. Using this methodology, BBC estimated that taxable retail expenditures account for slightly more than one-third of spending by households in Mesa County and Grand Junction, as shown in Figure 4.

Figure 4.
Consumer expenditures estimates

Source:
 Bureau of Labor Statistics 2019 Consumer Expenditure Survey.

Expenditure Class	3rd Quintile Share (U.S.)
Non-Retail Expenditures	44.0%
Exempt Retail Expenditures	17.7%
Taxable Retail Expenditures	31.7%
Non-Spending	6.6%

The spending categories in each of these expenditure classes is further detailed in Figure 5. Each spending category from the CES data and its corresponding proportion of income is categorized into taxable and non-taxable expenditures. BBC then estimated the total expenditures for Grand Junction households, Mesa County households, and households in Mesa County that are outside of Grand Junction by multiplying share of income for each category by total household income.

Figure 5.
Detailed consumer expenditures

Expenditure Class	Expenditure Category	Share (U.S., 3rd Income quintile)	Grand Junction Households	Remainder Households	Mesa County Households
Non-Retail Expenditures (44%)	Shelter	18.6%	\$289	\$414	\$702
	Household Operation	2.1%	\$33	\$47	\$79
	Other Fuels, Water, Sewer	1.2%	\$19	\$27	\$45
	Health Insurance	5.7%	\$89	\$127	\$215
	Medical Services	1.4%	\$22	\$31	\$53
	Education	1.2%	\$19	\$27	\$45
	Life & Personal Insurance	0.6%	\$9	\$13	\$23
	Cash Contributions	2.3%	\$36	\$51	\$87
	Pensions & Social Security	7.5%	\$116	\$167	\$283
	Vehicle Finance Charges	3.2%	\$50	\$71	\$121
Exempt Retail Expenditures (17.7%)	Groceries	7.8%	\$121	\$174	\$295
	Prescription Drugs	0.8%	\$12	\$18	\$30
	Tobacco Products & Smoking Supplies	0.6%	\$9	\$13	\$23
	Fees and Admissions	0.7%	\$11	\$16	\$26
	Gasoline and Motor Oil	3.7%	\$57	\$82	\$140
	Utilities: Electric, Natural Gas	3.2%	\$50	\$71	\$121
	Public Transportation	0.9%	\$14	\$20	\$33
Taxable Retail Expenditures - Consumer Goods (31.7%)	Housekeeping Supplies	1.2%	\$18	\$26	\$44
	House Furnishings & Equipment	3.1%	\$48	\$69	\$117
	Entertainment Equipment	1.6%	\$25	\$36	\$60
	Apparel & Accessories	2.7%	\$42	\$60	\$102
	Personal Care Products and Services	1.2%	\$19	\$27	\$45
	Non-Prescription Drugs & Medical Supplies	0.3%	\$5	\$7	\$11
	Books	0.2%	\$3	\$4	\$7
	Pets, Toys, Entertainment, Misc. Retail	3.1%	\$48	\$69	\$117
	Motor Vehicle Purchases	7.1%	\$110	\$158	\$268
	Motor Vehicle Maintenance (Parts)	1.4%	\$22	\$31	\$53
	Eating & Drinking	6.5%	\$101	\$145	\$245
Utilities: Telephone	2.5%	\$39	\$56	\$94	
Vehicle Rentals and Leases	1.1%	\$17	\$25	\$42	
Non-Spending (6.6%)	Taxes & Other (savings)	6.6%	\$102	\$147	\$249
Total Product		100.0%	\$1,553	\$2,228	\$3,777

Source: Bureau of Labor Statistics 2019 Consumer Expenditure Survey.

Step 4: Spending in Grand Junction by Grand Junction residents. A portion of household spending by Grand Junction residents were made outside of the City. Based on information from past studies and knowledge of the way sales taxes are attributed from discussions with the City staff, BBC estimated that approximately \$418 million of the more than \$490 million of Grand Junction household expenditures were made in the City, as shown in Figure 6.

Figure 6.
Spending in Grand Junction by Grand Junction Residents

Taxable category	% Spent in Grand Junction	Contribution to tax base	Sales tax receipts
Apparel & Accessories	70%	\$29.4	\$1.0
Books	70%	\$2.1	\$0.1
Eating & Drinking	80%	\$80.8	\$2.6
Entertainment Equipment	75%	\$18.8	\$0.6
House Furnishings & Equipment	75%	\$36.0	\$1.2
Housekeeping Supplies	90%	\$16.2	\$0.5
Non-Prescription Drugs & Medical Supplies	90%	\$4.5	\$0.1
Personal Care Products	90%	\$17.1	\$0.6
Utilities: Telephone	100%	\$39.0	\$1.3
Pets, Toys, Entertainment, Misc. Retail	100%	\$40.8	\$1.3
Motor Vehicle Purchases	100%	\$110.0	\$3.6
Motor Vehicle Maintenance (Parts)	90%	\$19.8	\$0.6
Vehicle Rentals and Leases	20%	\$3.4	\$0.1
Total		\$417.9	\$13.6

Source: Past reports of Grand Junction sales tax analysis.

