



## **F. Milene Henley, Auditor San Juan County**

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### **How Are We Doing?**

#### **A quarterly review of County finances by County Auditor F. Milene Henley Third quarter 2012**

I'm not known as an optimist. I'm not a pessimist, really – I just prefer to be surprised by good news than by bad news. Lately, I've been surprised by a lot of good news.

Most recently, the County issued a bond this month to address financing needs in Parks, the Land Bank, and Solid Waste. Although early estimates for the interest rate were greater than 3%, the final TIC (true interest cost) came in at 1.62% - better than we had dared to hope.

A big reason for the low rate was the County's credit rating. We recently received a very favorable issuer rating of Aa2, the same rating assigned to Los Angeles County and Anchorage Municipality. As an analyst at Moody's explained to me, "Those counties are bigger, but not in as good financial condition."

In its rating comment, Moody's singled out the County's fundamentally sound economic base, its reserve policies, and its low debt ratio.

What that means is that the County has managed its resources well through the recent recession. It's gratifying to have that assessment affirmed by outside agencies. Earlier this year, our state audit team said much the same thing: that financial condition of counties was a focus of audits this year, but they weren't concerned about San Juan County's financial condition, because they could see that we are in good shape.

Third quarter financial results for the County brought more good surprises. Sales tax recovered from an early slump and looks, after October results, like we will achieve budgeted revenues. Planning and permitting revenues continue strong and will finish well above budget.

But the really great news is in real estate excise taxes (REET). REET revenues are generated by real estate sales, and real estate sales show an active economy. After five years of decreases, real estate excise taxes are increasing by about 25% in 2012.

In other good news, one of the local banks recently told me that its inventory of foreclosed properties has dropped significantly. An abundance of foreclosed properties tends to depress real estate prices and therefore sales; clearing out that inventory will have a positive effect on both home sales and new construction. Which circles back to the County's increased permitting revenue, which also suggests a future increase in construction activity.

Lest you think I'm getting soft, I'll also mention a couple of things that are neither surprising nor good. The Critical Areas Ordinance process continues to consume time and money. The promised October adoption has come and gone, and there's still no certainty of adoption this year.

County Solid Waste operations, originally planned to cease September 30 of this year, are now anticipated to continue through the first quarter of 2013. For those of you thinking that's a good thing, let me remind you about the \$800,000 bond we issued earlier this year to bail out the Solid Waste funds' accumulated debt.

Okay, that should do it. Now that I've reminded myself that it's not all good news, I can go back to being my usual cautious self.

But I have to admit that every time I think about that bond rating, I smile, just a little.