

SAN JUAN



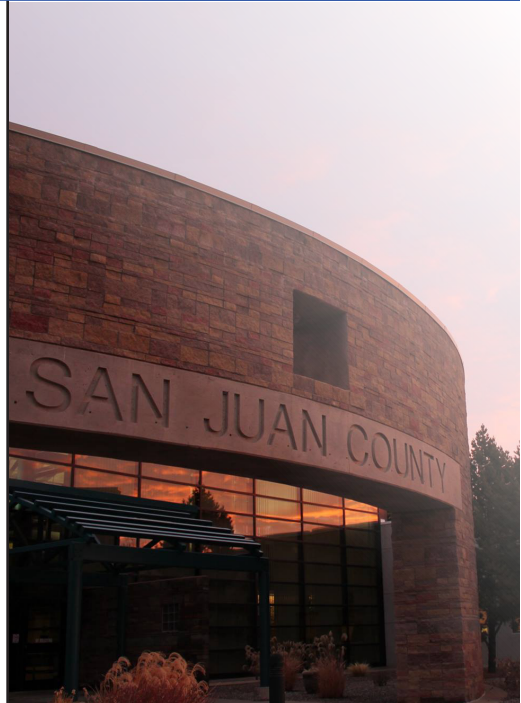
COUNTY
NEW MEXICO
SINCE 1887

2019 *In* *Review*

San Juan County

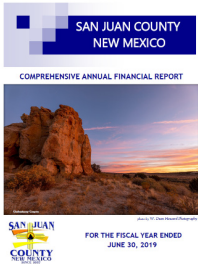
***2019 Fiscal
Year***

Popular Annual Financial
Report
*July 1, 2018 to June 30,
2019*



A Note from the Chairman

We are pleased to present *San Juan County: 2019 In Review* for the 2019 fiscal year. We hope this document presents the County's financial performance in an easy-to-read format and makes it clear how we do business.



The information in this report is all directly out of the audited Comprehensive Annual Financial Report (CAFR). Digital copies of the CAFR, and other insight into the County's finances are available online at www.SJCounty.net

As we continue to *Build A Stronger Community*, we are glad that you have taken this opportunity to learn more about how taxpayer money is managed. It is our goal to provide high-quality, high-value services to the taxpayer.

Sincerely,

A handwritten signature in black ink that reads "Jack L. Fortner". The signature is written in a cursive, flowing style.

Jack L. Fortner
San Juan County Commission Chairman

Welcome to San Juan County!

San Juan County operates under the "Commission-Manager" form of government. Policy making and legislative authority are entrusted in the elected County Commission, consisting of the Commission Chairman and four members serving five total districts.

The County Commission is responsible for, among other things, passing ordinances, adopting the annual budget, serving as the Board of Finance and the Indigent Hospital Board, and hiring the County Manager. The County Manager is responsible for carrying out the policies and ordinances of the County Commission and overseeing the day-to-day operations, coordinating with the Commission, Department Administrators as well as the other County Elected Officials (Sheriff, Clerk, Assessor, Treasurer, and Probate Judge). County Elected Officials are elected on a staggering basis to serve four year terms.

As of June 30, 2019, San Juan County had 712 employees.

As a note, the Comprehensive Annual Financial Report additionally presents details on the County's two separate legal entities, which the County acts as fiscal agent. The San Juan County Communications Authority (911 call center) and San Juan Water Commission are not presented within this 2019 financial review of San Juan County.

Four Corners National Monument

By Rich Torres – Own work, CC BY-SA 3.0,
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Profile of San Juan County

San Juan County, NM was founded in 1887. The County is in the Northwest corner of New Mexico in an area known as the “Four Corners” describing where the four states of New Mexico, Arizona, Colorado, and Utah meet. The County has a land area of approximately 5,535 square miles and a 2018 estimated population according to the U.S. Census Bureau of 125,043. The land ownership is distributed as follows: Private ownership 7%, Federal Government 25%, Navajo and Ute Mountain Reservations 65%, and State Government 3%.



Services

San Juan County offers a full range of services, including fire protection through 23 volunteer fire stations, 223 volunteer firefighters; protection of its citizens through the Sheriff's Office; road maintenance and construction; waste transfer stations; parks and facilities; adult and juvenile correction facilities; DWI/Axis facility; building permits; addressing; subdivisions; and an affordable housing program.



Economics

The County is the retail hub for the Four Corners area serving an estimated consumer population of 300,000. The area continues to draw consumers from New Mexico, Utah, Colorado, and Arizona. San Juan County, with the help of Four Corners Economic Development, has also been promoting the area's local attractions to boost tourism, industry development, and relocation for those who are looking to retire in an area that offers a variety of outdoor activities.

