



F. Milene Henley, Auditor San Juan County

PO Box 638
(360) 378-2161

Friday Harbor, Washington 98250
FAX (360) 378-6256

How Are We Doing?

A quarterly review of County finances by County Auditor F. Milene Henley First quarter 2015

On a recent sunny afternoon, I saw a cart of purple and yellow flowers sitting next to the red, white and blue ballot drop box on the green lawn in front of the brick-red courthouse. The scene struck me, and for a moment I was seeing a place I see every day, in a way I had never seen it before.

Looking at the every-day familiar with a fresh eye can be a challenge. So each quarter, when I sit down to report on the County's financials, I try to start with a set of questions, and I look for answers. For the first quarter of 2015, I asked myself:

What's our cash position, compared to budget and to previous years? How's our revenue doing, compared to budget and to previous years? How about spending? Most importantly, are there problem areas we need to watch?

For the first quarter of 2015, after years of recession reporting, I can truly say that the County, as a whole, has recovered to pre-recession levels of cash. Of course, general fund expenditures have gone up almost 30% since 2007, but at least we're close to being back on par. There has also been a shift in the nature of the County's cash holdings over that period. There is less money being held in general funds and more being held in reserves: lodging tax reserves, rainy day reserves, capital reserves, etc. These savings ensure that the County will never again be hit as hard as we were by the recent downturn.

The revenue picture is more mixed. It's still early, but sales taxes are on track to have another strong year, probably beating budget by 5% or more. Real estate excise taxes (REET) are having a spectacular year, dwarfing their already amazing performance last year. REET revenues go into the Land Bank and capital improvement funds. Another special revenue, camping fees collected by Parks, is also up – a small revenue source, but another positive sign of economic activity.

On the other hand, permitting revenues are falling about 10% short of budget. The fee income tells only half the story, of course. Permit applications (a precursor to permit revenue) are climbing steadily; if that trend continues, permit revenue may catch up with permit activity. Oddly – given the level of real estate activity – recording surcharges are also having a sluggish year, a phenomenon that affects primarily our affordable housing programs. In total, though, revenues so far this year look good, relative both to budget and to prior years.

Spending is also in line with budget. The few deviations (such as high expenditures on information technology) are easily explained (in the case of IT, by expenditures planned for 2014 being pushed into 2015). Year-to-year, however, the trend is definitely up:

general fund expenditures are budgeted to be 4.7% higher in 2015 than in 2014, following 6% increases in 2013 and 2014.

As for what to watch, the increases in expenditures lead the list. 2015 expenditures are budgeted to exceed 2015 revenues by so much that the budget was balanced only by including the use of \$650,000 in cash. Since we can't consume that much cash every year, we will soon face the need to hold the line on expenditures.

Figuring out how to bring growth in expenditures into line with growth in revenues – without impacting service delivery – will require a fresh eye, and a lot of questions. A challenge, for sure, but one we will have to face in order to maintain the gains we have made in financial stability.