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How Are We Doing?

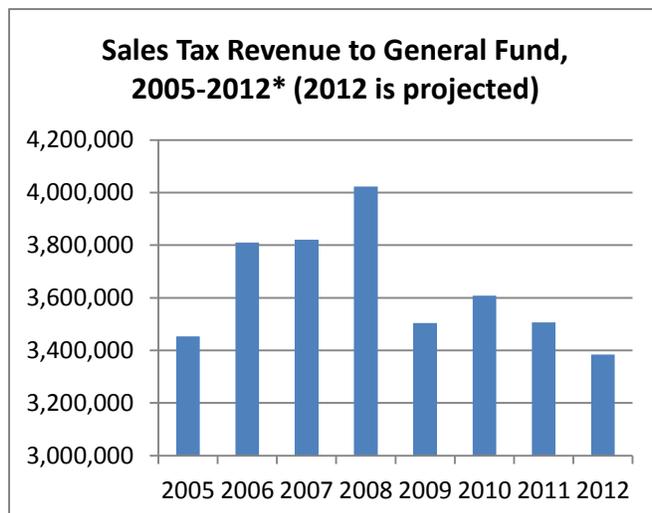
A quarterly review of County finances by County Auditor F. Milene Henley Second quarter 2012

In my first year as Auditor, the first time I went out on a limb to project revenue, it was to say that sales tax revenue that year would not meet budget. Having no experience in forecasting, I was way out of my comfort zone in saying that. I was relieved the next week to see the local paper reporting the same thing: that sales tax revenue would fall short that year. When I read the article, however, I was chagrined to see that the paper's source for that projection was me.

I've come a ways since then. I've developed tools for reviewing revenue, and I have a few years of good historical data to build on. Nonetheless, forecasting revenue, particularly sales tax, remains a challenge.

Sales tax is a critical revenue to San Juan County. Before the levy lift, it represented about 1/3 of the County's general fund revenue. With the levy lift, it's still about 26%, second only to property tax. Because sales are typically concentrated in incorporated areas, and San Juan County has only one incorporated area, sales tax revenue is more significant for San Juan County than for most counties. Even in San Juan County, about 29% of county-wide sales subject to sale tax take place in Friday Harbor.

The problem with sales tax is that it is highly variable with the economy. Sales tax grew more than 10% from 2005 to 2006. The following year, it grew only .3%. Since then, it has increased twice and decreased twice. This year, based on results through June, it looks like sales tax will fall again.



The good news is that revenue is up in other areas. Planning and permitting revenue, in particular, is up by about the same dollar amount sales tax revenue is down. With that, it looks like there will be no need for a mid-year budget correction this year, the first time in four years.

Expenditures are also on track to finish 2012 within budget. The departure of administrative staff resulted in some unexpected costs related to leave payout, but those expenditures should be largely manageable within budgeted contingency funds.

Despite favorable results this year, we're still not out of the woods. Status quo expenditures continue to grow faster than status quo revenues, and Council continues to look for structural and operational ways to contain costs. Unfortunately, in an environment in which one of our major revenue sources has fallen significantly in recent years, it is unlikely that we can maintain our current levels of service without some increases in revenue, as well.

So, I invite you, as concerned citizens, to do your part. Invite your relatives to visit. Invite your business associates. Tell them to stay in hotels, eat in restaurants, and buy stuff to take home for the kids. Better yet, tell them to buy a house, or at least a boat. With your help, maybe someday soon I will soon be able to accurately project an increase in County sales tax revenue.