San Juan County's economy is diversified by the numerous outdoor recreational activities and national parks, all within a day's drive. Four Corners Economic Development's data shows that there is one world-class fly-fishing area, five world heritage sites, seven world-class ski resorts, 47 Native American pueblos and tribes, and 57 national parks, monuments and recreation areas. Farmington also hosts the annual Connie Mack World Series.

San Juan Generating Station

Waterflow, NM

“San Juan Generating Station” by
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Since San Juan County received news that Public Service Company of New Mexico (PNM) plans to close the San Juan Generating Station by 2022, the County has been working to find ways to keep the plant open. The coal-fired electric generation station has a significant impact on the economy of the Four Corners. The City of Farmington has entered into an agreement with Enchant Energy to transfer 95% of the San Juan Generating Station to Enchant Energy after the City inherits the power plant in 2022. Enchant Energy is studying the feasibility of a carbon capture system at the plant. PNM has proposed four options of replacement power. One of the scenarios proposes to place all new power in San Juan County to offset the closing of the power plant.

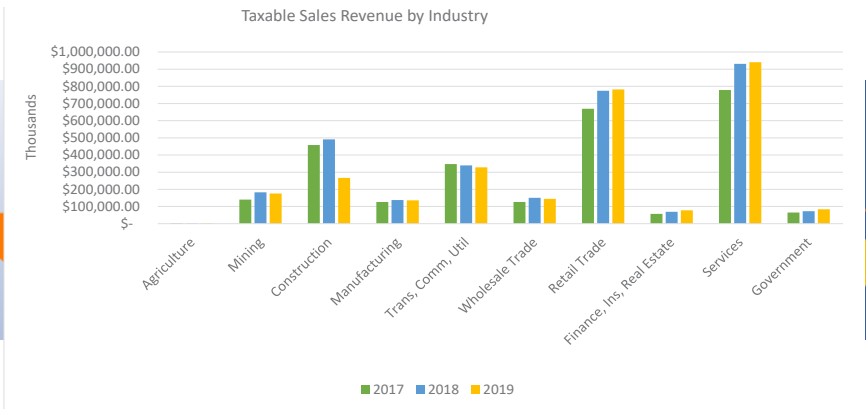
There are great gains in the service industry, which means potential gains in tax receipts. Development includes a 20,500 square-foot Planet Fitness gym, and a 3,000 square-foot Verizon Wireless authorized retailer store.



**New Development
in Farmington**

Gross Receipts Tax Highlights

San Juan County is unique in that monies collected from gross receipts tax (GRT) exceeds property tax. The State of New Mexico compiles all GRT that is collected within the County by industry. This data helps reflect how the various industries are performing in the County. The graph below depicts a three-year trend showing that construction has largely declined within the County.



GRT revenue in 2019 was 49.6% of total tax collected in the county.

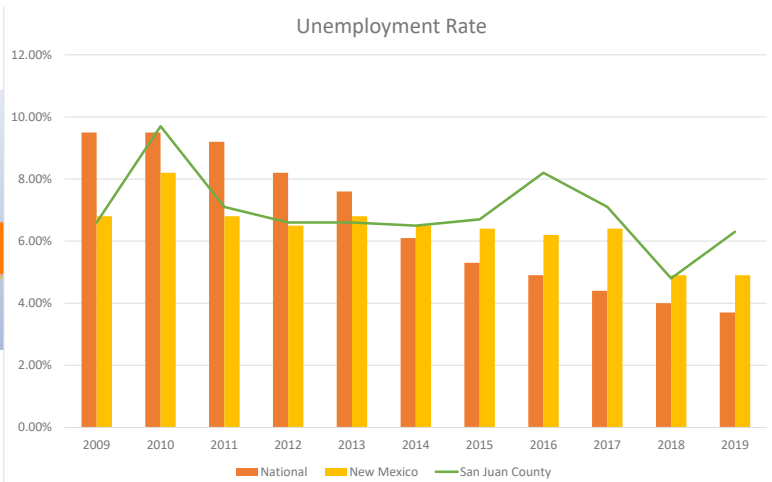
The County collected a total of \$36.4 million in GRT from \$2.94 billion of sales in the county in 2019.

Property Tax Highlights

Your property tax bill includes a combination of the State, cities, school districts, college and County tax rates which collectively make one annual tax bill. The County charges the collective amount, collects and remits those taxes to the related entities. San Juan County's property tax rate is charged at a rate of \$8.5 for every \$1,000 of taxable value. This means the County would receive \$425 on a property whose total value is \$150,000 (\$50,000 taxable). **The County remains the second lowest in property tax in 33 New Mexico Counties!** The County received a total of \$25.9 million for its share of property tax revenue in 2019.

