

SECOND QUARTER REPORT
for
Fiscal Year 2007

October 1 - December 31, 2006

City of Farmington, New Mexico

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Assistant City Manager..... Robert Mayes
Administrative Services Director H. Andrew Mason
Community Development Director Michael Sullivan
Electric Utility Director Maude Grantham-Richards
General Services Director..... Rod Hunt
Human Resources Director..... Donna Brooks
Parks, Recreation and Cultural Affairs Director Jeff Bowman
Fire Chief..... Robert Martin
Police Chief..... Mike Burrridge

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Introduction

Private corporations make major operational decisions based on quarterly reports. It is very convenient to provide analyses for four 13-week periods a year. In an organization like the City of Farmington that has many diverse functions and services, it is very easy to get lost in a sea of data regarding our operations and lose sight of the "big picture." This report is designed to provide a quarterly update on key issues in a manner that is relatively easy to read and share with others who are not involved in City operations on a daily basis.

There are five sections to this report. The first section deals with a financial analysis of key City funds.

The second section analyzes key staffing and turnover information that should help in assessing the state of municipal employment.

The third section deals with the delivery of public services. This section focuses on key data from each department regarding their most important public services.

The fourth section is a gross receipts tax analysis that is prepared based on data provided to the City by the New Mexico Taxation and Revenue Department. This data from businesses in the Farmington city limits is very useful in providing a broad overview of the local economy. The data has a one-month lag period which means that receipts collected in October are reported to the state in November. Actual payment is then received by the city in December.

The fifth section summarizes county employment.

NOTE: Quarterly reports are generated based on fiscal year rather than calendar year. The City of Farmington's fiscal year begins July 1 and ends June 30 of the following year; therefore, this is the Second Quarter Report of Fiscal Year 2007 which comprises October 1 through December 31, 2006. Where quarters are referred to within the text of this report, they are identified by the calendar year, such as 2007, or if the fiscal year is being discussed, it is identified as FY, such as FY07.

I. FINANCIAL ANALYSIS

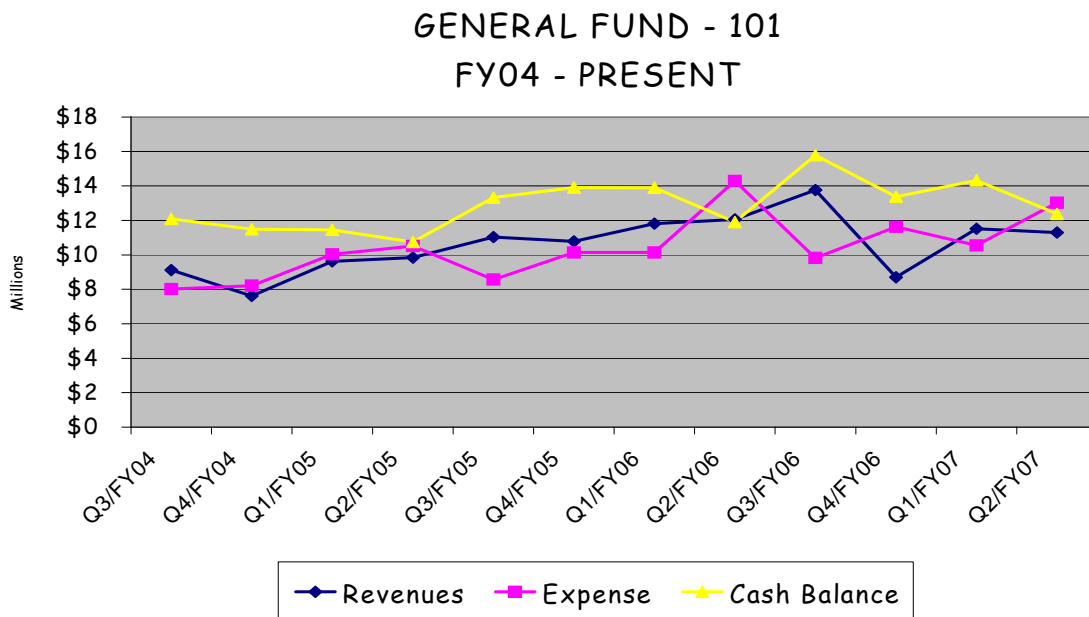
The City's Financial Health

GENERAL FUND - 101

The Q2/FY07 ending cash balance totaled \$12,379,093 which includes \$2,000,000 dedicated to debt stabilization reserve for the 2001 Sales Tax Revenue Bonds.

Q2/FY07 expenditures tracked well under budget with 50% of the year passed and 46.8% of the budget expended. GRT revenue came in at 7.6% over FY06's actuals. By the end of the second quarter, the budget for FY07 expenditures stood at \$25.5 million. This number includes a budget increase of \$882K due to the addition of FY06 budget encumbrances, and a second increase of \$277K for a backhoe purchase, and roof repairs. The General Fund cash balance has remained fairly stable even though the FY07 budget anticipates using some \$1.6 million of existing cash balance for operations, and \$2.6 million for one-time capital projects. The ending cash balance for the quarter is actually only \$825,000 less than the beginning cash balance,

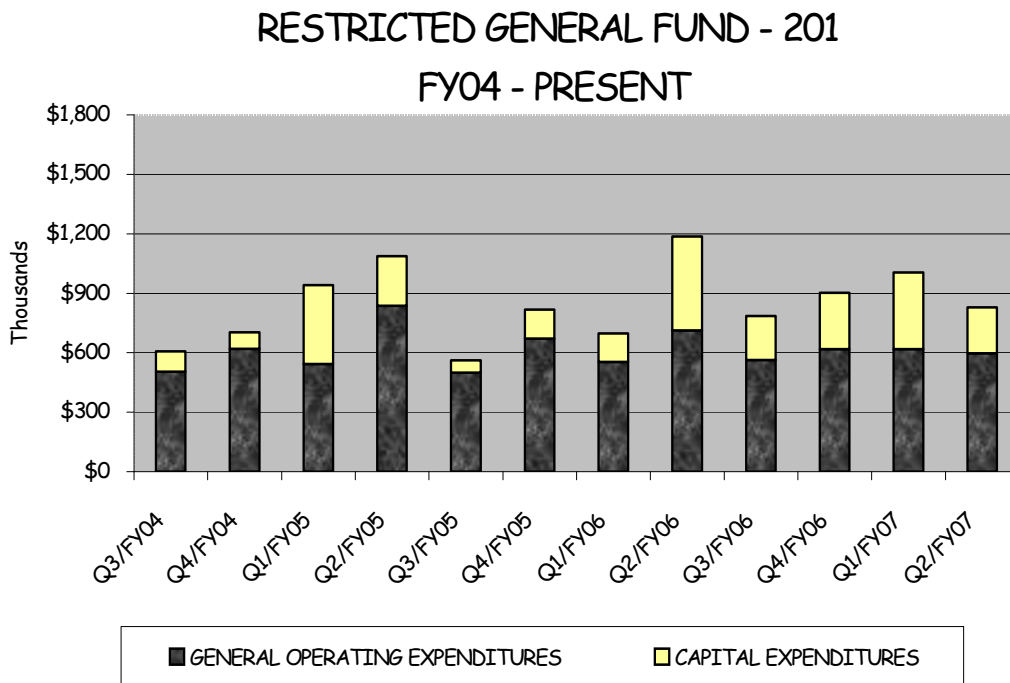
The Q2/FY06 and Q4/FY06 reductions in cash balance reflect the purchase of the Animas Credit Union building, and the purchase of a large number of Police and Parks vehicles, respectively.



RESTRICTED GENERAL FUND - 201 - STREETS

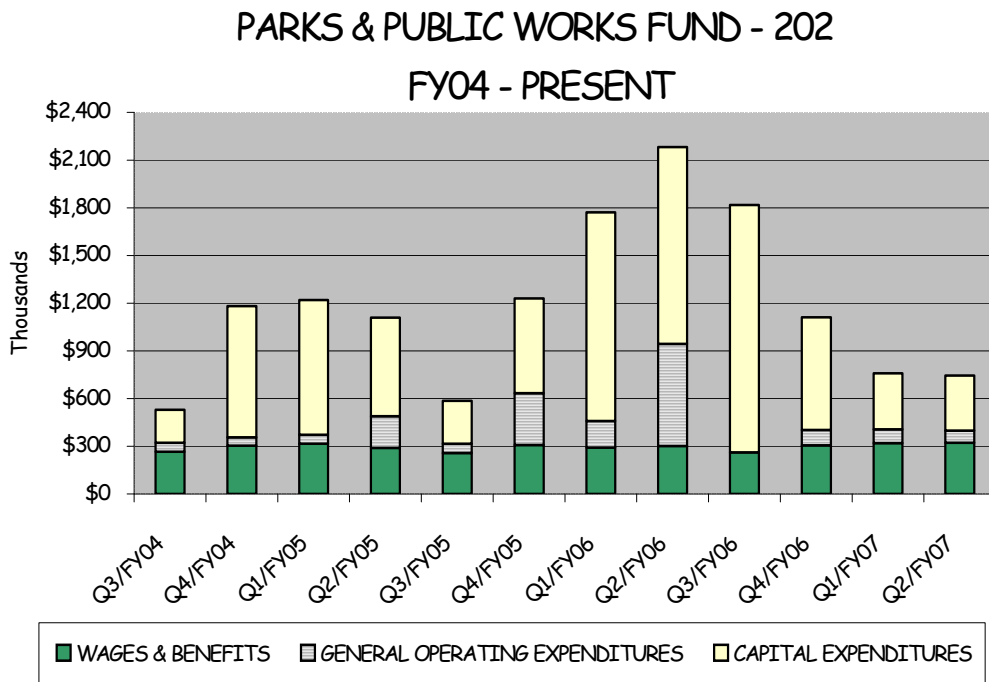
The majority of capital expenditures have been in the areas of street resurfacing and concrete rehabilitation. This fund also provides the local cash match for state funded roadway projects through a revenue transfer which is not reflected in the graph. Legislation (HB 685), effective August 1, 1999, requires that all gasoline tax revenue be deposited in the Municipal Street Fund. In prior years, a portion of the gasoline tax revenue was reported in the General Fund. The entire gasoline tax is now reported as Street Fund revenue.

General operating expenditures remained steady in the first and second quarters of the fiscal year. There was a slight decrease in capital expenditures during Q2/FY07. The second quarter saw completion of the right turn lane and traffic signal upgrade at English and Main Street, for which material purchases were made in Q1/FY07. Other capital expenditures during the second quarter included: repaving of La Plata Street, the Foothills S curve and Chamisa Street; traffic signal supply purchases for Country Club and Main; and street light installations on Dekalb, Illinois, Cedar and Elm.



PARKS & PUBLIC WORKS FUND - 202

Over the last twelve years, the wage and benefit transfer to the General Fund has been stable at \$250,000 per quarter, which pays the wages and benefits of Parks and Public Works employees performing the maintenance and construction duties associated with the 201 and 202 funds. Expenditures tend to be low in the fourth quarter of each fiscal year, due to lower construction and maintenance activities during the previous months of winter and early spring. Capital expenditures in FY07 include: the purchase of playground equipment for Civitan, Beckland, and Lions Pool parks, and the development and construction of Sandalwood Park.



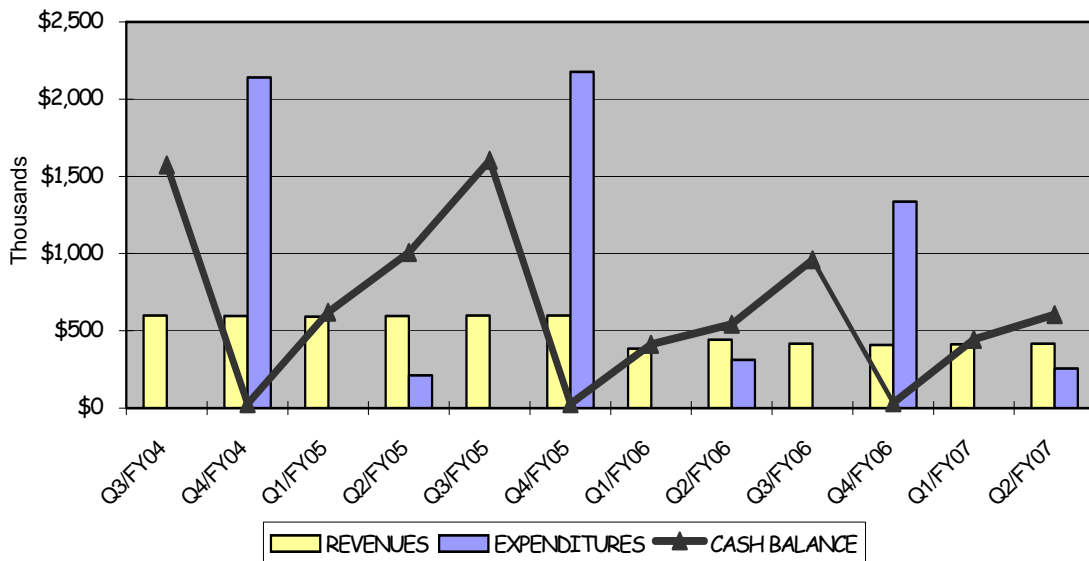
SALES TAX BOND FUND - 501

The Sales Tax Bond Fund was originally designed to track revenues and expenditures related to several sales tax bond issues that were implemented in the 70s and early 80s. Currently, the 2001 and 2005 Sales Tax Revenue Bonds are being paid from this fund.

On November 1, 2001 the City called the outstanding 1993 Bonds which had principal outstanding of \$395,000, and issued \$14.78 million in sales tax revenue bonds. The bond proceeds were used to construct and furnish a new 50,000 square foot library facility and street and drainage improvement projects. Remaining proceeds were used to refund the 1994 sales tax bonds. The 2001 sales tax bonds will mature in 2014. Payments are made in December and June of each fiscal year.

In the spring of 2005 the City issued \$5.725 million in Sales Tax Revenue Bonds to construct a new fire station and purchase additional fire vehicles. Because the debt service schedule in the 2001 issue provided for a large decrease in 2006 the combined debt service for both the 2001 and 2005 is now less than the prior debt service for just the 2001 issue.

SALES TAX BOND FUND - 501 FY04 - PRESENT



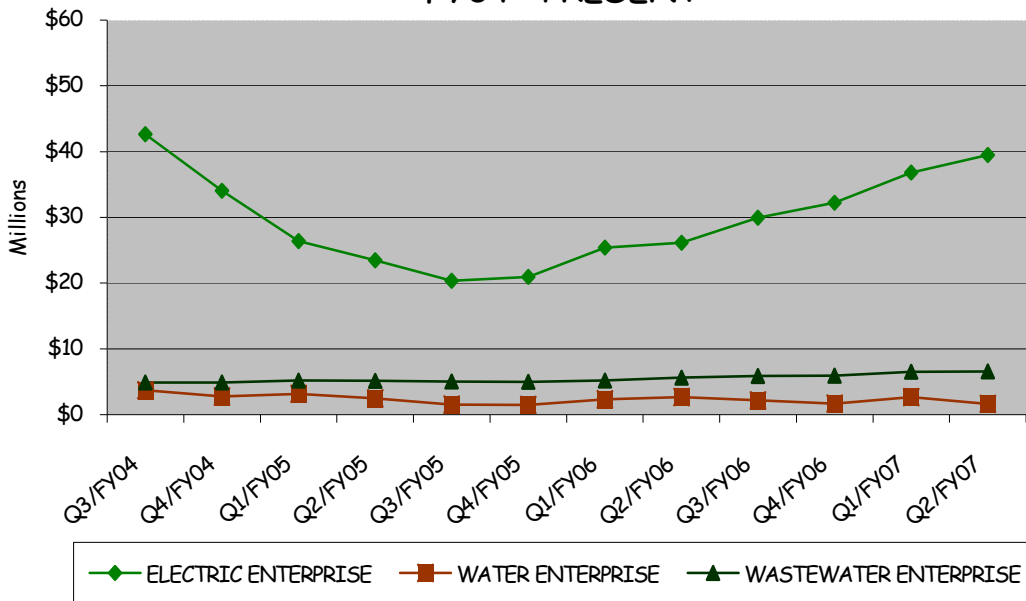
UTILITIES CASH BALANCES

Because the electric, water and wastewater funds are utility enterprise funds with ongoing utility payments, revenues, and debt-related expenditures, the cash basis of accounting is not used. Therefore, it is inaccurate to include revenues, expenditures and cash balances on the same graph because they are not interrelated. This graph is designed to track cash balances only.

The electric, water and wastewater utilities maintain enterprise funds within the City's multitude of funds and financial statements are prepared each quarter demonstrating the position of the utilities' cash balance. The electric enterprise fund had a cash balance of \$39,504,979 on December 31, 2006, of which \$16,639,097 was restricted for deposits.

The water utility had a cash balance in the amount of \$1,636,834 of which \$198,929 was restricted for deposits. The wastewater fund had a cash balance of \$6,576,500.

UTILITIES CASH BALANCE FY04 - PRESENT

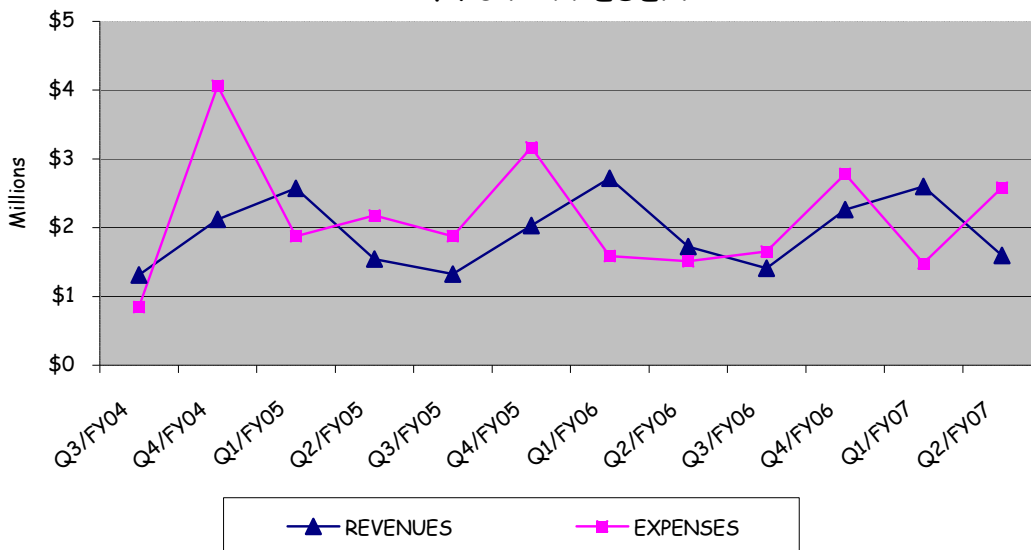


WATER ENTERPRISE FUND - 602

This enterprise fund was created in January 1990 to track the performance of the Water Utility. The electric, water and wastewater funds' cash positions are summarized on page 5. Water rates were last increased 7% on July 1, 1991. In 1992, JMM Operation Services, Inc. of Denver, Colorado (now known as United Water Services, Inc.) assumed responsibility for the operation and maintenance of the water/wastewater system; City Council extended this contract until January 2000. In July 1999, proposals were received for a new operation and maintenance contract. The contract was awarded to Operations Management International, Inc. (OMI) of Greenwood, Colorado and went into effect on January 12, 2000; the existing (OMI) contract expires in 2007. An analysis of the financial impact of that privatization is shown on page 9.

