



## **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 Second quarter 2014**

Feel that buzz around town? It's more than just tourists. Economic activity is picking up in San Juan County.

As Auditor, I tend to focus on County government. But there's a bigger picture to be considered. Economic recovery in the community must precede economic recovery of County government. And many of the early signs of economic recovery do not directly boost County revenue.

Rent is an example of income that does nothing for the County, at least not directly. At the height of the recent recession, both commercial and residential vacancy rates climbed. As vacancies fill, there is more revenue to landlords, but that revenue does not translate directly to County revenue, since most rent is not subject to sales tax. Professional services and financial services are other areas where increased activity serves the populace well, but not directly the County government.

Indirectly, of course, it is true that "a rising tide floats all boats." When individuals earn more money, they spend more, leading to sales tax revenue. When they become settled, they may build (permit revenue, sales tax revenue) or buy (real estate excise tax revenue). They also buy cars, which must be titled and registered; travel, needing passports and immunizations; and park illegally, resulting in fines. As a community shifts from the hunker-down mentality of recession to the beehive activity level of a healthy, vibrant community, local government prospers, as well.

Indications are we've reached the beehive. County revenue out-performed both history and expectation in the first half of 2014. Two areas in particular suggest real economic recovery: real estate and retail trade/tourism.

Real estate activity shows in two ways: increased applications for building permits and land use planning, and increased real estate sales. The sharp drop-off in permitting revenue expected after the CAO implementation date did not happen. Applications slowed to a more normal pace, but remained active enough to suggest that overall activity in Community Development & Planning will beat projection by 40 percent. The beehive is buzzing.

Real estate sales also continue to improve. Both number and dollar amount of real estate sales in the 2<sup>nd</sup> quarter far exceeded the same period last year. As a result, real estate excise taxes on the sale of property far exceeded expectations in the second quarter. The Land Bank is already at 70% of 2014 budget, and is likely to exceed budget by 50% or more.

The other type of County revenue which was markedly up through the second quarter of 2014 is sales tax. We tend to associate sales tax with visitors and the money they drop while they're here. But we all pay sales tax year-round, and the increase in sales tax even in the winter months this year suggests that it's not just tourists spending more money. Again, the beehive is buzzing.

Most other areas of the County are buzzing, as well. Even fines and interest income are up. The hope is that the hive will continue to flourish and County revenue, a mere by-product of true economic recovery, will follow suit.