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How Are We Doing?

A quarterly review of County finances by the County Auditor, F. Milene Henley First Quarter 2011

A friend of mine threatened to run against me in the last election. His campaign slogan, he said, would be “No Bad News!” Against my track record of delivering nothing but bad news, how could he lose?

My current message will do nothing to improve my reputation. County revenue for the first quarter of 2011 was, to say the least, disappointing. First quarter sales tax revenue was only \$699,000, compared to \$784,000, \$812,000, and \$858,000 in the preceding three years. Based on revenue to date, I am projecting a shortfall in 2011 sales tax revenue, compared to budget, of as much as 15%—more than \$500,000.

Sales tax reflects consumer confidence. Without confidence in the future, people stop buying. We saw this most dramatically when the recession first hit. Retail sales dropped in virtually every sector of the local economy, most notably in construction and tourism. County sales tax revenue for 2009 was almost 13% less than for 2008. Although sales tax increased by 3% in 2010, the prolonged poor housing market and high unemployment are raising doubts again, and we are seeing a second dip in sales.

A weak housing market continues to trouble the County. Although several high-end sales of real estate in the first quarter contributed to higher real estate excise tax revenue than projected, it will take another quarter to see if this improvement is a trend or a fluke.

Building—the front end of the housing market—is at a decades-long low. First quarter permitting revenue in the planning department was less than half of what was received in 2008. Looking at numbers of permits, the number of single-family residence permits issued in the first quarter of 2011 is only about 1/3 of the number issued in 2008. Based on first quarter results, we can expect permitting revenue for all of 2011 will come in at less than 2/3 of the budgeted amount, which portends an additional revenue shortfall of more than \$400,000.

Solid Waste revenues are also lagging, despite increases in fees. Reduced spending, particularly in construction and food services, continues to reduce the volume of waste which goes into our transfer facilities. With costs which are fairly fixed, the lower volume is causing a negative cash flow in Solid Waste yet again. To its credit, the Council’s Solid Waste Subcommittee is actively considering actions to counter the losses. But action will be required soon in order to have any effect for this calendar year.

The bottom line for the County is a likely shortfall in 2011 general fund revenues of somewhere between \$600,000 and \$900,000.

It's not easy to reduce 7% of your budget, quickly. The County, with help from the citizenry, must find ways to prioritize the services of government, and/or to re-organize them in order to achieve them at lower cost. What do you value in government? What could you do without? Think about it, and talk to your Council members. This is not a problem we can solve on our own.

And I'm sorry for the bad news.