Demographics

The Farmington Metropolitan Statistical Area's (MSA) (San Juan County) total non-agricultural employment increased by 100 jobs, an increase of 0.2% from June 2018. The public sector lost 200 jobs but was offset by the private sector increasing by 300 jobs. San Juan County had an unemployment rate of 6.3% in June 2019, an increase from 4.9% in May 2019. New Mexico's seasonally adjusted unemployment rate was 4.9% in June 2019, a slight decrease from 5% in May 2019. The national unemployment rate in June was 3.7%, a slight increase from 3.6% reported in May.



How do we get money to provide services to you?



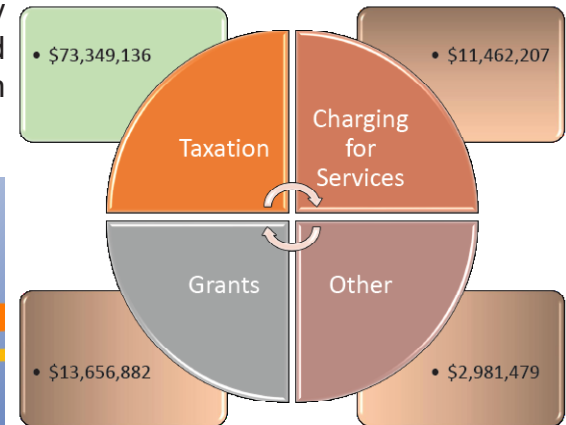
Money Collected Equals Services Provided

The County collects money through taxation, charging for services provided, and through receipt of Federal and State grants. The money collected serves the Citizens of the County through public safety, road and bridge work, operation

of a golf course and County fairgrounds, County waste drop-off site operations, housing and healthcare assistance for low-income families, cash support to local government and not-for-profit organizations, and more! Other money is collected to support the administrative cost of operating those services provided to the County.

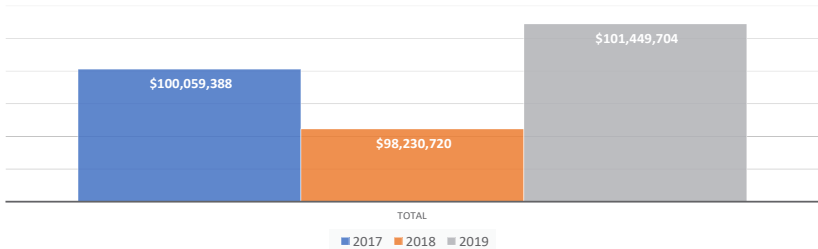
A closer look at the money collected in the 2019 fiscal year

The fiscal year ran from July 1, 2018 through June 30, 2019 and collected a total of \$101,449,704. Money from taxation, which included property, gross receipt taxes, oil & gas, franchise, gas tax and other taxation, was responsible for bringing in 72% of the money collected to fund County operations in 2019.



Historical look at the money collected

Total Revenue Collected



San Juan County has continued to adjust to reductions in the money collected to maintain the services provided to the Citizens of the County. While the three-year comparison, above, shows the County collected \$1.3 million more than 2017, it is a result of increased grant revenues and positive earnings on investments. These increases are considered one-time revenue streams. Overall, the money collected in 2019 was still very positive and utilized to continue to provide services to you.

The graph below shows that the reduction in the money collected is consistent for service revenues and fluctuates for grant and other revenues.



How does money collected serve the community?

The money collected for the period July 1, 2018 through June 30, 2019 was used for a broad array of services benefiting the Citizens of the County. In total, the County spent \$113.4 million this year on these services, which can be classified into six total categories:

General Government

- Operations support

Public Safety

- Law enforcement (Sheriff), fire prevention, EMS,
- Criminal Justice
- Adult & juvenile corrections and alternative sentencing
- Building inspection/community development
- Emergency management and Safety

Public Works

- Road maintenance
- Bridge maintenance
- Seasonal road safety and clean up

Health and Welfare

- Healthcare assistance to low income families
- Housing assistance to low income families
- Local support to government and not-for-profit organizations
- Operation of County health plan