Expenses are typically higher in the fourth quarter of the fiscal year due to debt service payments that are made annually in May. Revenues are naturally higher in the first quarter of the fiscal year since more water is used during the summer months of July and August. Revenues returned to normal levels in Q4/FY04, but expenses spiked as a result of the debt service payment and the delayed payment of Q3/FY04 OMI installments. Based on prior years, recent quarter levels have returned to normal. Expenses in FY06 remained constant because of limited capital construction due to pipe material shortages. Expenses in Q1/FY07 were down slightly due to scheduling of construction projects which began late in the first quarter. Expenses in Q2/FY07 increased as construction projects were completed.

WATER ENTERPRISE FUND - 602
FY04 - PRESENT



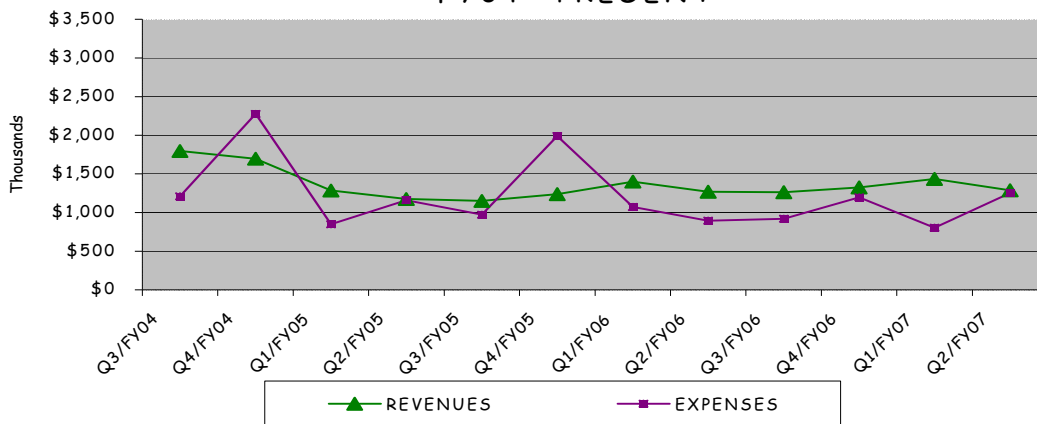
WASTEWATER ENTERPRISE FUND - 603

This enterprise fund was created in January 1990 to track the performance of the Wastewater Utility. In March 1991, a 1/16% environmental gross receipts tax was passed that provided \$658,976 in additional revenue for this fund in FY96. The electric, water and wastewater funds' cash positions are summarized on page 5.

In 1992 JMM Operational Services, Inc. (aka United Water Services, Inc.) assumed responsibility for the operation and maintenance of the water/wastewater systems. Wastewater rates were decreased an average of 12% effective September 1, 1992. In February 1996, the City Council extended their contract until January 2000. In July 1999, proposals were received for a new operation and maintenance contract. The contract was awarded to Operations Management International, Inc. (OMI) of Greenwood, Colorado and went into effect on January 12, 2000; the existing (OMI) contract expires in 2007. An analysis of the financial impact of that privatization is shown on page 9. As a result of the Red Oak Consulting Water and Wastewater Utility Rate Study, Wastewater rates increased approximately 7% on December 1, 2006 and will be adjusted annually through 2011.

Expenses are typically higher in the 4th quarter of the fiscal year due to debt service payments that are made annually in May. In addition, expenses were elevated in Q4/FY04 as a result of the delayed payment of Q3/FY04 OMI installments. Revenues are generally flat since most customers pay a fixed amount each month based on the average of three winter month's water usage. Construction of Phase I and Phase II of the WWTP expansion project was funded by a low interest loan from NMED in the amount of \$13 million. Construction of the Phase II improvements began in Q4/FY02, and was substantially completed by the end of Q3/FY04. Due to the rise in power demands, there has been an anticipated increase in operating expenses since the completion of the Phase II improvements. Expenses in Q2/FY06 and Q3/FY06 decreased slightly because of limited capital construction due to pipe material shortages. Expenses in Q1/FY07 were down slightly due to scheduling of construction projects which began late in the first quarter. Expenses in Q2/FY07 increased as construction projects were completed.

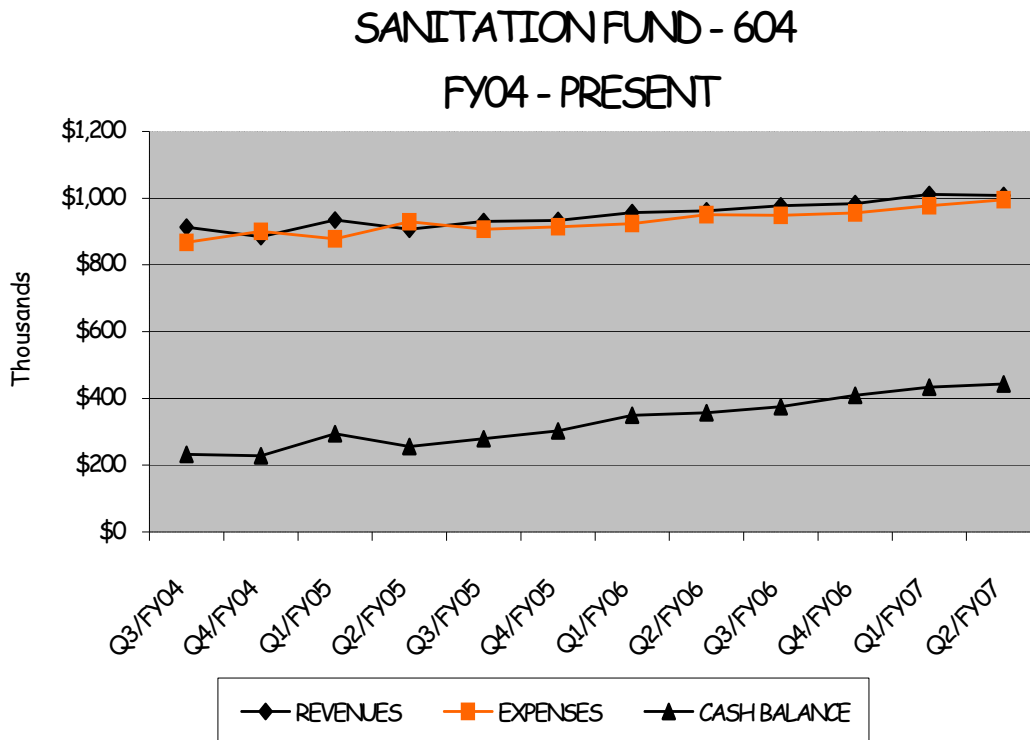
WASTEWATER ENTERPRISE FUND - 603
FY04 - PRESENT



SANITATION FUND - 604

This fund tracks the City's financial involvement in the refuse collection and landfill services currently operated on a contractual basis by Waste Management, Inc. Trash collection rate increases are based on an inflation formula computed at 75% of the annual percent change of consumer price index.

An eight year contract extension was negotiated with Waste Management in October 1999, which resulted in a 3% decrease in commercial rates as of July 1, 2000, and a decrease in the payments to Waste Management from 95% to 94% of the billings for refuse collection services as of January 1, 2000. The latter contract change has contributed to the growth in this fund's cash balance. On July 1, 2006, the residential rate was increased from \$9.34 to \$9.58 per month. The new rate was based on 75% of the increase in the Consumer Price Index for that year.



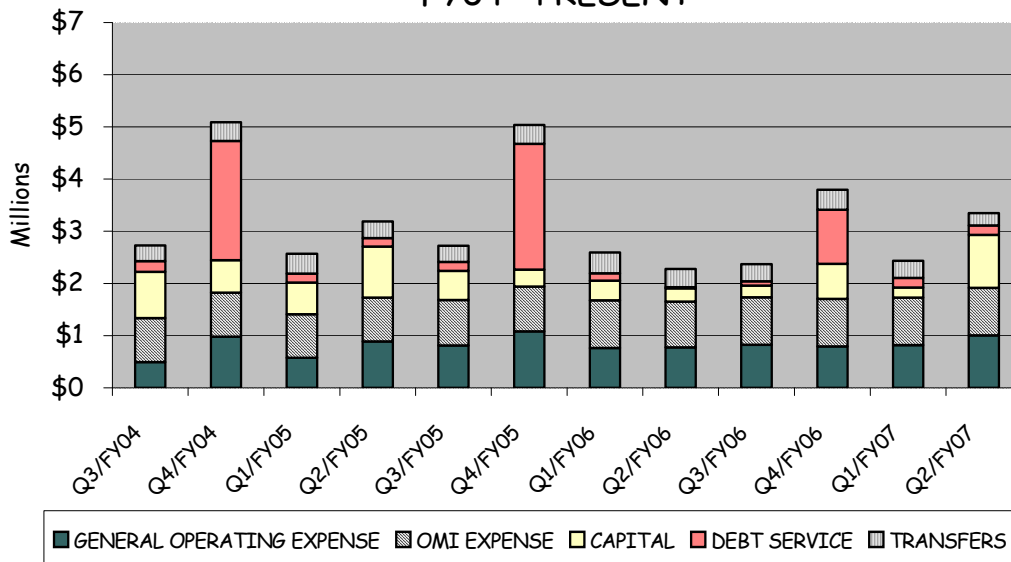
WATER/WASTEWATER EXPENSE

On January 1, 1990, the City established the Water and Wastewater Enterprise Funds. On January 12, 1992, the City turned over the daily operations of the entire water/wastewater system to JMM Operation Services, Inc. (later known as United Water Services, Inc.). In February 1996, the City Council extended their contract until January 2000. In July 1999, proposals were received for a new operation and maintenance contract. The contract was awarded to Operations Management International, Inc. (OMI) of Greenwood, Colorado and went into effect on January 12, 2000; the existing (OMI) contract expires in 2007.

The graph shown below is designed to show the quarterly progress of the water/wastewater expenses. The graph shows the water/wastewater expense in five different categories.

The water and wastewater utility administration staff has seven approved positions to assist with work on the WWTP expansion and water issues. Capital expenditures increased significantly in Q2/FY04 through Q3/FY04 due to the WWTP expansion project. The increase in the OMI expense category is the result of a contract amendment that went into effect in January, 2004. Capital expenses decreased in Q2/FY06 and Q3/FY06 from the previous quarters as a result of limited capital construction due to pipe material shortages. Capital expenses increased in Q4/FY06 due to the purchase of approximately 3 miles of pipe materials for waterline and sewerline construction projects budgeted in FY07. Capital expenses increased in the Q2/FY07 as construction projects were completed late in the construction season.

WATER/WASTEWATER EXPENSE FY04 - PRESENT

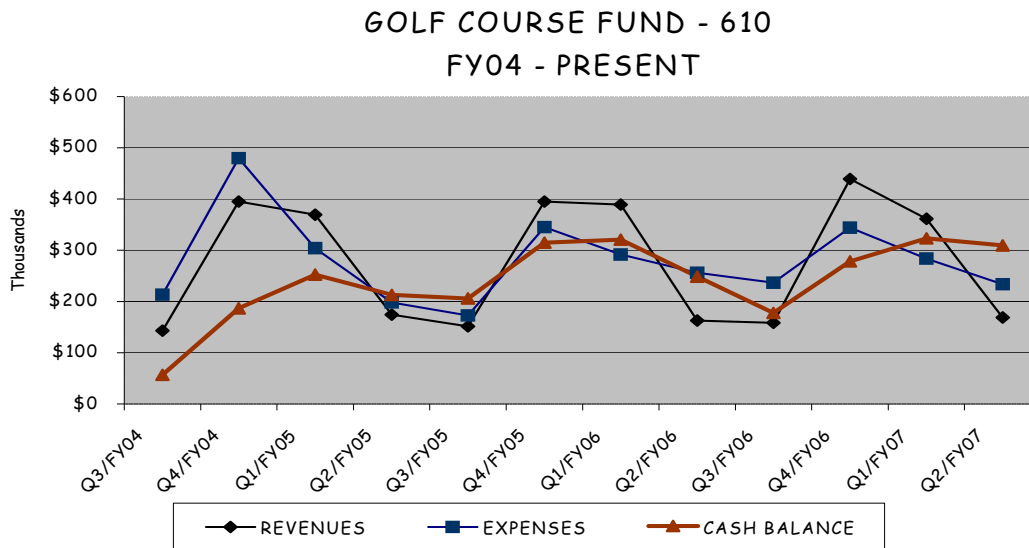


GOLF COURSE FUND - 610

The golf course enterprise fund is comprised of the revenues and expenditures connected with the operation of Piñon Hills and Civitan Golf Courses. Participation numbers were down during Q2/FY07 as a result of weather conditions.

Civitan Golf Course continues to be heavily utilized by juniors and senior citizens, and has been incorporated into our teaching program.

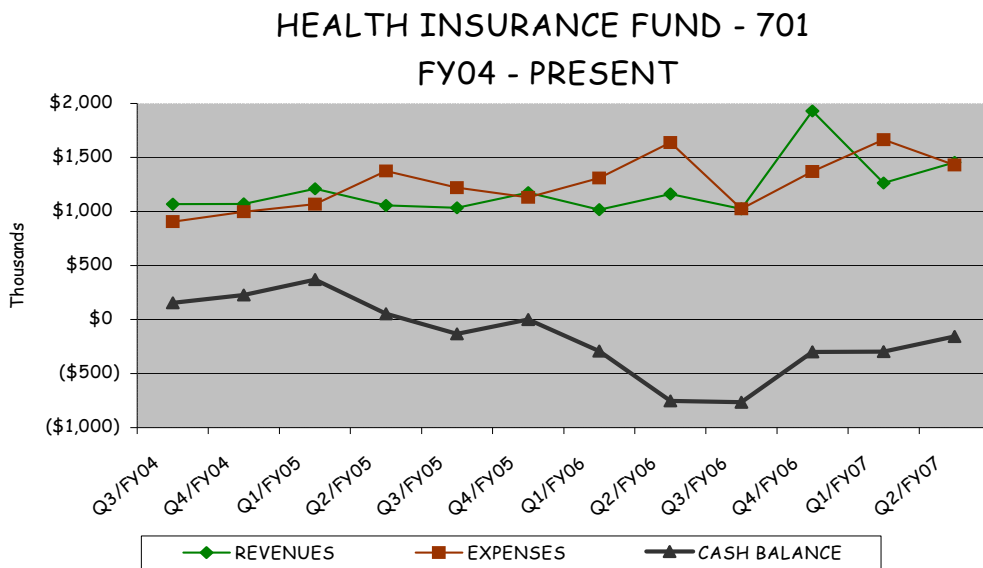
Ongoing and upcoming projects include; installation of rough zones and bunker maintenance. Completed projects include; clubhouse landscaping, tree removal at both golf courses, and new Pro Shop counters at Piñon Hills.



HEALTH INSURANCE FUND - 701

In the FY95 budget a 30% increase in the employer's share was implemented and another 20% increase was included in the approved FY99 budget. On January 1, 1999, both employer and employee contributions were increased 20%, and then again by 10% in FY01. Following employee meetings and evaluation of completed employee surveys, yet another increase of an average of 18.93% in contributions was implemented effective January 1, 2001. Increasing costs required a plan change to a 90% plan on January 1, 2002. Additional plan changes incorporating deductibles, higher co-pays, and a 16% rate increase were implemented during the third quarter of FY03.

During the 4th quarter of FY06, the City Council approved a one-time contribution from the general fund to the group health fund of \$750,000. Commencing with the first quarter of FY07, the funding ratio was adjusted, resulting in employer contributions increasing, and employee dollar amount contributions remaining the same. Consequently, the City now pays approximately 78% of the premium and employees pay approximately 22%. Retirees continue to pay 100% of their premiums. In the second quarter of FY07, the City Council entered into a Resolution exercising the option to determine to be included in coverage under the New Mexico Retiree Health Care Act. By opting into the New Mexico Retiree Health Care Authority (NMRHCA), the City is required to pay a surplus contribution amount of \$1,638,662 on July 1, 2007. In addition, active employer (1.3%) and employee (.65%) contributions will begin with the first payroll following July 1, 2007. Retirees will begin to receive benefits from the NMRHCA effective January 1, 2008.

