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How Are We Doing?

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

I should have had this report done sooner. But what can I say? The County Fair happened, and I lost track of time.

I love the County Fair. My addiction goes back to when my kids participated in 4-H, and we spent every waking minute there. This year, I did a little judging, but other than that, I had no real reason to be at the fair.

Sort of like tourists and this island. They don't have to be here, but they come in droves, just because they like it (and thanks to the good work of the San Juan Islands Visitors Bureau and our Chambers of Commerce). There have been so many of them this summer, it's been tough to navigate the streets of Friday Harbor. So I was not surprised when a friend approached me at the fair and said, "The streets are so busy – surely that means things are improving."

Yes, things are improving. To demonstrate that, consider "gross business income" (GBI). Gross business income is the gross revenue reported by businesses with zip codes in San Juan County. It does not include income to mainland corporations with operations in San Juan County. So while an imperfect measure of business in the county, it is a better measure than taxable sales – which is what I usually look at – because it includes industries which are not subject to sales tax. (Taxable sales is a better measure of income to County government; GBI is a better measure of income to county residents.)

GBI in the first quarter (results for the second quarter are not yet available) averaged almost 6% growth annually from 2012 to 2015. The largest growing (significant) sectors are "Lodging and Food Services" (9.5%), "Construction" (8.8%), "Finance, Insurance & Real Estate" (6.5%), and "Retail Trade" (5.4%).

Almost all sectors have grown, even the locally small ones such as "Education Services" and "Information" – which averaged 51% and 48%, respectively, annual growth over the last three years. Only "Wholesale Trade," "Other Services & Public Administration," and "Ag/Forest/Fishing & Mining/Quarrying/Extracting" shrank since 2012.

With all this good news, you must be asking yourself why I'm always whining about County revenues not keeping up with expenditures. The principal sources of County government revenue are property tax and sales tax (40% and 31%, respectively, of total

general fund revenue). Property tax grows about 2% per year, including the adder for new construction. Sales tax grows with the economy, which of late, has been really great. All other revenue sources, however, are growing either insignificantly or in concert with the cost of the services that generate the revenue. In fact, limitations on the growth of County revenues are dominating budget discussions this year. I'll get into more of this revenue discussion next quarter, at which time we'll be in the thick of adopting the 2016 County budget.

Which takes me back to the County fair. How does that take me back to the County fair? It doesn't matter – I don't need a reason to go back to the County fair. See you there next year.