For each taxable expenditure category in the CES data, the proportions of estimated spending in Grand Junction by Grand Junction residents are multiplied by the total estimated spending for each category to determine the contribution to the tax base. Using the current sales tax rate of 3.25 percent, BBC then estimated the sales tax receipts generated by spending in Grand Junction by Grand Junction residents.

Step 5: Spending in Grand Junction by Mesa County households outside of Grand Junction. Mesa County residents who live outside of Grand Junction likely make a substantial portion of their retail purchases within the City. Certain taxable expenditures, however, are attributed to the location of the resident making the purchase (such as motor vehicles). As a result, the taxes for those purchases would be collected outside of Grand Junction even if the purchase was made in Grand Junction. Excluding those types of purchases, Mesa County households that are not located in Grand Junction spend approximately \$706 million on taxable retail purchases annually. Based on information from the last study and information about sales tax attribution, BBC estimates that approximately 53 percent of those expenditures occur in Grand Junction, as shown in Figure 7.

Figure 7.
Spending in Grand Junction by Residents in Mesa County

Taxable category	% Spent in Grand Junction	Contribution to Tax base
Apparel & Accessories	60%	\$36.0
Books	60%	\$2.4
Eating & Drinking	50%	\$72.5
Entertainment Equipment	65%	\$23.4
House Furnishings & Equipment	70%	\$17.5
Housekeeping Supplies	90%	\$62.1
Non-Prescription Drugs & Medical Supplies	90%	\$23.4
Personal Care Products	90%	\$6.3
Utilities: Telephone	70%	\$39.2
Pets, Toys, Entertainment, Misc. Retail	75%	\$20.3
Motor Vehicle Maintenance (Parts)	85%	\$47.6
Vehicle Rentals and Leases	90%	\$22.5
Total		\$373.2

Note: Excludes expenditures related to motor vehicle purchases and utilities, as these are tied to the residence and not subject leakage.

Source: Past studies of sales tax sources for the City of Grand Junction.

Step 6: Categorization of sales tax receipts. The City provided sales tax receipts data by vendor establishments for the years 2018, 2019 and 2020. BBC classified the sales tax receipts data from the City into categories based on their NAICS code and their breakdown is shown in Figure 8. Less than one percent of the data has remained unclassified.

Figure 8.
Spending in Grand Junction by Residents in Mesa County

Sales tax receipts category	2018	2019	2020
Unclassified	\$ 123,086	\$167,183	\$206,140
Finance & Insurance	\$ 210,125	\$214,844	\$232,465
Construction	\$ 803,377	\$777,568	\$873,421
Communications & Utilities	\$ 3,284,753	\$2,833,987	\$2,731,639
Services: Business	\$ 1,607,109	\$1,761,267	\$1,764,125
Services: Lodging	\$ 1,561,566	\$1,613,764	\$1,232,367
Manufacturing And Wholesale Trade	\$ 13,654	\$14,951	\$21,437
Online retail	\$ 1,461,979	\$1,614,828	\$2,498,526
Retail Trade: Restaurants & Bars	\$ 6,072,349	\$6,369,003	\$6,719,791
Retail Trade: Building Materials	\$ 6,838,435	\$7,196,985	\$9,543,801
Retail Trade: Motor Vehicles & Parts	\$ 7,724,553	\$8,260,476	\$9,331,056
Retail Trade: Consumer Goods & Personal Services	\$ 17,690,033	\$17,869,553	\$21,119,285
Total	\$ 47,391,018	\$48,694,408	\$56,274,052

Source: Sales tax data from the City of Grand Junction.

BBC then mapped each of these categories from the sales tax receipts data to taxable expenditure categories in the CES data, as shown in Figure 9.

Figure 9.
Crosswalk between CES Data and City Sales Tax Data

CES categories	City sales tax data categories
Apparel & Accessories	Retail Trade: Consumer Goods & Personal Services
Books	Retail Trade: Consumer Goods & Personal Services
Eating & Drinking	Retail Trade: Restaurants & Bars
Entertainment Equipment	Retail Trade: Consumer Goods & Personal Services
Vehicle Rentals and Leases	Retail Trade: Consumer Goods & Personal Services
House Furnishings & Equipment	Retail Trade: Building Materials
Housekeeping Supplies	Retail Trade: Consumer Goods & Personal Services
Non-Prescription Drugs & Medical Supplies	Retail Trade: Consumer Goods & Personal Services
Personal Care Products	Retail Trade: Consumer Goods & Personal Services
Utilities: Telephone	Communications & Utilities
Pets, Toys, Entertainment, Misc. Retail	Retail Trade: Consumer Goods & Personal Services
Motor Vehicle Purchases	Retail Trade: Motor Vehicles & Parts
Motor Vehicle Maintenance (Parts)	Retail Trade: Motor Vehicles & Parts

Source: BBC Research & Consulting.