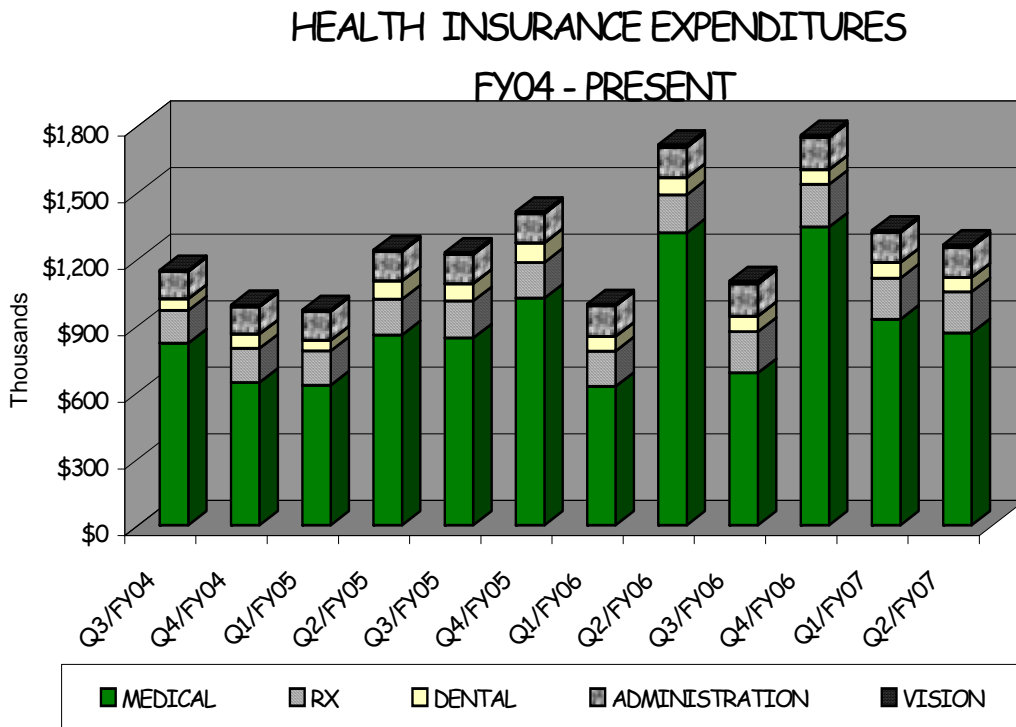


HEALTH INSURANCE EXPENDITURES

Medical costs continue to be the greatest portion of the group health plan. Prescription drug costs remain the second highest component with dental, administration, and vision also contributing to the expense of the plan.

Effective July 1, 2003, the San Juan Independent Practice Association (SJIPA) became the third party administrator to process and pay medical, dental and vision claims. At the same time, Eckerd Health Services (EHS) became the prescription benefit manager (PBM) for the City's plan. Q4/FY06 completed the third full year of an unbundled program with the SJIPA processing the City's group health claims.

At the end of FY06, many providers and facilities in Durango and Cortez, Colorado were added to the City's network at the first tier. During Q1/FY07, the group health plan provided coverage for more than 1,500 lives and included 517 employees and 107 retirees as participants.

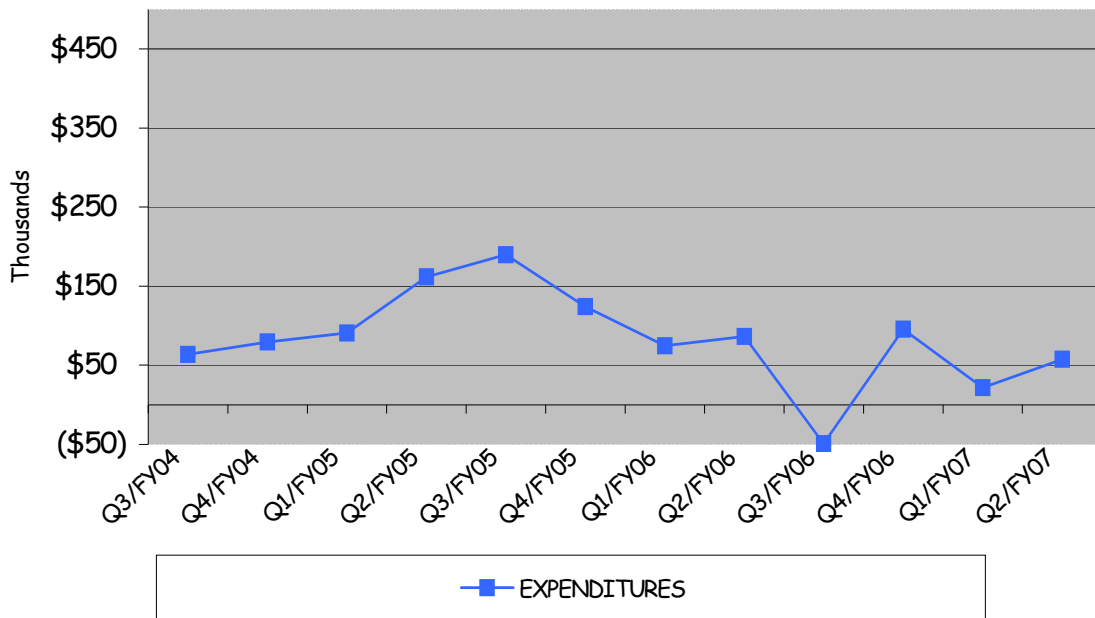


WORKERS' COMPENSATION INSURANCE

The workers' compensation insurance program is self-insured for the first \$400,000 of each claim. The Workers' Compensation fund balance of \$810,726 was closed to the General Fund at the end of FY03.

The graph below portrays both the former Workers' Compensation Fund expenditures and General Fund Workers' Compensation expenditures since January, 2003. The credit balance for Q3/FY06 is indicative of an insurance reimbursement received in March, 2006.

WORKERS COMPENSATION EXPENDITURES FY04 - PRESENT



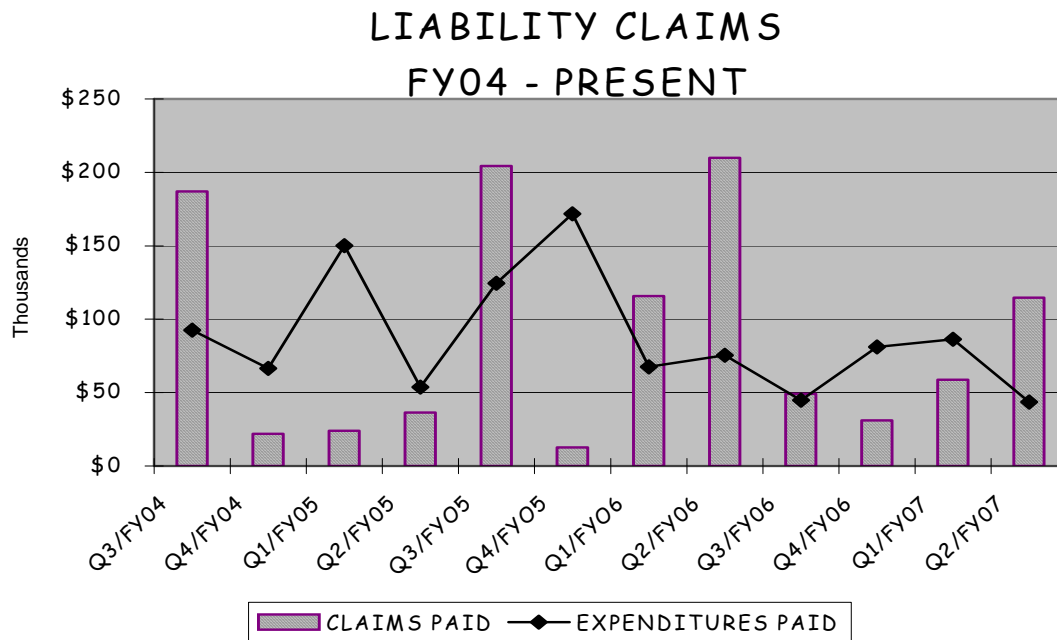
LIABILITY CLAIM

The graph below shows the total paid for claims and the amount paid for items relating to claim expenditures such as legal fees and expert witnesses. Spikes in the graph indicate a large claim has been paid. Normally, expenditures tend to be flatter, as those costs are paid over time rather than in lump sums.

The Q2/FY07 expenditures include attorney fees and costs associated with thirteen (13) lawsuits against the city. Five of those lawsuits were settled or dismissed by the Courts during the quarter.

Claim payments include two (2) lawsuit settlements, and one (1) ongoing auto accident, consisting of approximately \$106,000 of the \$114,753 paid for claims in Q2/FY07.

The graph below provides the figures over the past three years for comparison purposes.



II. PERSONNEL ANALYSIS

State of Municipal Employment

Employee Safety Analysis

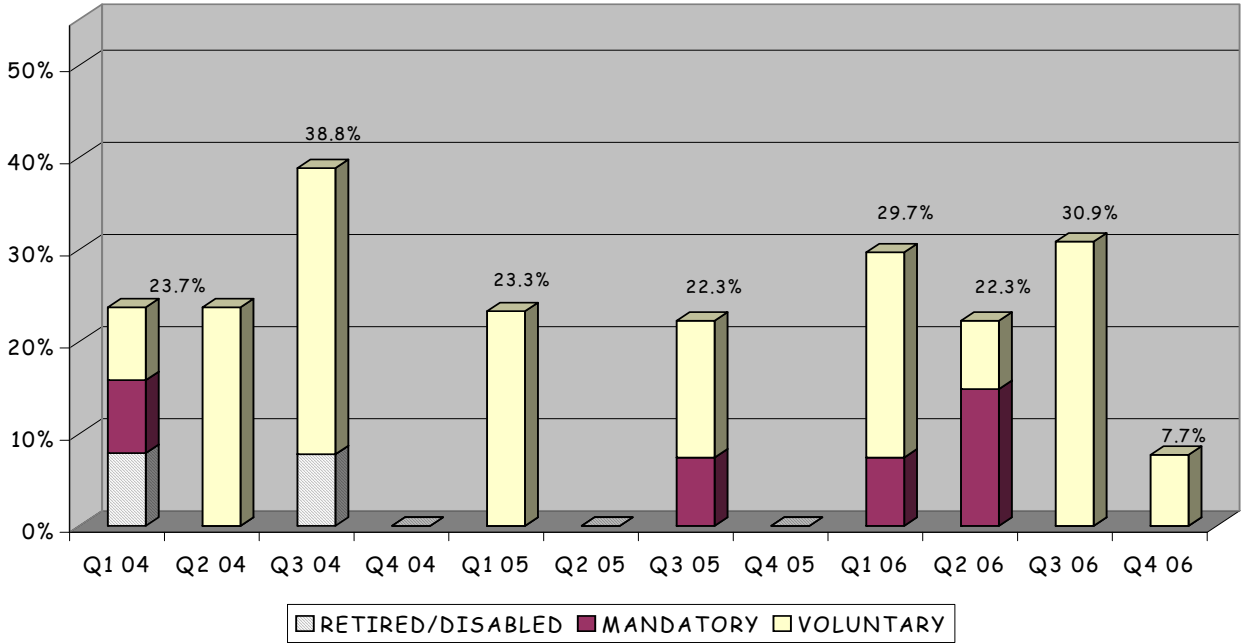
TURNOVER ANALYSIS

On the following pages, turnover is analyzed over the last twelve quarters for the seven occupational groups and for City employees as a whole. This information is being reported on a calendar year quarterly basis. Percentages for voluntary turnover over the last twelve years are shown below:

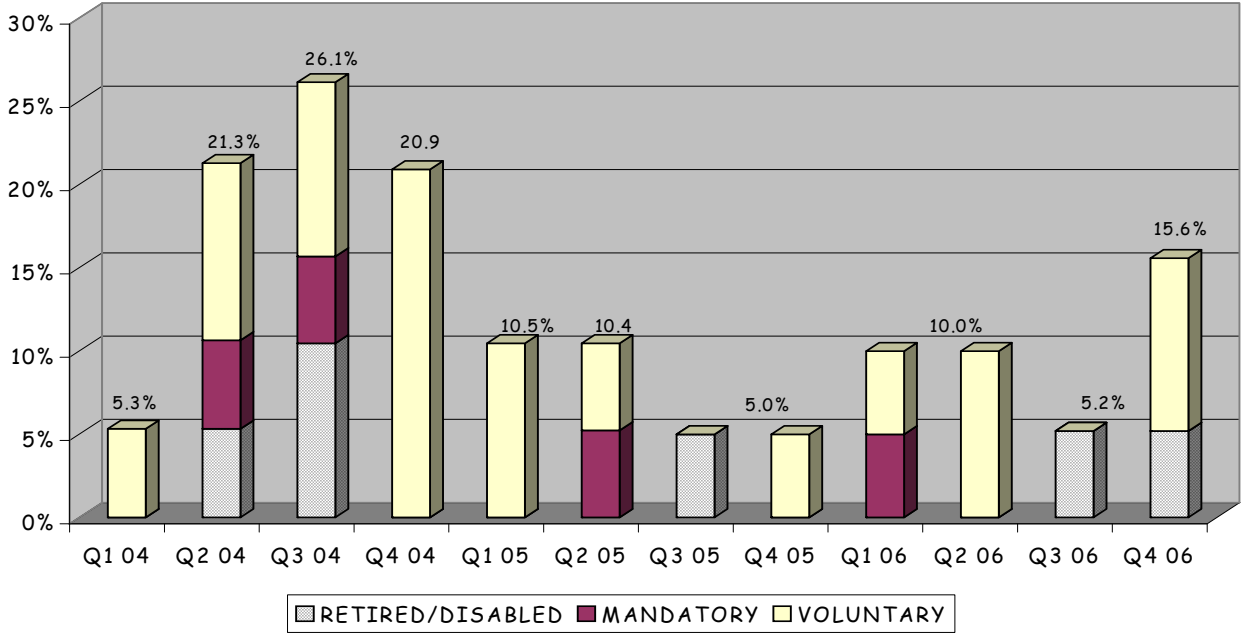
Voluntary Turnover Rate

1995	7.2%
1996	7.0%
1997	7.0%
1998	8.0%
1999	8.3%
2000	7.6%
2001	8.1%
2002	7.3%
2003	5.5%
2004	7.1%
2005	7.1%
2006	9.8%

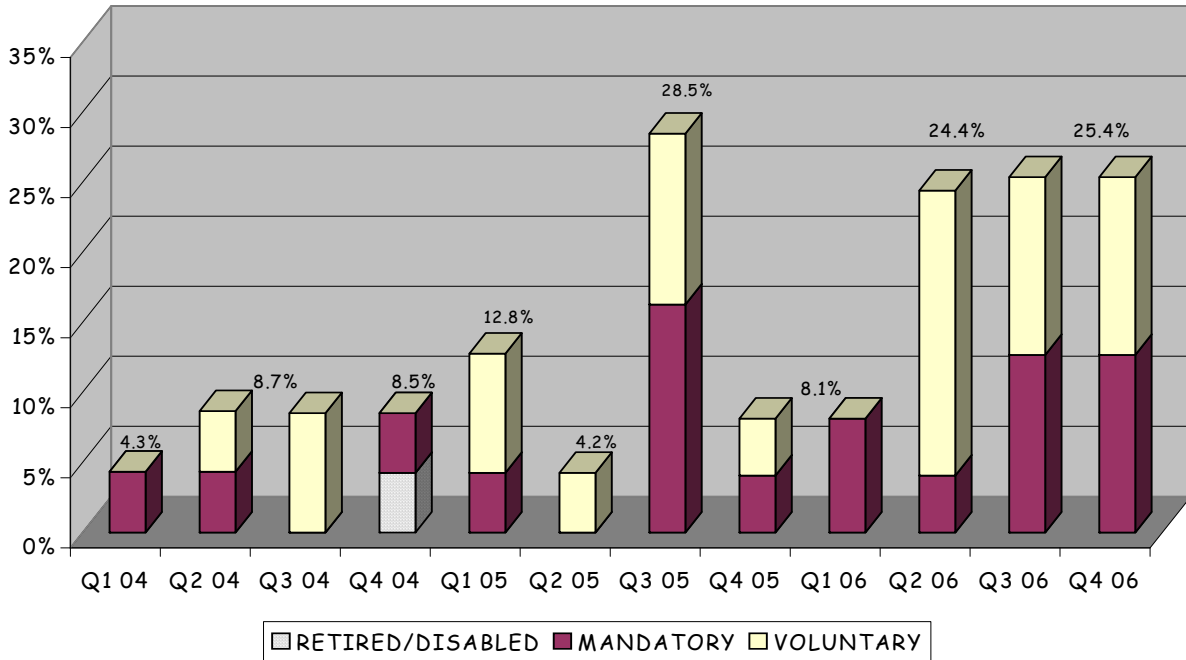
CLERICAL TECHNICAL TURNOVER
Senior level: paygrades C-1 thru C-5



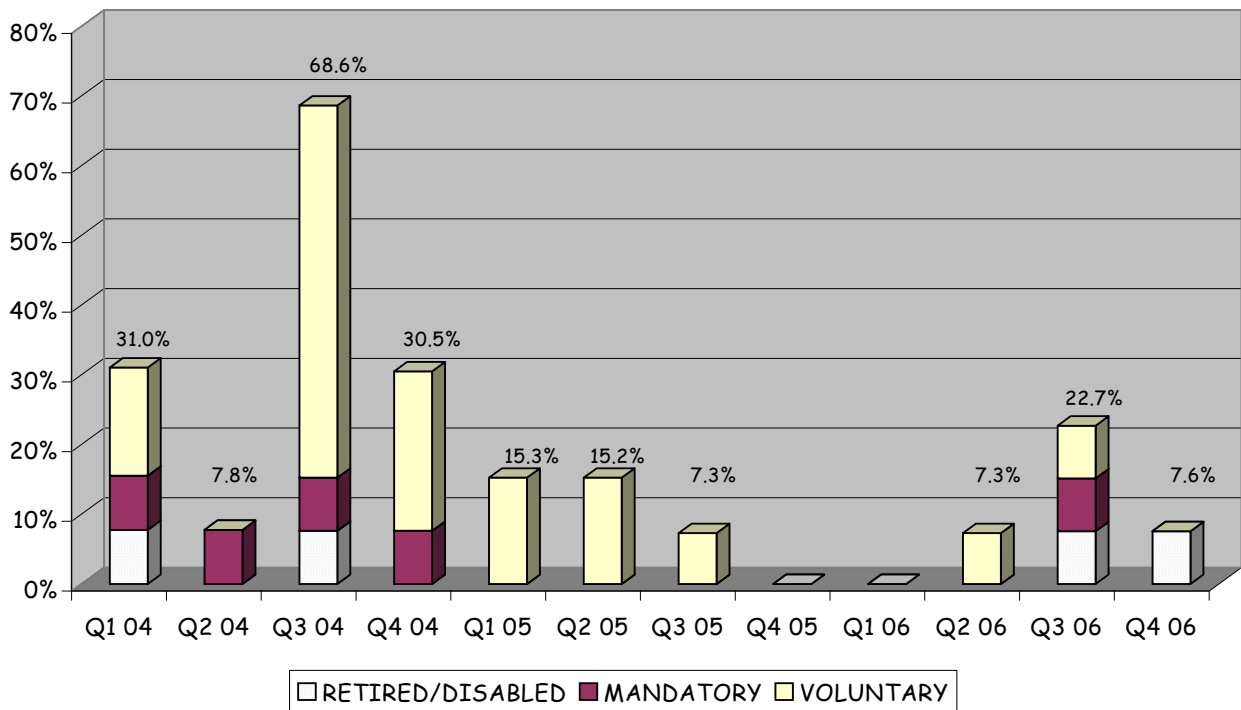
CLERICAL TECHNICAL TURNOVER
Entry level: paygrades C-6 thru C-10



