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How Are We Doing?

A quarterly review of County finances by County Auditor F. Milene Henley First quarter 2012

As Americans, we have a peculiar habit of using “How are you?” as a greeting. When I hosted a foreign exchange student, I learned that visiting students, at the beginning of their year, typically respond to that greeting by answering the question. By the end of the year, they’ve realized that no one really wants to know how they are, and they’re answering “fine” like everybody else.

Similarly, when people ask me how the County is doing, I tend to say “fine.” Not everyone wants to hear the somber truth. A more accurate answer would be that we are doing, well, not terrible.

The first quarter of 2011 was a terrible quarter for sales tax revenue in San Juan County, the worst we’d seen in six years. By contrast, sales tax for the first quarter of this year was almost 9% higher than the same period last year. It was still about 3% lower than 2010, and the second-worst first quarter in seven years. Still, it’s better than “terrible,” so it’s good news.

Building permit activity is also looking better than terrible. For the past six years, with only one exception, we have issued fewer single-family residence (SFR) permits each year than the last. We issued only 76 SFR permits in 2011, compared to 171 in 2006. But for the first quarter of 2012, we issued more SFR permits than in the first quarter of 2011.

Looking at building permit applications, the outlook is even better. That number has been tracked only since 2009, and each year the number has decreased. In the first quarter of 2012, however, we received more building permit applications than in the first quarter of any of the three preceding years. Since permit applications promise activity for the future, that news is especially encouraging.

Another bright spot is lodging taxes. Revenue in the first quarter of last year lagged projection by a good 10%. Through the first quarter of this year, lodging tax revenue is running 50% greater than in the same period last year, and 40% ahead of budget. This revenue is not general fund revenue; the County can only use it for tourism facilities and promotion. Nonetheless, the general economic activity indicated by the revenue is highly encouraging.

Of course, not all indicators are positive. Real estate transactions in the first quarter declined in dollar volume by 21%, compared to last year, even though the number of transactions *increased* by 21%, suggesting that prices continue to fall. Depressed real

estate prices tend to depress building activity; until inventory is reduced and prices increase, building may be held in check. Similarly, interest income is all but non-existent. We budgeted for 2012 about 10% of the interest income we received in 2006, and so far it looks like we won't receive half that.

Nonetheless, I take encouragement where I can, in rising sales tax, building permits, and lodging tax, and continue to hope for better financial health ahead. So the next time you see me on the street and ask how we're doing, maybe I'll have good news.