Culture and Recreation

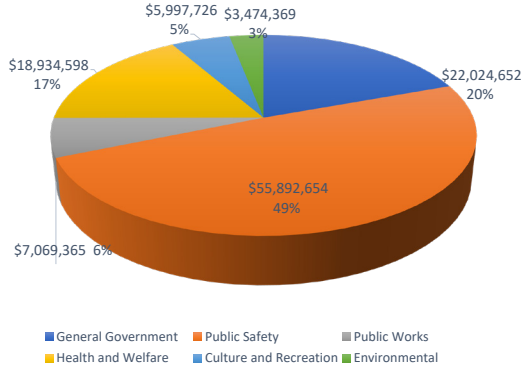
- Parks and facilities maintenance
- Riverview Golf Course
- McGee Park Fairgrounds

Environmental

- Operation of trash disposal transfer stations

A closer look at the cost of services provided in the 2019 fiscal year

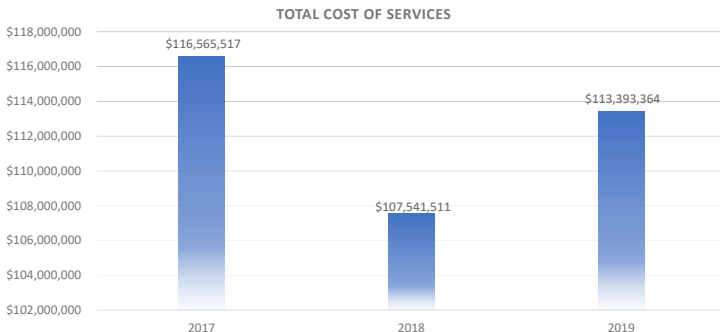
Of the \$113.4 million spent in the 2019 fiscal year, 49% of that total provided public safety services including \$22,815,227 to operate the adult, juvenile and DWI facilities, and \$17,986,218 to



operate the San Juan County Sheriff's Office and County Fire Department. Of the 17% spent on health and welfare, \$8,484,098 covered the cost of the County's internally funded employee insurance plan, \$5,680,594 covered the cost of providing healthcare assistance and \$1,312,337 in housing assistance payments to low income families.

The total cost of \$22,024,652 in general government covers a large span of costs to operate the County through a total of 18 support departments. Additionally, \$1,967,671 of that amount covers the interest incurred on the \$41,701,300 in debt outstanding at the end of the 2019 fiscal year.

Three-year review of the total cost of services provided in San Juan County

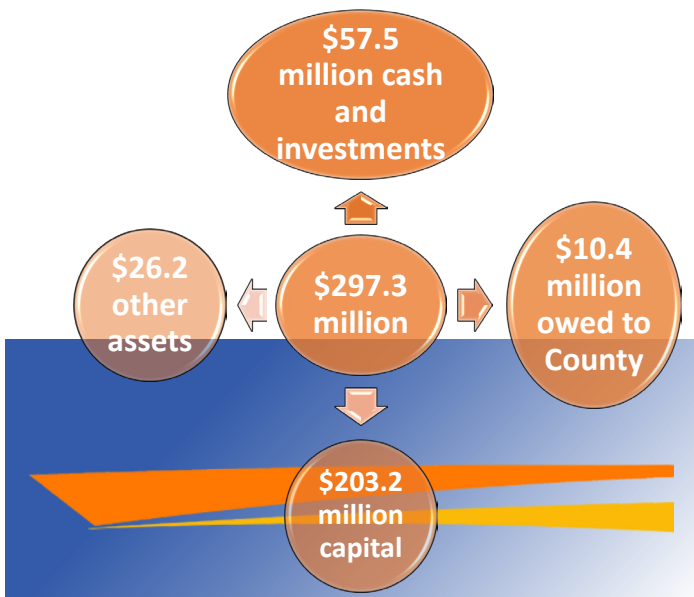


The County's Assets

What the County has available to provide services

Assets are items that the County has acquired that can be used to provide services to the citizens of the County. Some assets are available for immediate use, while others are used in the long-term. Those long-term assets are generally in the form of roads, bridges, buildings and other physical equipment owned by the County and are referred to as capital.

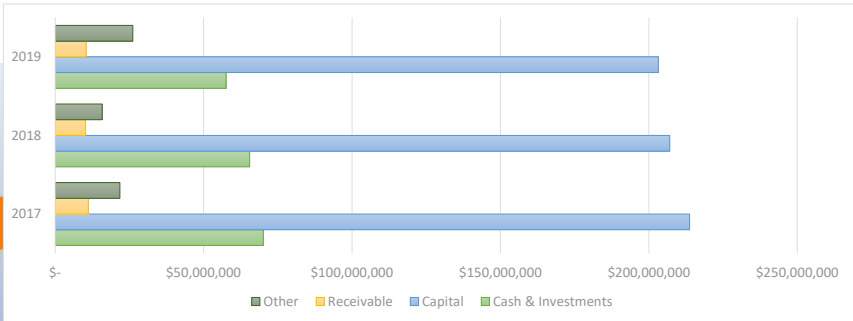
In preparation of the Comprehensive Annual Financial Report, the County's assets were valued at \$297.3 million as of June 30, 2019.