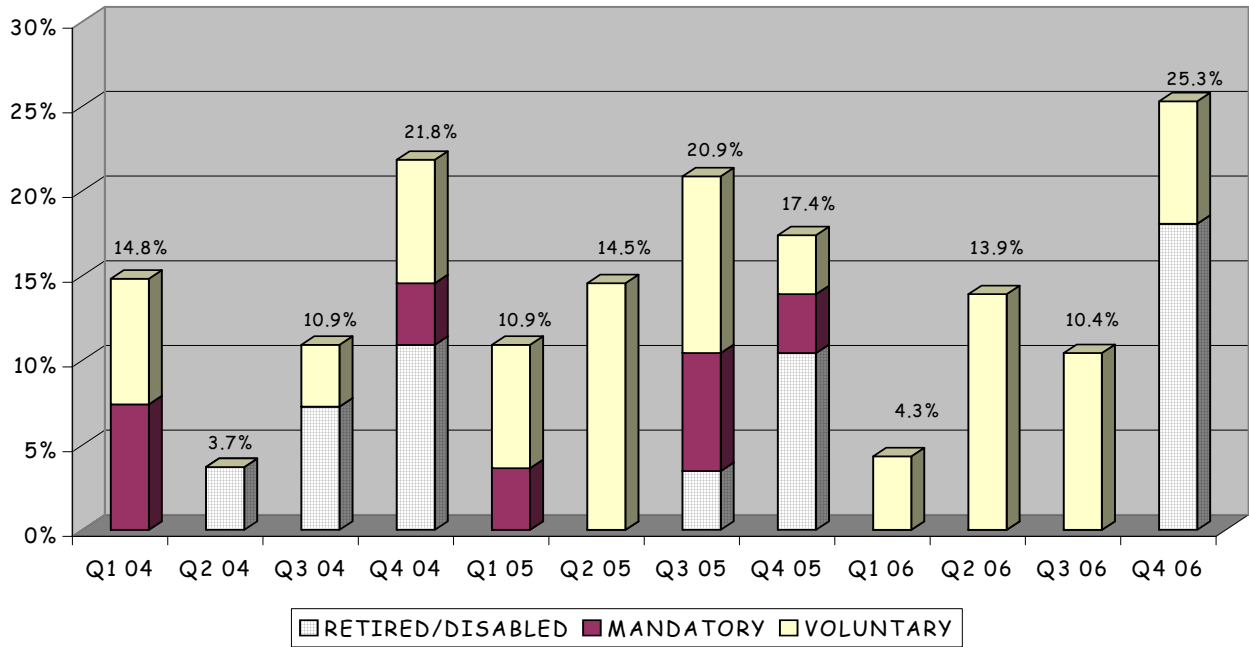
LABOR TRADES TURNOVER
Senior level: paygrades L-1 thru L-4



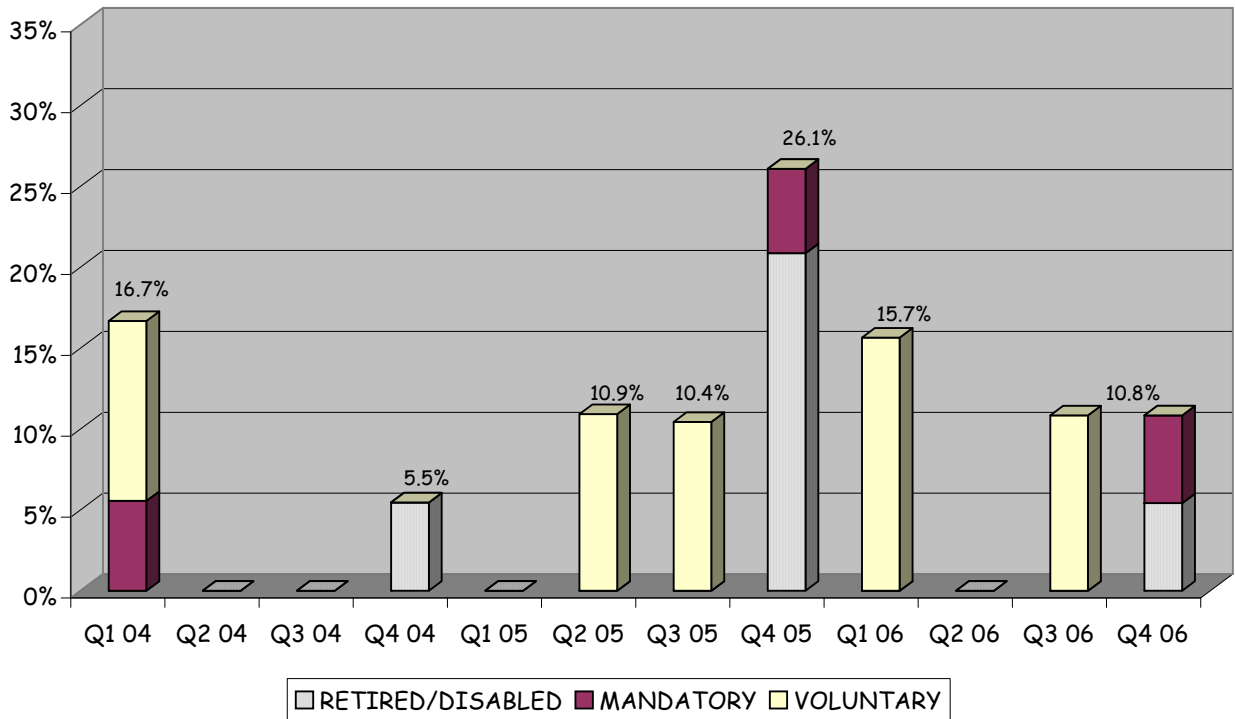
LABOR TRADES TURNOVER
Entry level: paygrades L-5 thru L-8



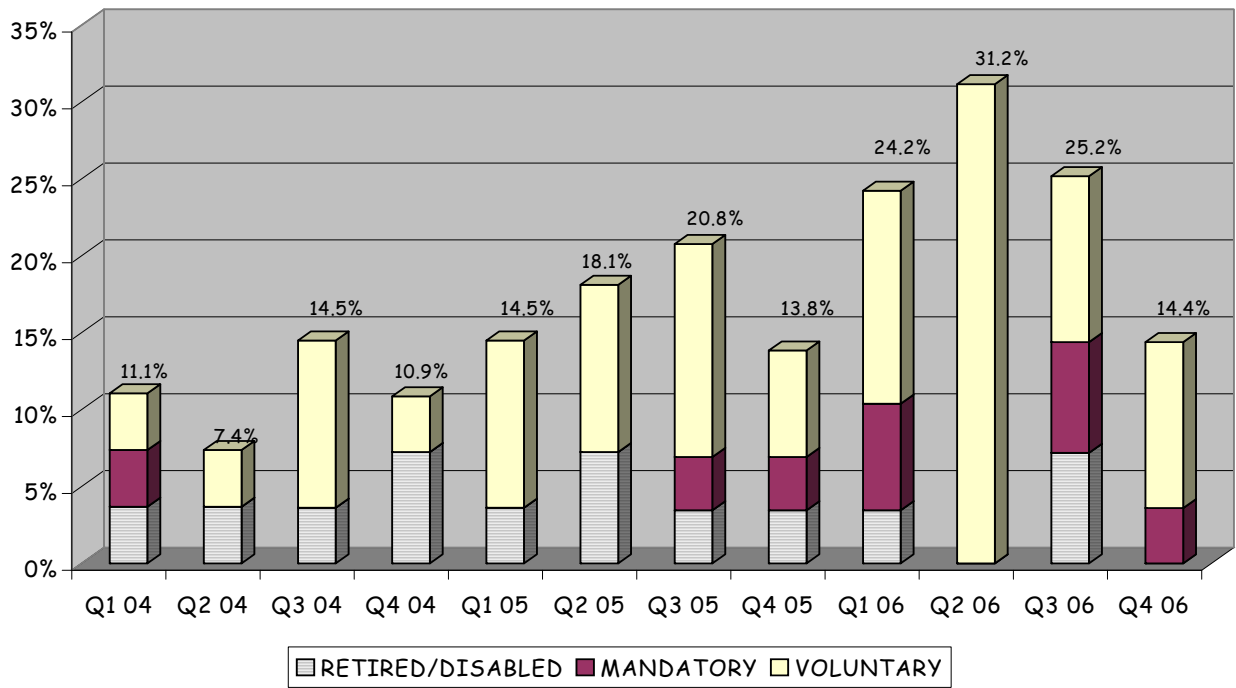
POLICE TURNOVER 2003 - PRESENT



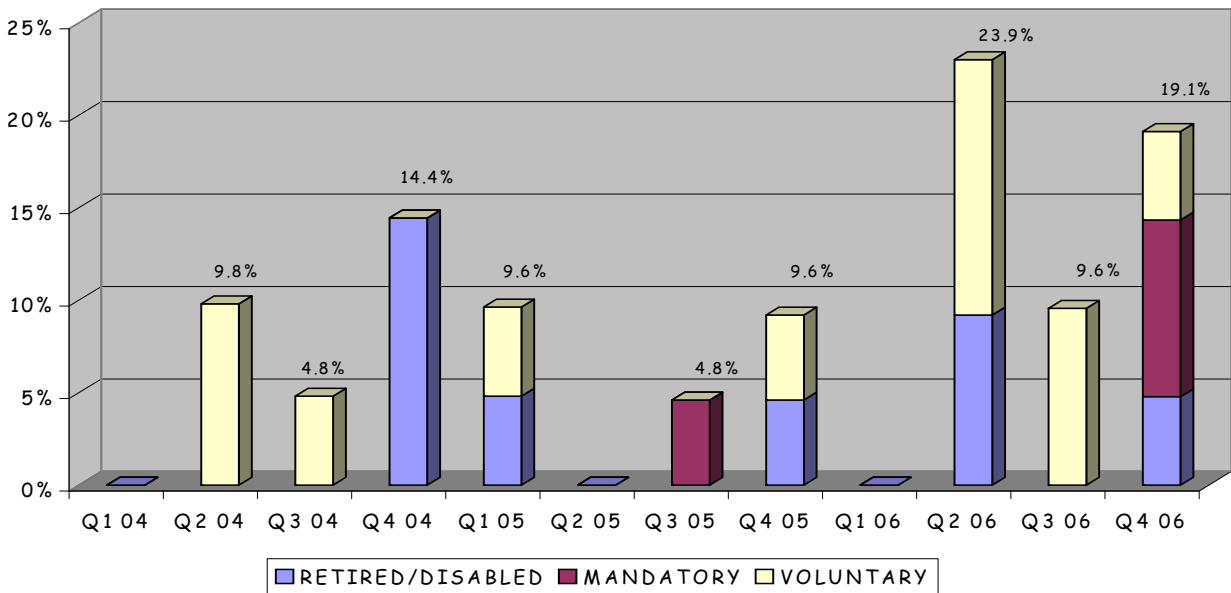
FIRE TURNOVER 2003 - PRESENT



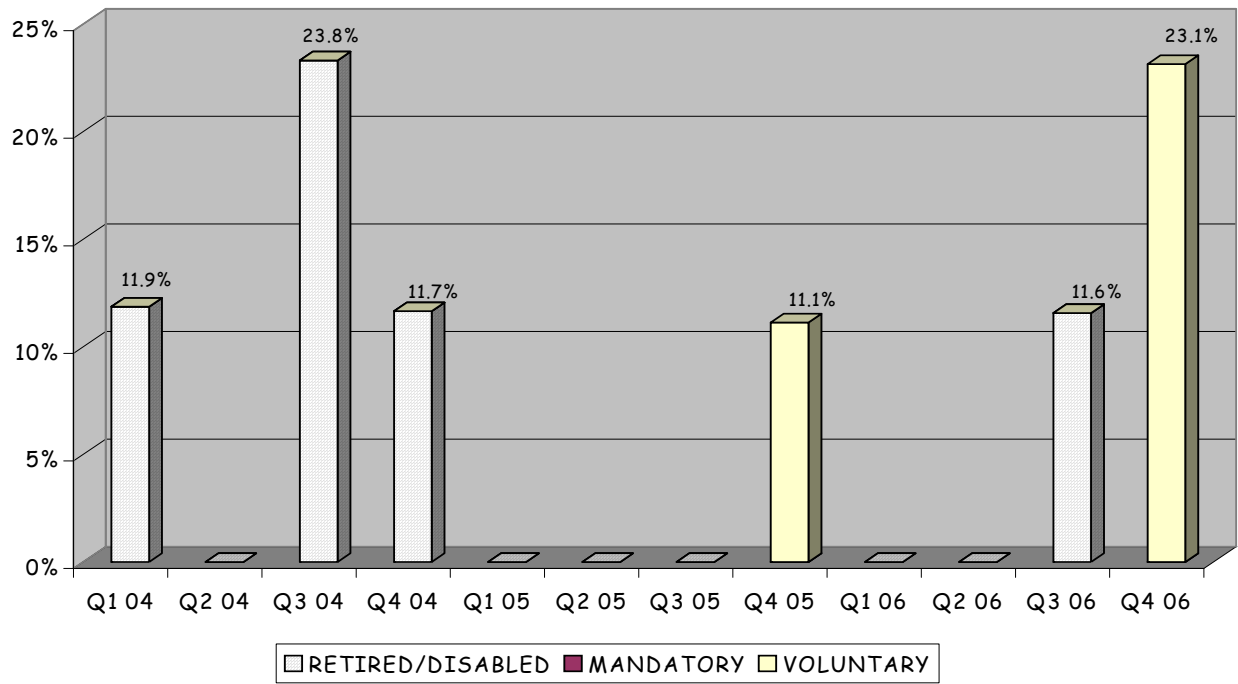
PROF/ADMIN/TECH TURNOVER 2003 - PRESENT



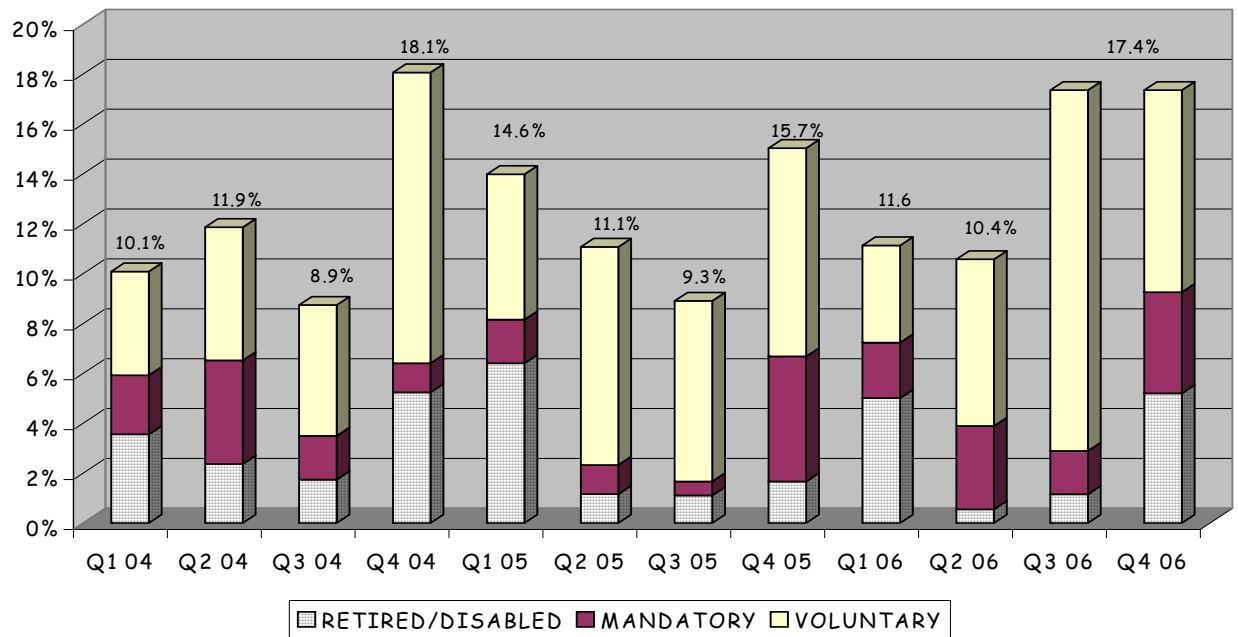
ELECTRIC TURNOVER 2003 - PRESENT



MANAGEMENT TURNOVER 2003 - PRESENT



TOTAL CITY TURNOVER 2003 - PRESENT



PERFORMANCE EVALUATION PROGRAM

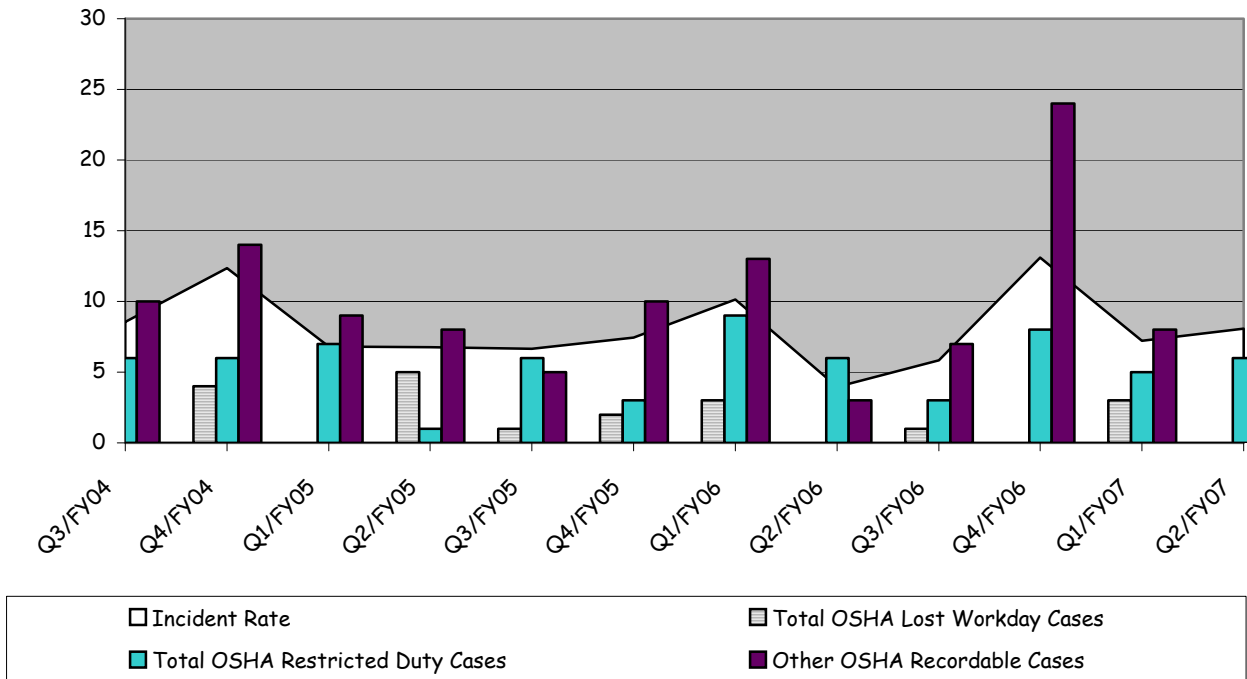
Q4 2006 Departments	Passed Evaluation		Failed Evaluation
	with Salary Increase	Salary Frozen/Longevity Only	
Administration	8	1	0
Administrative Services	10	1	0
Community Development	21	7	0
Library	6	1	0
Electric	31	6	0
Fire	23	5	0
General Services	15	2	0
Human Resources	3	0	0
Parks & Recreation	34	6	0
Police	46	17	0
TOTALS	197	46	0