Step 8: Calculating the share of sales tax expenditures attributable to Grand Junction Residents. Using the crosswalk between CES expenditure categories and the city sales tax receipts data, BBC calculated the share of tax receipts attributable to Grand Junction residents, as shown in Figure 10.

Figure 10.
Share of Tax Receipts Attributable to Grand Junction Residents

Taxable category	City sales tax data	CES estimations for GJ		
		residents	Reallocation	Proportion
Retail Trade: Consumer Goods & Personal Services	\$ 21,069,209	\$ 4,298,125	\$ 3,562,710	17%
Retail Trade: Motor Vehicles & Parts	\$ 9,331,056	\$ 4,218,500	\$ 3,861,000	41%
Retail Trade: Building Materials	\$ 9,543,801	\$ 1,170,000	\$ 2,957,505	31%
Retail Trade: Restaurants & Bars	\$ 6,719,791	\$ 2,626,000	\$ 2,297,750	34%
Communications & Utilities	\$ 2,731,639	\$ 1,267,500	\$ 190,139	46%
Online retail	\$ 2,548,601		\$ 2,548,601	100%

Source: BBC Research & Consulting.

For each category shown in Figure 10, the CES estimations of spending by Grand Junction residents within the City shown in step 4, and the corresponding sales tax receipts make up the proportion of total City sales tax receipts that is attributable to Grand Junction residents. For retail trade in consumer goods and personal services, the estimation is adjusted to exclude online retail sales. In retail trade in motor vehicle and parts, the estimation is adjusted down by approximately 4 percent to account for some of the transactions in this category to take place at general retail stores for common maintenance parts, oil, etc. This adjustment amount is determined from the corresponding difference amount of reducing the CES estimate of

proportion of spending by Grand Junction residents from 100 percent to 90 percent. This remaining adjustment amount is then reallocated to the retail trade in consumer goods and personal services category. Similarly, the CES estimate for retail trade in restaurant and bars is adjusted down to incorporate spending in grocery stores, and the corresponding amount is reallocated to retail trade in consumer goods and personal services. CES estimations for spending in communication and utilities is directly accounted for the proportion attributable to Grand Junction residents, and the remaining is reallocated to retail trade in consumer goods to account for spending in telecommunications equipment, related services, etc.

Step 9. Remaining calculations. After determining the share of sales tax receipts attributable to Grand Junction residents using the assumptions outlined in step 8, the same process is carried out for Mesa County residents.

For visitors, based on past studies and discussions between BBC and the City staff, the remaining of the sales tax receipts after subtracting what is attributable to Grand Junction and Mesa County residents is distributed as shown in Figure 11. Remaining receipts in retail trade in consumer goods, motor vehicles and parts, restaurants and bars are attributable to businesses. Following that, all of manufacturing wholesale and trade, business services, construction, finance, and insurance, are attributable to businesses.

Figure 11.
Share of Remaining Receipts Attributable to Visitors.

Source:
BBC Research & Consulting.

Category	% of remainder imputed to visitors
Construction	0%
Manufacturing and Wholesale Trade	0%
Transportation, Communications, Utilities	0%
Retail Trade, Building Materials	0%
Retail Trade: Consumer Goods & Personal Services	90%
Retail Trade: Business Goods	0%
Retail Trade, Motor Vehicles & Parts	25%
Retail Trade, Restaurants & Bars	90%
Finance & Insurance	0%
Services: Lodging	100%
Services: Business	0%
Services: Visitors	100%

Less than one percent of all expenditures were unclassified by the City or BBC. These expenditures were distributed between the four sources according to the distribution of the classified sales tax expenditures.

Results

BBC estimated sales tax revenue for the City from households in Grand Junction, Mesa County, visitors and businesses. Figure 12 shows the breakdown for 2018, 2019, and 2020. Proportion of sales tax receipts attributable to households in Grand Junction are 28.9%, 28.4% and 29.7% in 2018, 2019 and 2020, respectively.

Figure 12.
Share of Tax Receipts Attributable to Grand Junction Residents

Consumer Type	2018		2019		2020	
	Dollar Amount	Percentage of Total	Dollar Amount	Percentage of Total	Dollar Amount	Percentage of Total
Households in:						
Grand Junction	\$ 13,705,092	28.9%	\$ 13,845,129	28.4%	\$ 16,696,972	29.7%
Remainder of Mesa County	\$ 10,842,946	22.9%	\$ 10,915,877	22.4%	\$ 13,068,540	23.2%
Visitors	\$ 12,941,396	27.3%	\$ 13,300,353	27.9%	\$ 14,181,558	25.2%
Businesses	\$ 9,901,585	20.9%	\$ 10,633,049	21.2%	\$ 12,326,982	21.9%
Total	\$ 47,391,018	100%	\$ 48,694,408	100%	\$ 56,274,052	100%

Source: BBC Research & Consulting.