68.3% of assets were in the form of capital including: \$98 million in buildings & improvements, \$67.5 million in roads, bridges and other infrastructure, \$21 million in equipment and \$16.7 million of other assets.

19.3% were related to the County's cash and investments on hand. These assets are kept for budgeted services and for other specially identified projects which cannot immediately be used. Of that balance, \$8 million is held in reserve as required by the State of New Mexico. The \$10.4 million in money owed to the County is primarily related to property and sales tax.

How have the County's assets trended in three years?



Capital continued to be the largest asset held by the County in the last three years. The noticeable reduction each year is due to reporting depreciating assets and accounting for their use over time. Cash and investment balances have additionally dropped between 2017 and 2019 by approximately \$12.6 million. This is largely due to the receipt of cash that had a specific purpose for the County. In March 2015, the County received \$17.84 million in bond proceeds that was used, and continues to be used, for a variety of planned capital projects.

The County's Liabilities

The obligations the County has accumulated to provide services

Liabilities are commitments the County has made to be paid within the next month to several years. It can range from the monies owed to vendors for providing goods and services, to County payroll- and other payroll-related benefits to be paid to County employees, loans and bonds, and County retirement and healthcare obligations. At June 30, 2019, the County had a total of \$167.6 million in liabilities outstanding.

The County's Liabilities

*The obligations the County has accumulated to provide services
(Continued)*

\$45.3M in loans and bonds

Represents the amount of debt the County incurred as a result of receiving lump sums of money to allow for larger capital projects including the construction/renovation of buildings and high dollar emergency service equipment.

\$5.8M due to employees

\$4 million of this balance relates to the vacation, sick, and compensation time each employee would be paid should they terminate employment with the County

\$3.5M due to vendors

The County incurs additional outside cost when providing services to the County Citizens. Those costs are incurred from vendors providing goods or services to the County

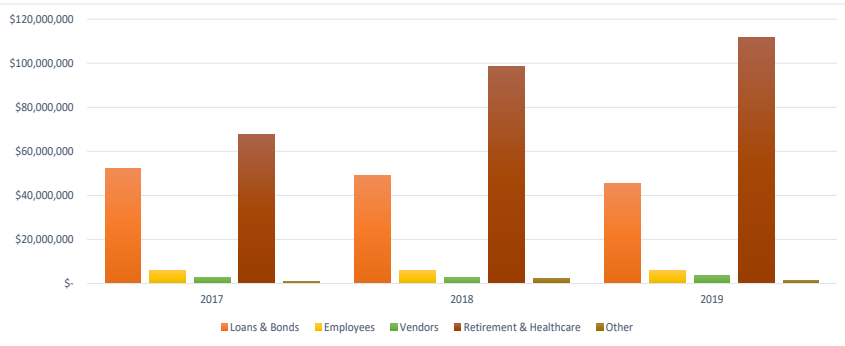
\$1.5M in other liabilities

The largest portion of this balance is due to the County receiving money that cannot be spent until certain requirements have been met. At year end, these requirements were in progress but not fully completed.

\$111.5M retiree and healthcare

National reporting standards require the County to identify their portion of the amount the employees retirement pension (PERA) and retirement healthcare (NMRHCA) which is not funded by the assets held by the New Mexico Public Employees Retirement Association (PERA) and New Mexico Retiree Healthcare Association. Currently, the County has no obligation to pay this amount but has the obligation to report on it.

How have the County's liabilities trended in three years?



In the past three years, the County has paid down a total of \$6.7 million of loans and bonds payable. The County will continue to see the balance decline as there are no immediate plans for additional debt funding. Amounts owed to employees remains relatively the same each year and is the result of employees saving and using, on average, their sick and vacation hours consistently year over year.

The retirement and healthcare obligations have significantly increased by \$43.8 million between 2017 and 2019. These liabilities represent the County's share of the obligation to cover retirement costs of its employees through the Public Employees Retirement Association (PERA) as well as healthcare costs of its retiree's through the New Mexico Retiree Healthcare Association (NMRHCA). While the County is obligated to show these liabilities for reporting purposes it only has a legal obligation to pay the employer contribution per pay period under the rates set by New Mexico state law. Reporting of the retirement obligation was a new requirement in 2018; therefore, seeing a large increase between 2017 and 2018.

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