SAFETY DIVISION

The Safety Division is responsible for managing the City's Environmental, Health, and Safety (EHS) program. One of the goals of the Safety Division is to reduce the loss of City resources (funds, property, equipment, and employees) through the implementation of a comprehensive EHS program. Three fundamental components of the EHS program are Incident Reporting, Annual EHS Audits, and Employee EHS Training and Development. The incident reporting component of the City's EHS program allows supervisors, managers, department heads, and safety office staff to identify trends and causes of incidents and to implement corrective actions to prevent recurrences. The annual EHS audit component allows the City to take a proactive approach to its EHS program by identifying hazards and deficiencies and implementing corrective actions before an incident occurs. The Employee EHS Training and Development component allows the City to identify EHS training requirements and to provide employee training through internal and external resources. Through the implementation of these programs, hazardous conditions and program deficiencies can be identified and corrected, therefore reducing the potential for loss of resources.

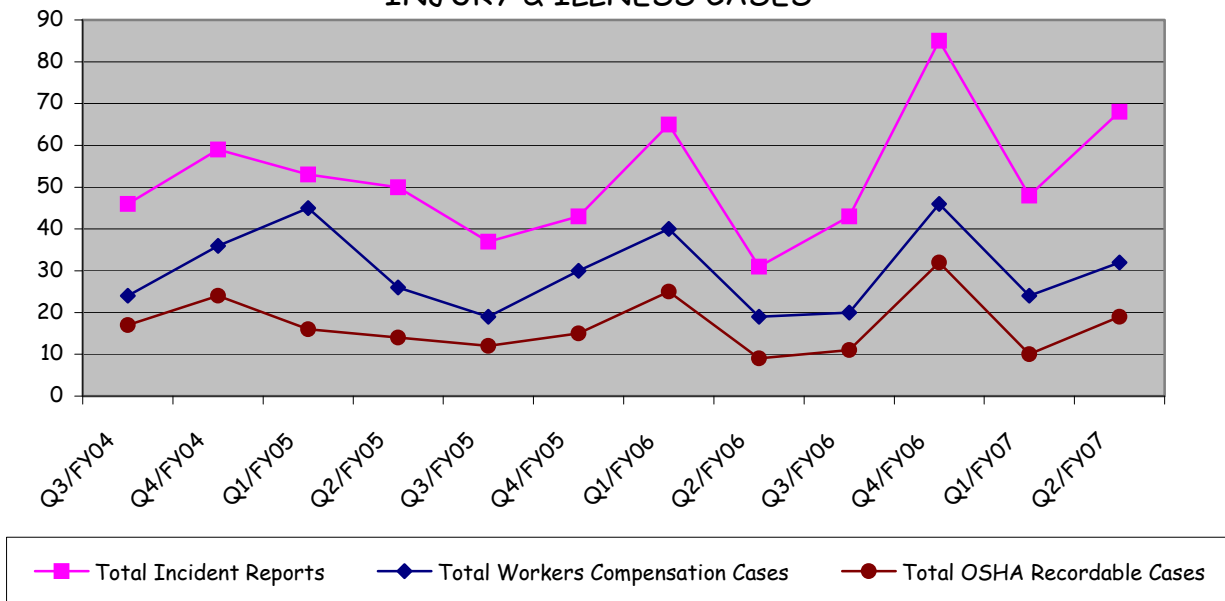
The OSHA Recordable Cases & Incident Rate graph shows the City's incident rate and the severity of recordable cases based on the outcome (lost work day case, restricted duty case, and other recordable case) of each incident. The incident rate (8.07) for Q2/FY07 increased significantly in comparison to the incident rate (3.96) for Q2FY06. The total number of lost workday cases and the total number of restricted duty cases remained the same for Q2/FY07 in comparison to Q2/FY06 while the other OSHA recordable cases increased for the same period.

OSHA RECORDABLE CASES & INCIDENT RATE

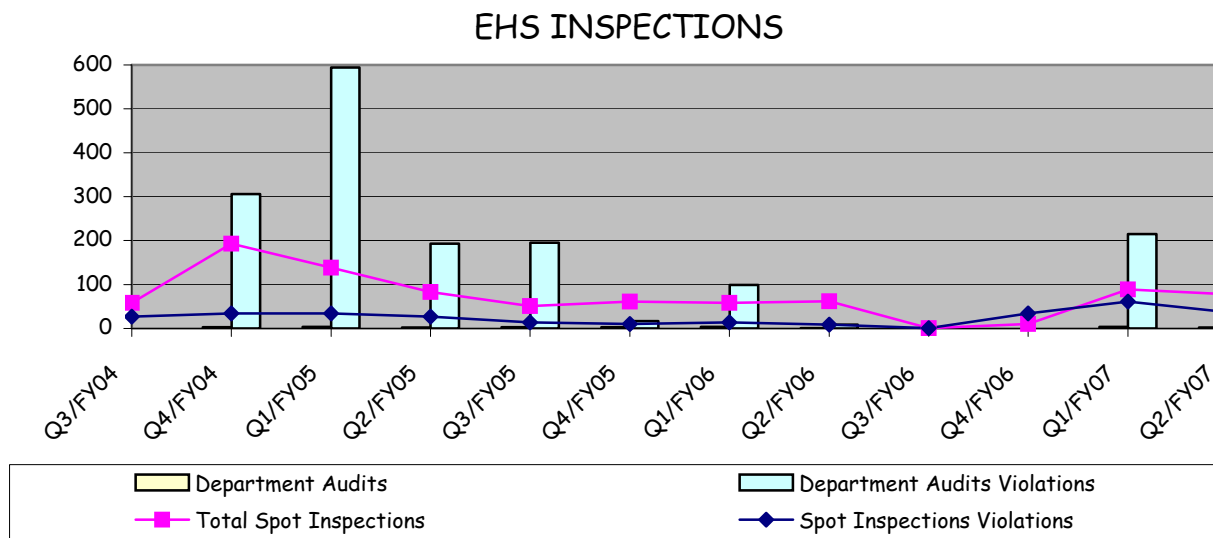


The Injury & Illness Cases graph shows a comparison between the City's reported incidents, workers compensation cases, and OSHA recordable cases. The City's total incident reports, total workers' compensation cases, and total OSHA recordable cases increased during Q2/FY07 in comparison to Q2/FY06.

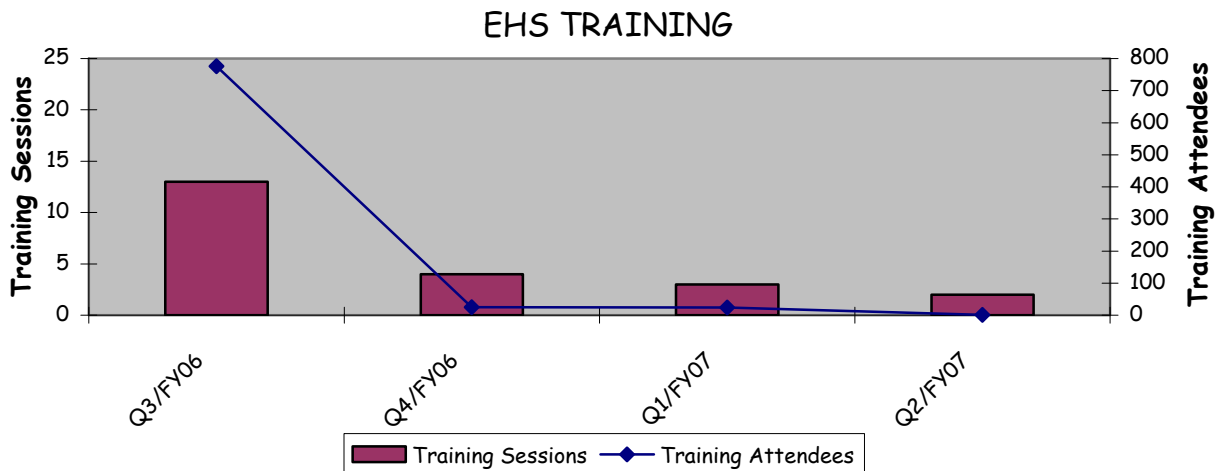
INJURY & ILLNESS CASES



The EHS Inspections graph shows the total number of annual and spot inspections conducted by the Safety Division and the total number of identified deficiencies/violations. During the Q2/FY07, the Safety Division conducted two department audits identifying 152 deficiencies/violations. The Safety Division also conducted 78 job site/facility spot inspections during Q2/FY07 identifying 37 deficiencies/violations.



The EHS Training Graph is a new addition to this report and it shows the total number of training sessions offered by the Safety Division and the total number of employees attending the training.



III. PRODUCTIVITY / SERVICE ANALYSIS

Public Service Delivery

CITY CLERK

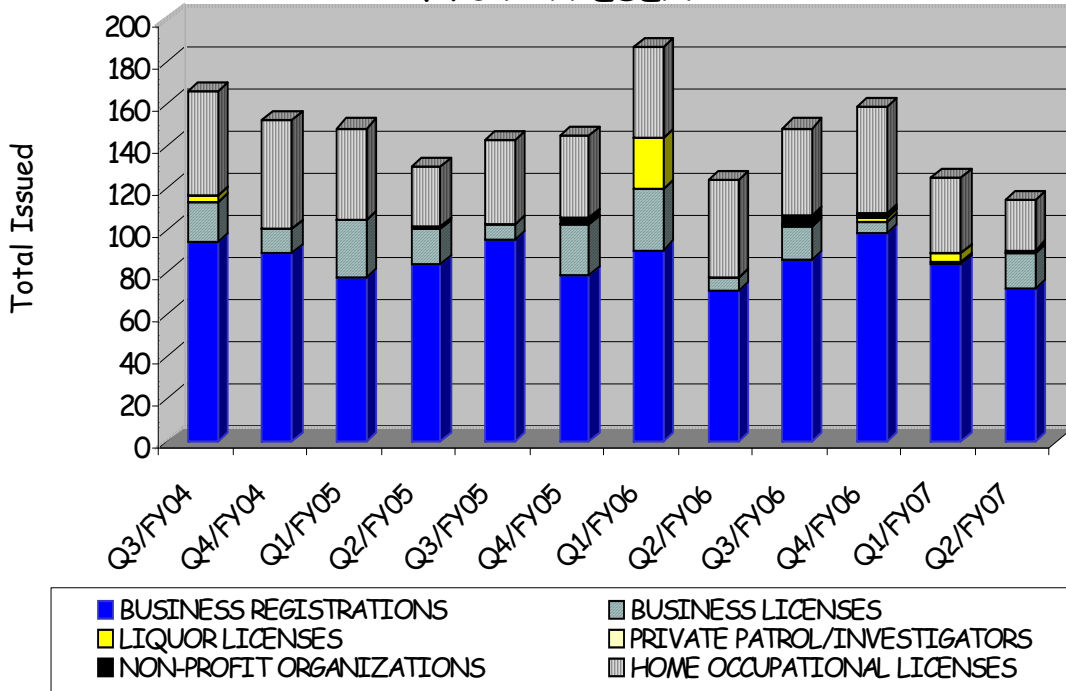
Business registration and licensing activity serves as a local economic indicator for the community. There are currently 3,441 licenses and registrations in the City of Farmington as follows:

Home Occupations	723
Business Licenses	4
Liquor Licenses	56
Business Registrations	2,689
Private Patrol/Investigators	11
Non-profit Organizations	30

On the following page is a historical accounting, by quarter, of the number of new registrations/licenses issued, and total revenues collected by the City Clerk's Office. The fluctuation between certain quarters can be explained by renewal trends. The months of December through March are peak times for the renewal of registrations and licenses, while June and July are liquor license renewal months. The City Clerk's office implemented a new software system in October of 2006, which may have some effect on the FY07 numbers.

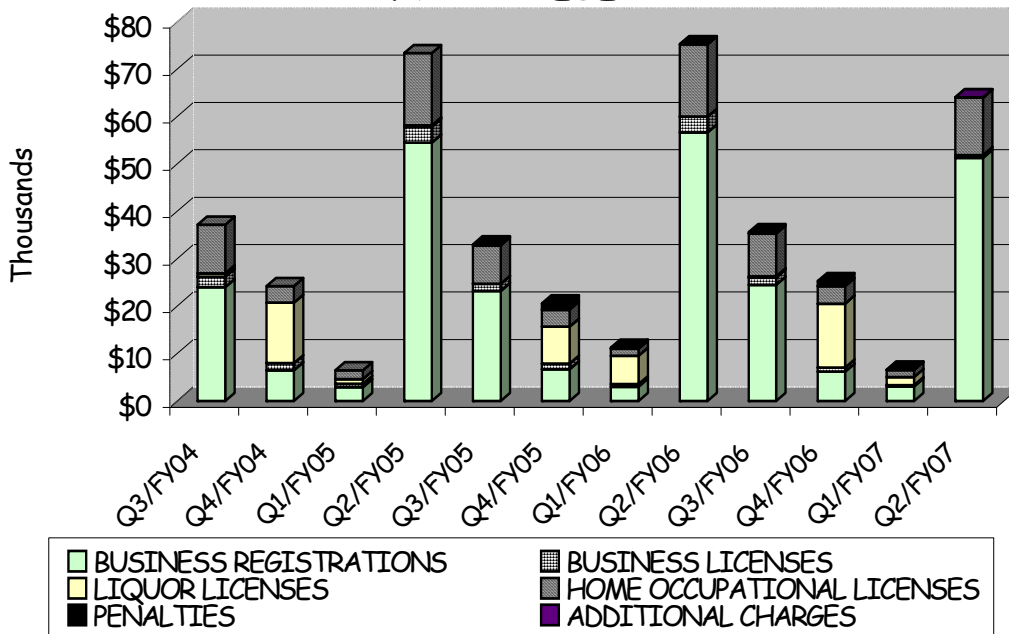
NEW BUSINESS REGISTRATIONS/LICENSES

FY04 - PRESENT



BUSINESS REGISTRATIONS/LICENSES REVENUES

FY04 - PRESENT



DEVELOPMENT SERVICES DIVISION

CURRENT PLANNING

During the second quarter of FY07, the Planning and Zoning Commission conducted public hearings on 14 petitions for zoning map amendments or special use permits. There were 8 preliminary and 7 final plats submitted to the Development Services Division, and 17 summary plats processed and recorded. Staff reviewed 250 site plan submissions and the Administrative Review Board heard 7 applications for variance for this quarter.

ACTIVITY	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07
Code Text Amendment	0	0	0	0
Special Use Permit	5	13	6	9
Zoning Change	2	4	4	5
Summary Plat	23	15	18	17
Prelim. Subdivision Plan	9	2	7	8
Final Plat	3	9	3	7
Abandonment	0	0	1	0
P & Z Site Plan	0	0	3	0
Variance / ARB	7	13	8	7
Annexations	1	0	0	1
Plan Review	215	327	276	250
Street Name Change	11	4	3	0
County Address Affidavit	38	44	19	28
TOTAL:	314	431	348	332

DEVELOPMENT SERVICES DIVISION

CODE COMPLIANCE

There is a continued emphasis by this division in the areas of utility service investigations and business registration compliance. These areas are important to the financial well-being of the City. Also of significance is the enforcement of nuisance ordinances pertaining to the abatement of weeds, litter and non-operating vehicles which have a direct impact on the overall appearance of the community. There has also been an increased effort to curb the illegal sale of used vehicles.

CASE TYPE	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07
Weeds	151	870	611	128
Litter/Junk	655	163	92	128
Non-operating Vehicles	138	38	40	34
Business Registrations	6	135	7	13
Tampering	231	301	269	191
Encroachments	68	97	25	86
Illegal Vehicle Sales	15	17	25	43
Zonings	47	23	33	42
Clean Indoor Air	N/A	N/A	N/A	4
Others	834	1194	639	310
TOTAL NEW CASES	2,145	2,838	1,741	979
TOTAL INVESTIGATIONS	3,113	3,433	2,655	1,802
Notices Sent	1,465	1,546	1,233	596
Prosecution/Criminal Complaints	10	8	10	17

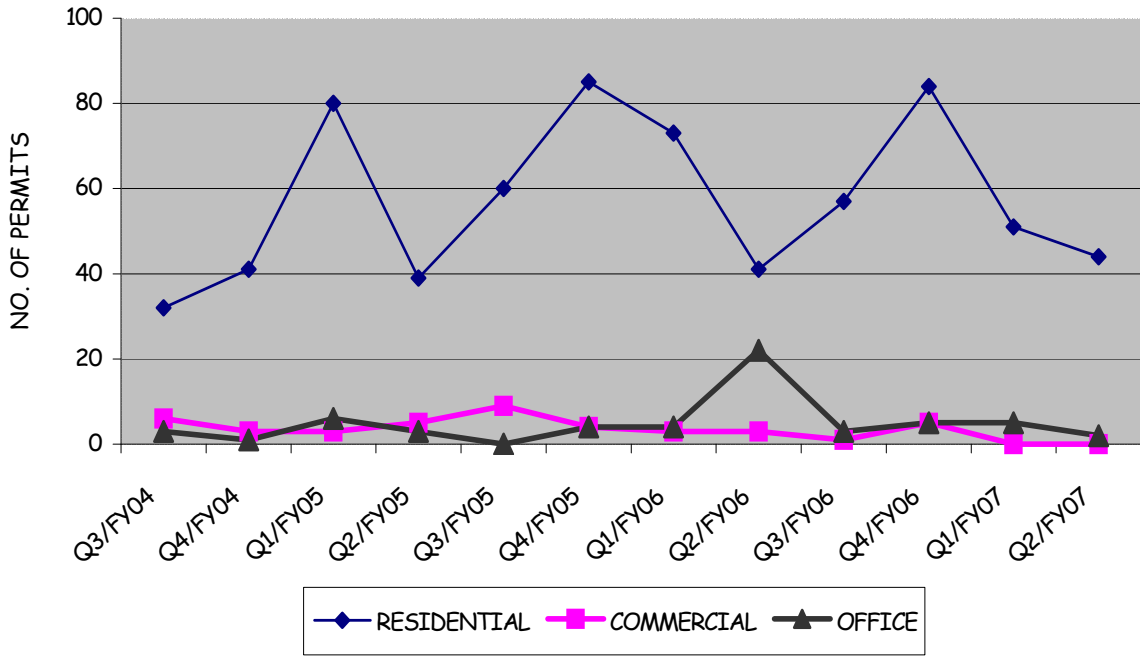
COMMUNITY DEVELOPMENT DEPARTMENT

BUILDING INSPECTION

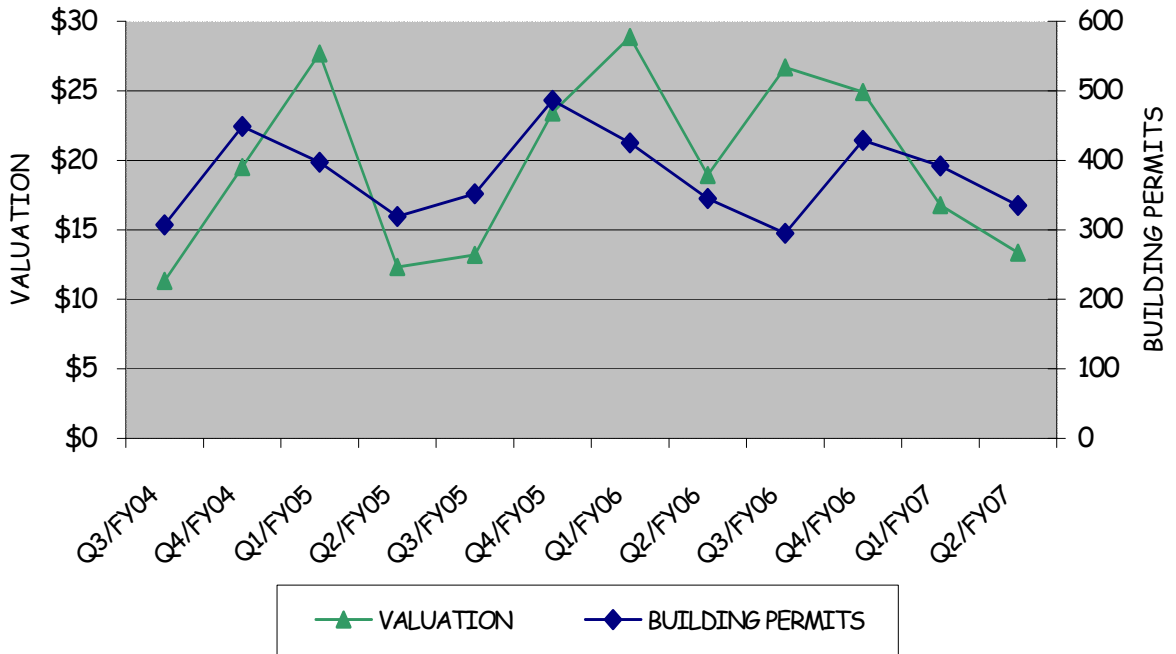
In Q2/FY07, building permits decreased approximately 3% over Q2/FY06 with 335 issued compared to 345 issued the same quarter last year. Building permit valuations during Q2/FY07 decreased 29% at \$13,363,884 compared to \$18,934,563 for Q2/FY06. Building permits for new single family dwellings increased approximately 7% with 44 new single family dwellings permitted in Q2/FY07 compared to 41 for Q2/FY06.

COMMERCIAL CONSTRUCTION PROJECTS			
PERMITTED THIS QUARTER			
TYPE	OWNER OR LESSEE	ADDRESS	CONTRACTOR
Remodel	Church of Jesus Christ of Latter Day Saints	4400 College Blvd	Uselman Construction
Addition	Easy Credit Auto Sales	3301 East Main Street	Ivie & Associates
Tenant improvement Remodel	David Bacon	4801 N. Butler Avenue, Bldg. 5000	Chase Construction
New pizza restaurant	Mario Bernardone	933 West Main Street	Bernardone Construction
Tenant improvement Remodel	Jack Eberhart	3401 North Butler Avenue, Suite 105	Barrows Construction
Addition	C & G Health Care Management	800 Saguaro Trail	Javier Construction
Remodel	Dimmick Realty	205 North Auburn Avenue	TRC Construction
Remodel	Big City	775 South Carlton Avenue	O.W. Construction
Remodel	Finch & Olson	110 East Arrington Street	Western Industrial, Inc.
New Youth Center	St. Mary's Catholic Church	2100 East 20 th Street	Bratcher Construction
Canopies	Schlumberger	3106 Bloomfield Highway	Uselman Construction
Tenant improvement Remodel	Fuddrucker's	4601 East Main Street	Uselman Construction
Tenant improvement Remodel	Batteries Plus	4337 East Main Street, Space 201	Western Industrial, Inc.
Tenant improvement Remodel	Ensignal	4337 East Main Street, Space 204	Jaynes Corporation
Remodel	Brian McLaughlin	1308 East 20 th Street	Quality Constructors
Remodel	Archibeque's Reliable Home Furnishings	1703 West Main Street, Unit "B"	Southwest Erectors
New medical office building	Maple Street Professional Offices	610 West Pinon Street	Farmington Construction
Remodel	Holly and Jodi Foutz	301 West Main Street	Farmington Construction
Remodel	Hong Kong Restaurant	820 North Sullivan Avenue	P.E.T.R.A. Construction
Remodel	Viking Properties, LLC	6586 East Main Street	Farnsworth Development
Remodel	Coastal Chemical	1130 Madison Lane	Sanchez Construction
Remodel	Schlumberger	3106 Bloomfield Highway	Uselman Construction
Remodel	Presbyterian Medical Svcs.	1001 West Broadway	Uselman Construction

BUILDING PERMITS
FY04 - PRESENT



BUILDING PERMIT VALUATION
FY04 - PRESENT



COMMUNITY DEVELOPMENT DEPARTMENT

STREET DIVISION

The Street Division is responsible for the maintenance of all city streets and alleys, (paved and unpaved) parking lots, right-of-ways, and the storm drainage system. The division also does work for other City departments and divisions. While the accompanying graphs are not all-inclusive of the work performed by the division, they do tend to reflect the activity of the division in those areas where most of their efforts are concentrated.

The graphs reflect the amount of asphalt placed (in tons and square feet), the amount of cracks sealed (in lineal feet), the amount of concrete placed (in cubic yards), and the miles of streets swept.

During the winter months when hot mix asphalt is not readily available, the asphalt crew still repairs pavement cuts, but the majority of their time is spent crack sealing streets. The amount of cracks sealed has been included on the asphalt graph to reflect this activity.

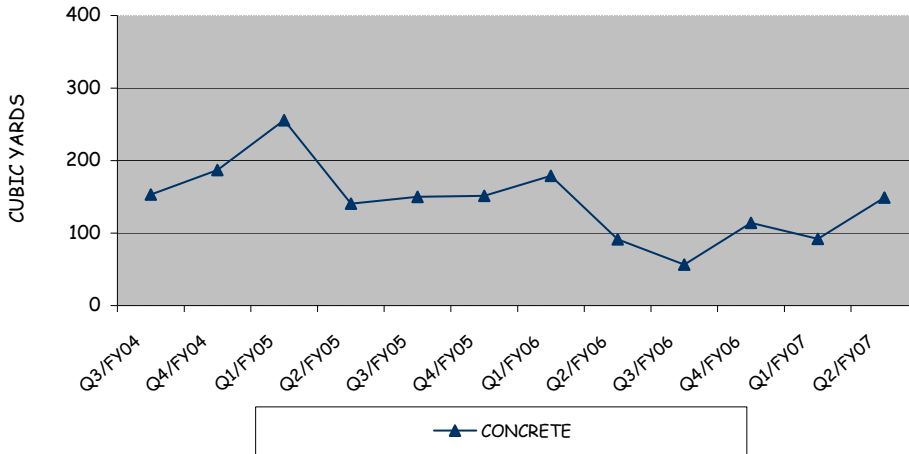
In Q2/FY07, the concrete crew worked on routine curb and gutter, sidewalk, and drive pad maintenance and replacement. They also constructed a basketball court at Jaycee Park.

The asphalt crew did routine patching of paving cuts and bad areas in Q2/FY07.

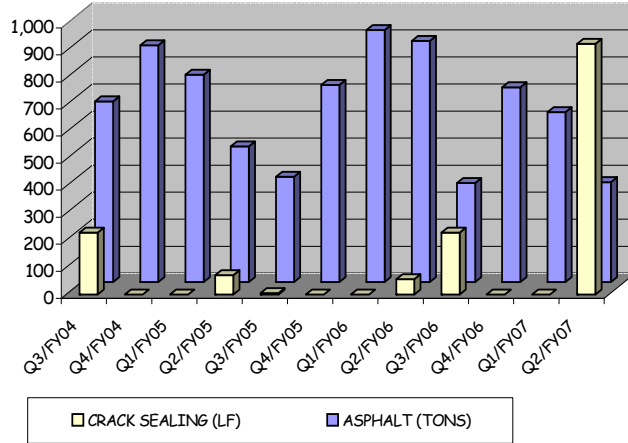
Street sweeping production for the quarter was down due to equipment problems, employee change and retraining.

The truck and equipment crew bladed and applied magnesium chloride to dirt streets and hauled material as needed. They performed work for Building Maintenance including the pad for a hangar at the airport, the Roof, and the animal hospital. They also performed dirt work for Sandalwood and Saddle Back Parks for the Parks Department in addition to work for the Electrical Engineering Division at the West Loop Subdivision.

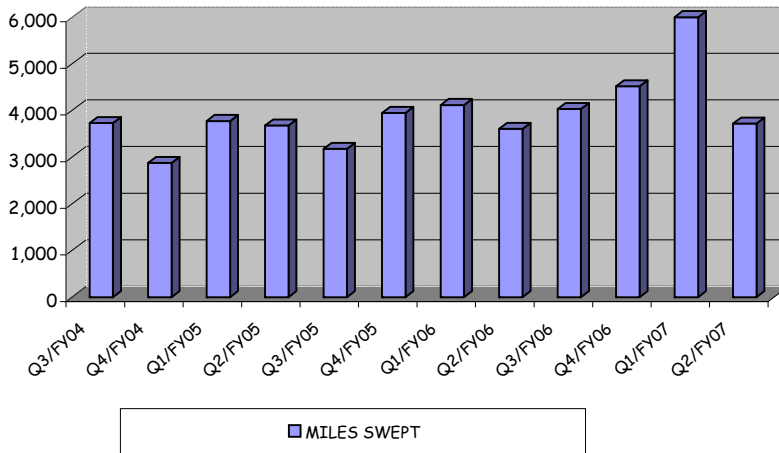
STREET CONCRETE USED
FY04 - PRESENT



ASPHALT & CRACK SEALING MATERIAL PLACED
FY04 - PRESENT



STREET SWEEPER OPERATIONS
FY04 - PRESENT



ELECTRIC COST PER CUSTOMER CLASS

This graph provides information on the cost paid in cents per kilowatt-hour by our customers for their electric supply (including the power cost adjustment and gross receipts taxes).

The costs, on a cents per kilowatt-hour (high, low and Q2/FY07), for the quarters beginning January 1, 2004 to the quarter ending December 31, 2006 for each of the following customer categories were as follows:

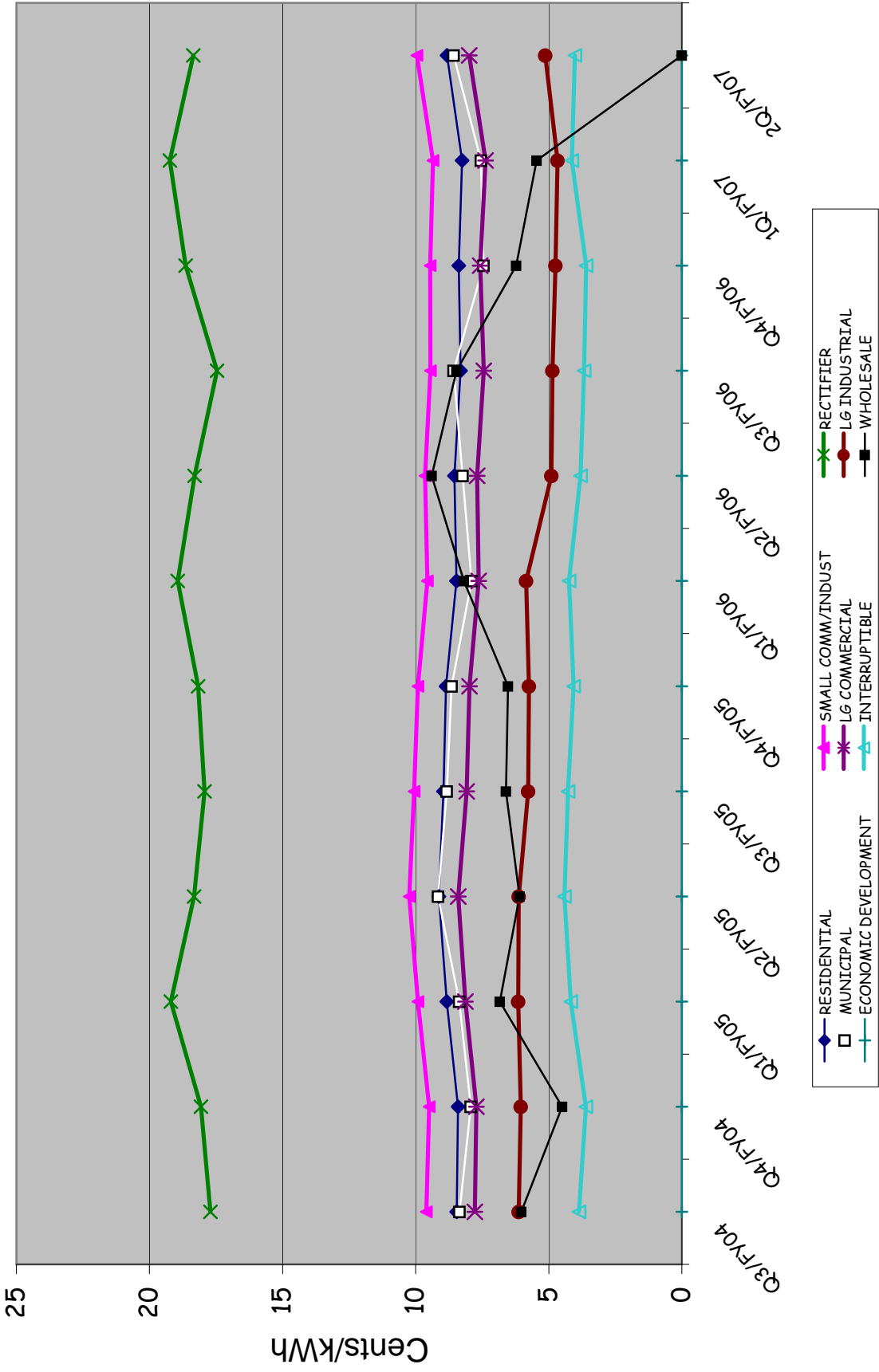
	<u>High</u>	<u>Low</u>	<u>Q2/FY07</u>
Residential	9.13	8.26	8.82
Small Commercial/Industrial	10.2	9.35	9.95
Rectifier	19.5	17.5	18.4
Municipal Service	9.16	7.45	8.57
Large Commercial	8.40	7.37	7.99
Large Industrial	6.15	4.67	5.13
Interruptible	4.41	3.60	4.09

These costs represent the efficiency of the usage of the electricity. Large industrials use electricity very consistently over the twenty-four hour day period every day of the year, thereby using the investment made in generating facilities very efficiently; whereas the expense in serving a customer such as a rectifier — miles of line requiring maintenance, meter reading costs and low inefficient use of generating investments — places that class at the other end of the spectrum of costs.

The rate paid by an interruptible customer is less because an electric utility has the right to "interrupt" service to the customer for any reason and at any time; which means if the cost of supply becomes greater than the revenue received or there is a shortage of generation, the customer's electric supply can be taken away or interrupted.

The Electric Utility has hired a consultant to review the Utility's revenue requirements and tariffs. A customer public forum was held on February 21, 2007 at City Hall where comments were received by the Public Utility Commission.

POWER COST BY CUSTOMER CLASS

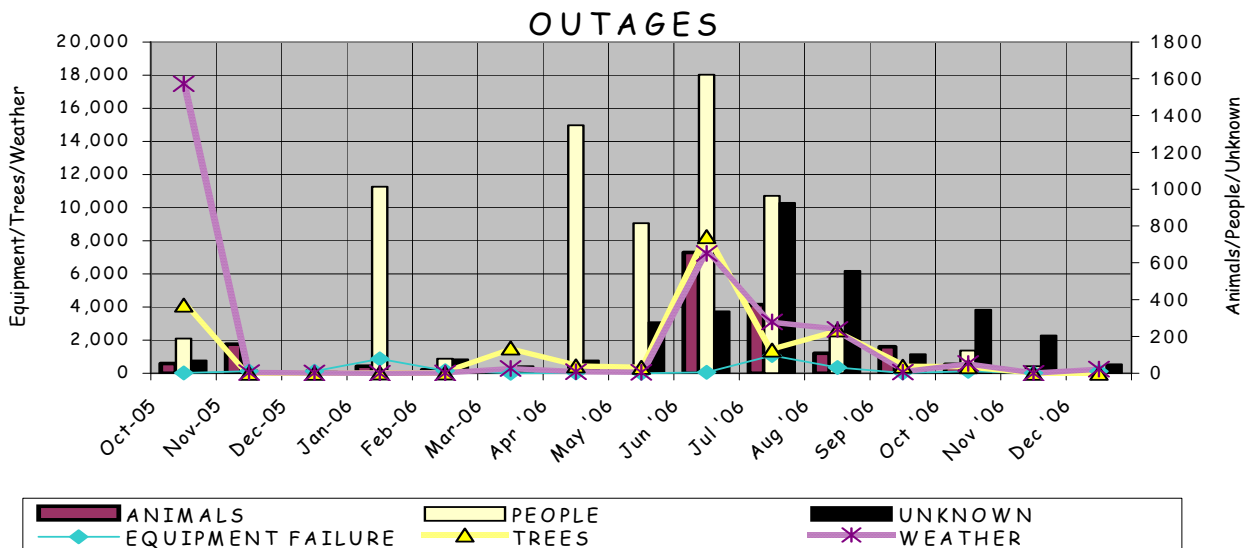


ELECTRIC OUTAGE MINUTES PER CUSTOMER

The Electric Utility's goal is to keep the cumulative outage time per customer at 60 minutes or less for any four consecutive quarters. The 3.28 minutes of outage time per customer experienced in Q2/FY07 brought us to a calendar year total of 61 minutes per customer which is a slight increase from the previous year's total of 59.61 minutes of outage time per customer. We continue to review our maintenance practices, to ensure we are maintaining our system in a manner which minimizes controllable outages, and examine our operating policies to be as efficient as possible in responding to trouble calls quickly and safely. We also monitor our construction procedures to ensure the line is placed where it will not be subject to problems, and that the material and workmanship are of the finest quality.

During the past quarter (October, November and December), 36% of our outages were weather related issues such as wind, rain and snow. Another 26% of our outage time was not identifiable, meaning the cause was not visible when the crews reached the site, and could also be weather or bird related. Our third major source of outage time was tree related at 17%. We have two full-time vegetation management crews continually tree trimming to alleviate the problem. Other key outages were people related, like a snagged conductor or poles getting knocked down. The remaining outage time was relatively small with minimal effect to our customers. Altogether we received 211 trouble calls for the quarter.

As always, the Electric Utility would like to stress the importance of tree overgrowth as a constant problem, especially during the spring and summer months. Should you see trees encroaching on our power lines, please notify our office. With the information you provide, we can reduce the amount of outage time on the system. Tree trimming services for trees encroaching on our lines can be provided by calling the Farmington Electric Line division at 599-8330, or homeowners can hire a professional tree contractor to trim their trees. Keep in mind however; the Electric department will only remove those branches that may affect the power lines. For a well trimmed, "attractive" tree, the customer will need to hire their own tree trimming specialist. Please understand that we receive many calls for tree trimming and your patience would be very much appreciated.



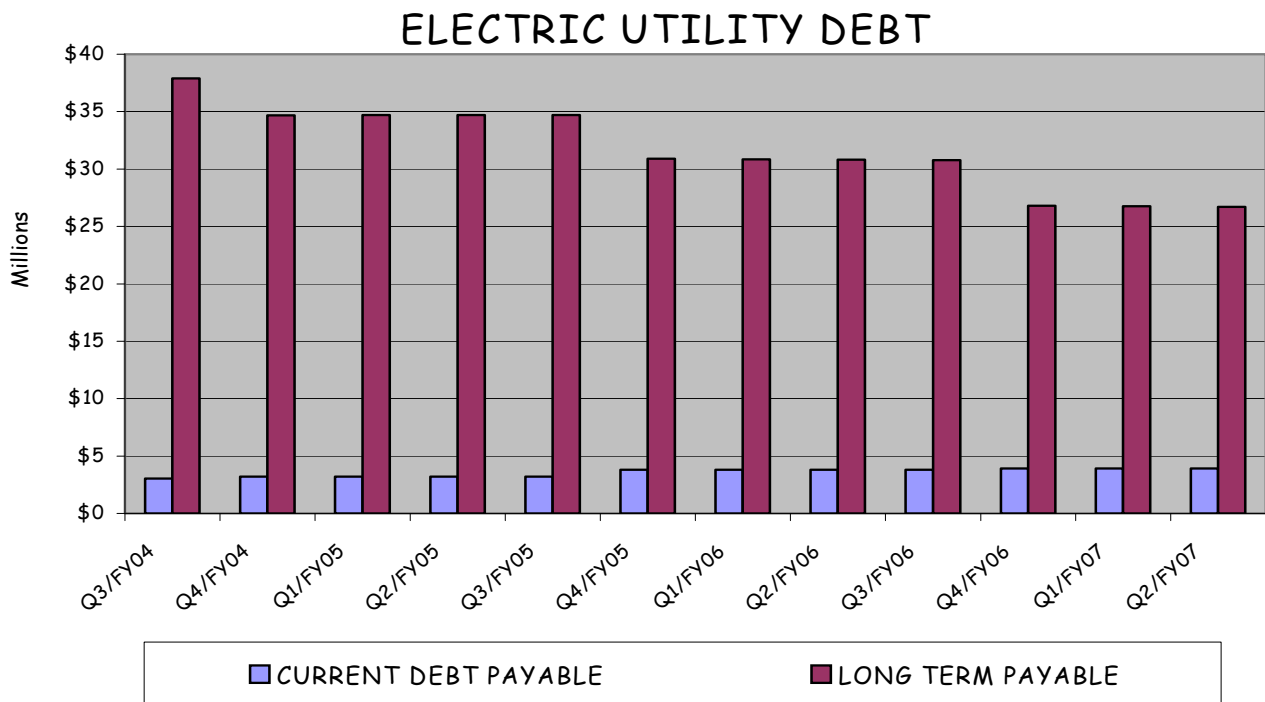
ELECTRIC UTILITY DEBT

For an electric utility to provide electric supply to its customers, it must either invest in generating plants or purchase electricity from another company that generates electricity and then must build the infrastructure to deliver the electricity to its customers - the transmission and distribution system which includes power lines, switching stations and substations.

The Farmington Electric Utility generates, purchases, and delivers electricity to its customers. To perform these functions, the Electric Utility indebted itself to purchase an ownership share of the San Juan Generating Station and to build the Navajo Dam Hydroelectric facility. The Utility has also built the delivery systems located throughout San Juan County and a small section of Rio Arriba County to reliably deliver electricity to its customers.

The graph represents the Electric Utility's long-term and current debt payable (that portion which is paid in the current year) from the quarter beginning January 2004 to December 2006. The Utility's goal is to continue to reduce its debt through the use of cash without compromising system expansion and reliability. At this time, the Utility's debt is \$30,628,220.

The Farmington Electric Utility has been reviewing its customer loads and available resources to determine when and what should be the next increment of generations. Prior to making such a decision, the Utility has to have a very open dialogue with its principal customers to determine their future plans related to service loads. Should such a customer decide to build its own generation resource the Utility does not want to duplicate their effort. Therefore, along with our review and research, we are talking to those major customers to understand their future electricity requirements and their plans for supplying that need.



ELECTRIC CUSTOMER SERVICE STATISTICS

One of our goals is customer service excellence; another goal is cost containment. Through the efforts of cost containment, customer service can become compromised. This could happen in our Customer Service Division as well as our Power Plants, Line Construction and Maintenance, and/or Engineering Divisions. Our Customer Service Division is in contact with our customers more than any other division in the Electric Utility and is responsible for meter installations, meter reading, billing, warning tags, connects, disconnects, and customer billing complaints.

Key pieces of information are depicted on the graph. Of interest are particular statistics related to meter reading, meter connections, warning tags, and working with phone and walk-in "lobby" customers.

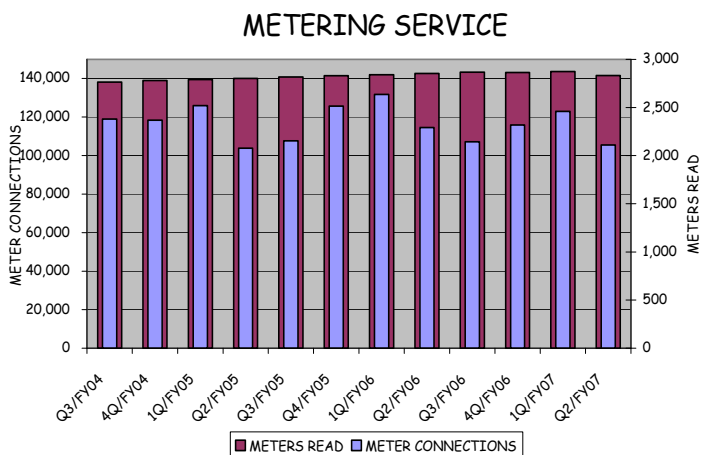
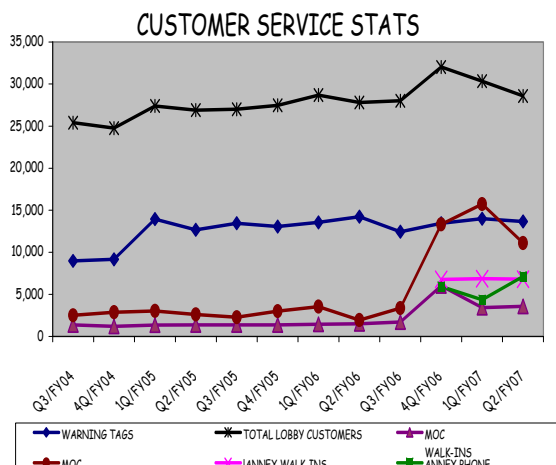
	Meter Connections	Meters Read	Warning Tags	Lobby Customers
2nd Quarter '05	2,077	140,062	12,669	26,907
2nd Quarter '06	2,292	142,668	14,216	27,806
2nd Quarter '07	2,111	141,533	13,649	28,591

The number of meter connections in Q2/FY07 decreased 7.9% over Q2/FY06, but increased 1.6% over Q2/FY05.

Additional technicians have been assigned to the installation of remotely readable meters, which means that we will be able to reduce the number of meters requiring field visits on a monthly basis, for the purpose of billing customers. Nevertheless, meters, whether they are remote read capable or not, are being checked on an annual basis to minimize corrections to our customers. The meters are also checked when the computer system finds an anomaly such as a high or low read. At its highest level in FY00, 153,494 meters were read quarterly. The current level of 141,533 has been reduced by 11,961 per quarter, or 7.8%. For a year, that represents approximately 47,800 meter reads that are no longer necessary.

The number of warning tags distributed during the past quarter decreased by 4.0% over Q2/FY06, but increased 7.7% over Q2/FY05. We find that account holders are waiting until the last possible day to make their payment.

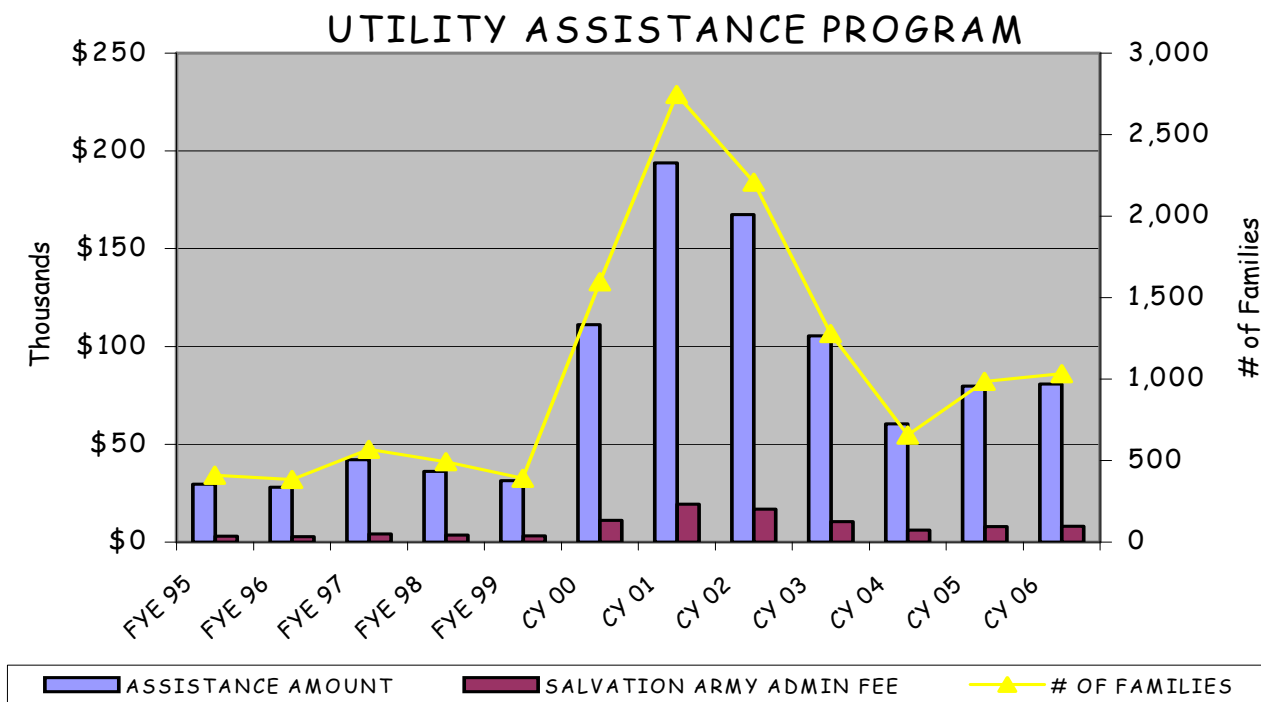
We do want to provide excellent customer service and that requires allowing our Customer Service Associates sufficient time to complete their work accurately, efficiently and politely, and not keep customers waiting. Our Click2Gov has received good customer reception and use; hopefully, more customers will continue to sign up for this service.



UTILITY ASSISTANCE PROGRAM

The Farmington Electric Utility established a Utility Assistance Fund in the fall of 1989 to assist eligible residential customers with the payment of their utility bills. The Salvation Army administers the program for the City's electric, water, and wastewater utilities. The program is funded through the \$5 warning tag fee that is assessed to utility customers for the untimely payment of their utility bills. A change made to our assistance program in the fall of 1999 allowed us to provide assistance throughout the year with an annual maximum of \$375 per customer, rather than just providing assistance from November through March. At its peak, the Utility provided assistance to 2,746 families in the amount of \$193,839 for an average of \$71 per family. Since then, we have experienced a continual decline in the number of families participating, although there is an increase in the amount of assistance provided per family. In CY 2005 the Electric Utility provided assistance to 986 families at an average of \$81.00 per family, for a total of \$79,800. For the nine months of CY 2006, the fund provided assistance to 758 families at \$80.99 per family, totaling \$61,389, as compared to 798 families at \$82.83 per family, totaling \$66,101 for the same period in CY2005.

We would like to remind our customers that should they need assistance for any reason, they are encouraged to contact our Customer Service Division to make payment arrangements or inquire at 101 N Browning Parkway (599-1353). For families experiencing unfortunate circumstances, we encourage them to apply for assistance directly from the Salvation Army located at 319 West Broadway. Financial assistance for low income families for energy needs is also available from LIHEAP.

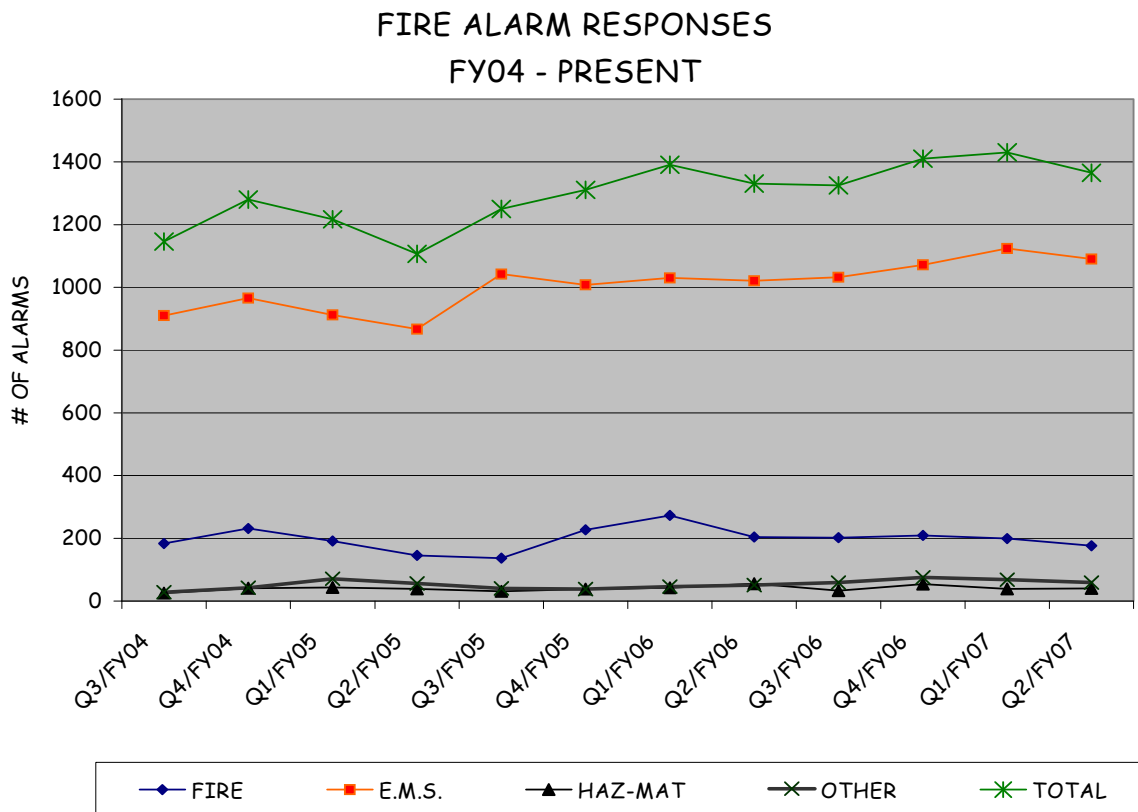


FIRE ALARM RESPONSES

Response reliability is defined as the probability that the required amount of staffing and apparatus will be available when a fire or emergency medical call is received. Looking at the historical data collected by both fire station and department-wide response statistics, we can assess the response reliability.

All types of calls for service must be taken into account. In performing response evaluations, it is conceivable that resources may have to be added or re-deployed as requests for service in the community fluctuate. A number of factors impact the increases and decreases in requests for Fire Department services: population, demographics, hazards present and weather are but a few.

It is the overall goal of the department to decrease the need for emergency responses through fire and injury prevention and education programs.

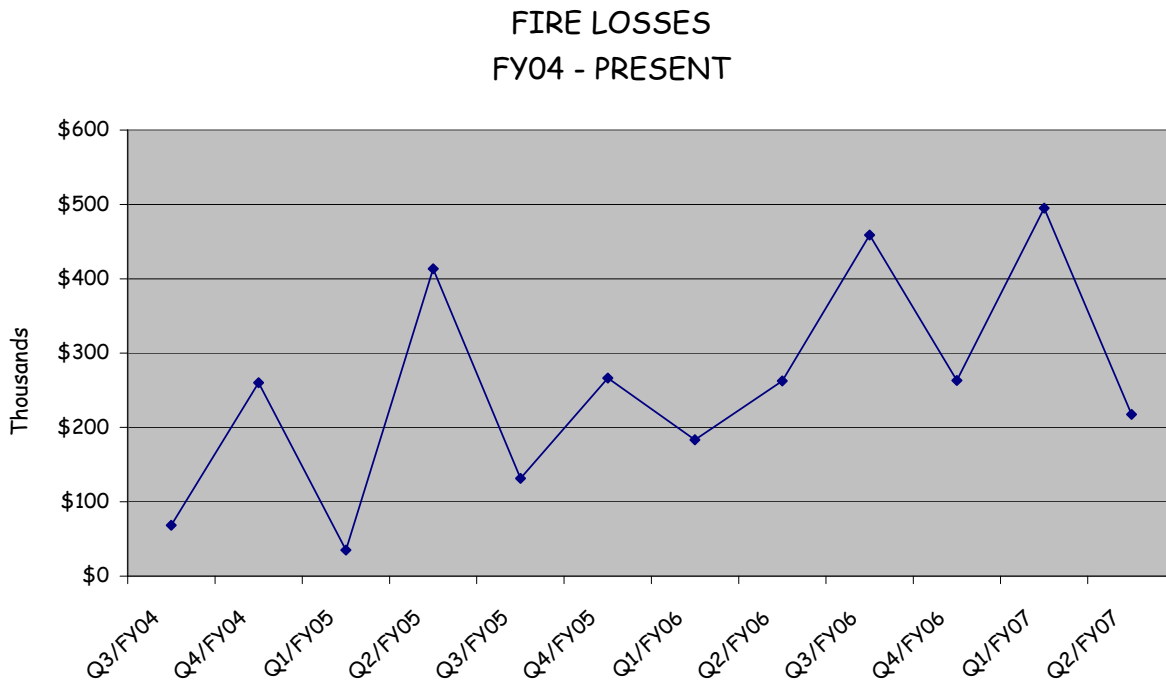


FIRE LOSSES

The objective of the Fire Department is to control a fire before it has reached its maximum intensity. This requires a rapid deployment of sufficient fire suppression resources and a solid incident command and/or management system. Risk assessment is also a factor in this objective.

The risk assessment for a community includes determining and defining the differences in hazards between detached single family dwellings, multiple family dwellings, industrial buildings, and high rise buildings by looking at them in separate categories. Fire stations, staffing, and apparatus are distributed throughout the community to provide an initial fire attack service. There are many factors that make up this risk: the ability of occupants to take self-preserving actions, construction features, built-in fire protection, fire flow availability, and the nature of the occupancy and its contents. While risk factors all have some common thread, the rationale of placing any occupancy within a risk category is to assume the worst.

Availability of resources, dynamics of identified risks, and size of the fire upon arrival all factor into the overall representation of fire loss figures.



GENERAL SERVICES DEPARTMENT

AIRPORT DIVISION

Airport activity statistics, such as enplanements and aircraft operations, may not be a direct measure of productivity for the airport; however, these figures are reflective of business and economic conditions in the airport service area.

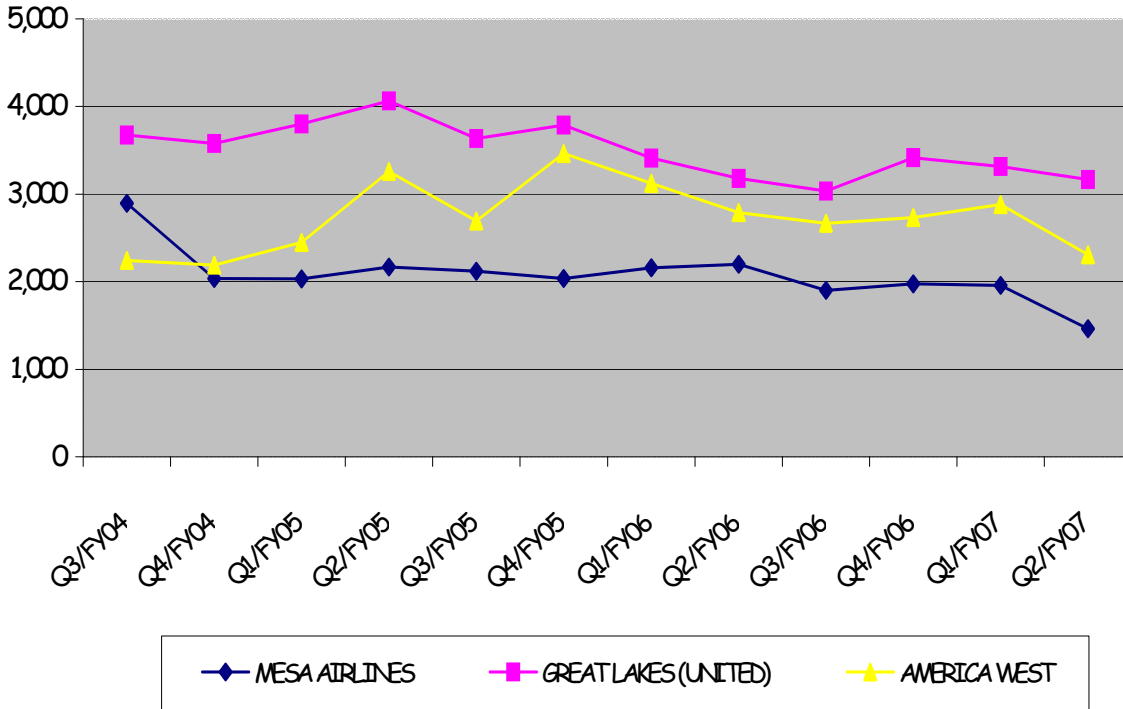
Enplanements are a direct measure of commercial aviation activity and also affect the annual allocation of Airport Improvement Program (AIP) entitlement funds, which are provided by the Federal Aviation Administration, and are used for projects and equipment at the airport. Other activity measures include aircraft operations and the number of based aircraft.

Total enplanements during Q2/FY07 decreased 15%. Second quarter enplanements by Mesa Airlines were down 34%, and America West Express, now known as US Airways, enplanements were down 17% compared to the same quarter the previous year. This is due to a decline in the number of flights per day by Mesa and US Airways. Great Lakes Airlines enplanements were even compared to Q2/FY06 figures.

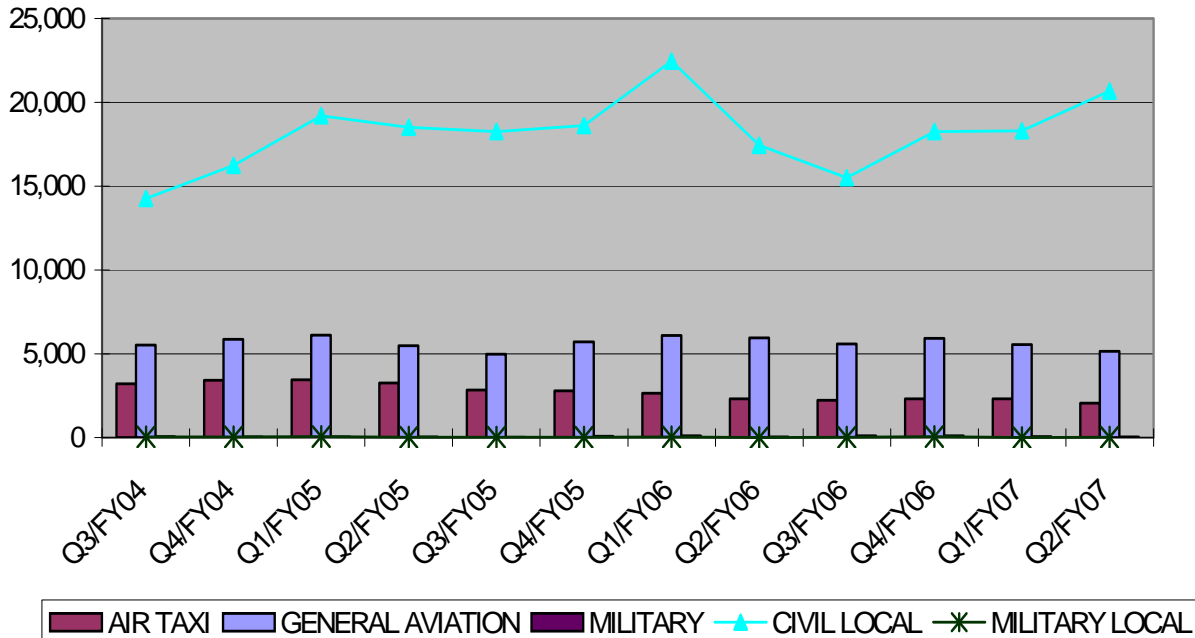
Aircraft operations increased 8.4% in Q2/FY07 compared to the same quarter last year, from 25,757 to 27,925 operations.

Airport Improvement Program projects continue to move forward. Engineering for the FY07 Airport Improvement Program is still ongoing. The application for the FY08 Airport Improvement Program has been sent to the FAA for approval.

AIRPORT ENPLANEMENTS FY04 - PRESENT



AIRPORT OPERATIONS FY04 - PRESENT



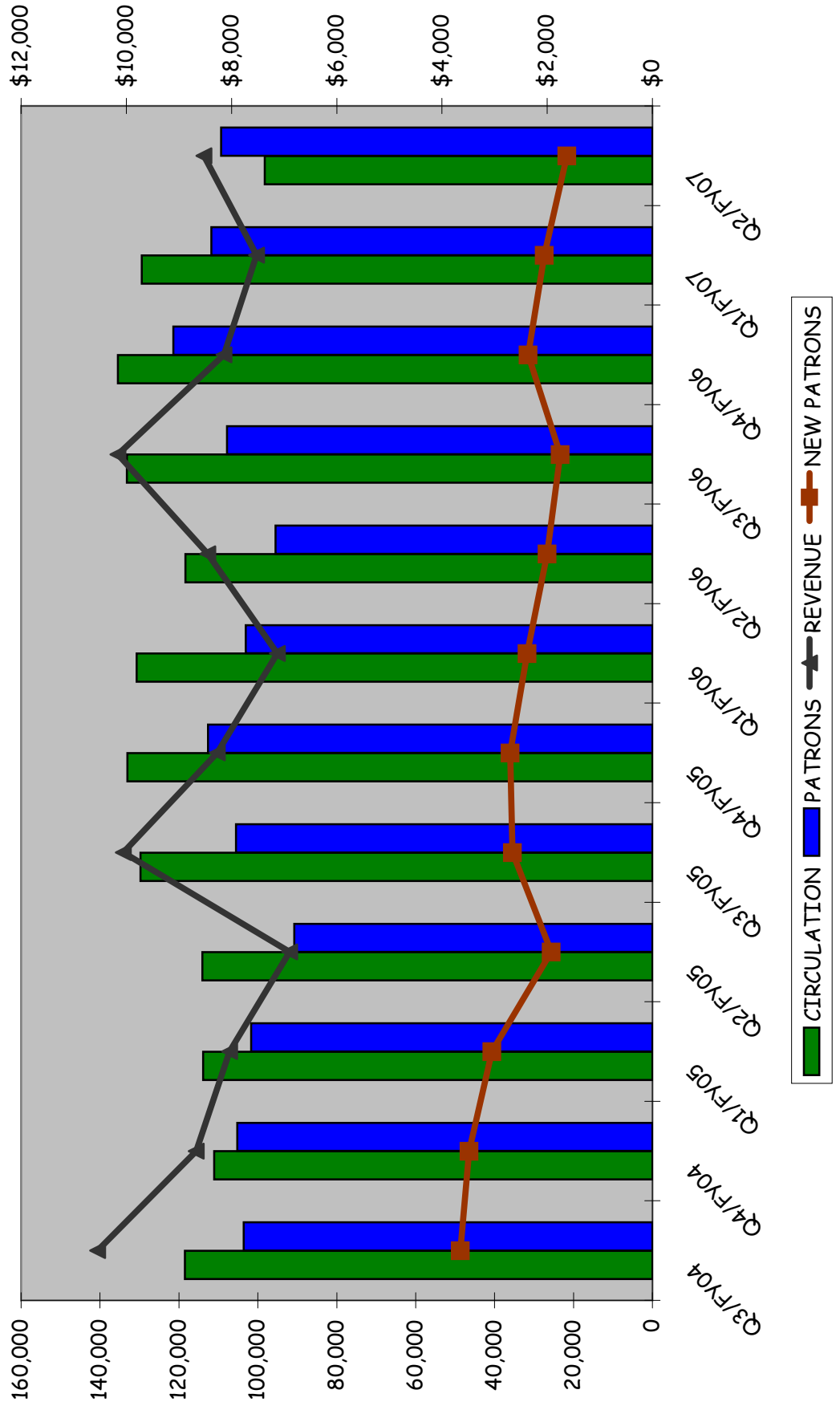
LIBRARY

The library's role is to expand the intellectual life of the community and to support inquiry through access to information. In particular, our goal is to meet the informational and educational needs of library users involved in both formal and informal learning activities.

To assess how well it is accomplishing this goal, the library utilizes a number of performance measures dealing with library use, material use, materials access, reference services, and library programming. Library users request a wide selection of materials plus access to computer-based information products, including the Internet. Use of the Internet and various electronic information products continues to grow dramatically. The library's collection is available through an online Web-based catalog.

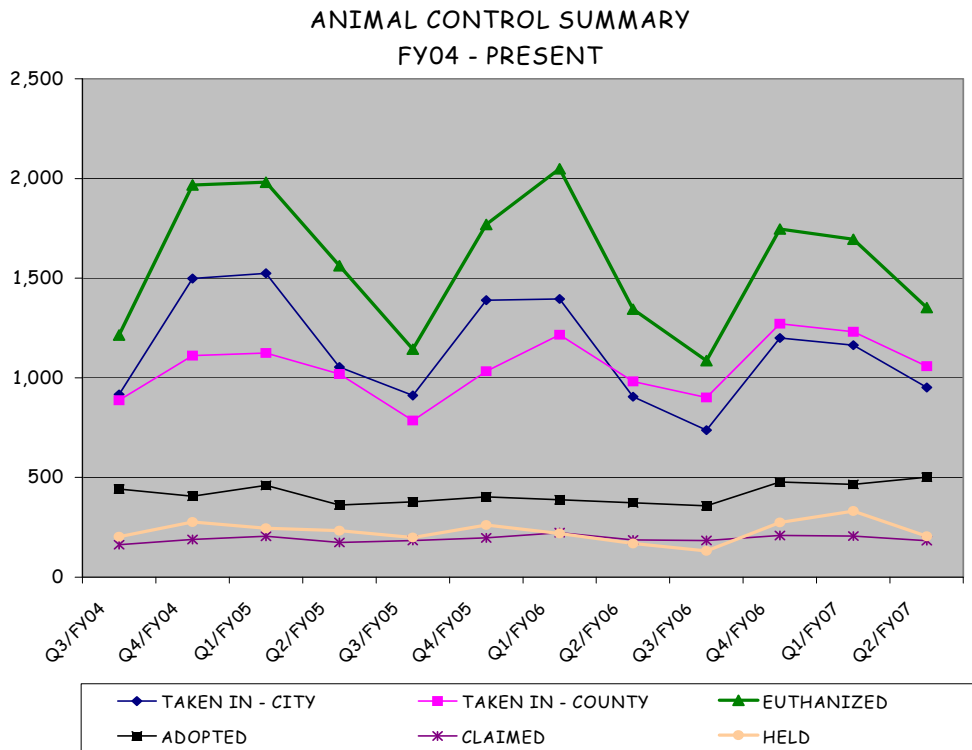
The Farmington Public Library has an annual circulation of over 488,000, annual Internet connections of over 200,000, library program attendance at close to 25,000, and an average daily attendance of over 1,300. The library serves people of all ages and from all walks of life and is one of the most highly used public service facilities in our community. The library on Broadway closed on June 21, 2003, in order for books and services to be moved to the new Library building on 20th Street. The 50,000 square foot facility officially opened to the public on August 24, 2003. The new library has seen a large increase in patronage and the number of books circulated. Information is available on the City of Farmington's web site at www.fmtn.org.

LIBRARY FY04 - PRESENT



ANIMAL CONTROL SUMMARY

The Animal/Park Ranger Division enforces Chapter 6 ordinances within the city limits of Farmington. Last year, humane care was provided for 8,525 animals of all kinds. That number includes impounded strays and owner released animals from the City of Farmington, San Juan County, and the Navajo Nation within San Juan County. During the spring and summer months, totals can rise as high as 1,000 per month because pet owners do not spay or neuter their pets, instead using the shelter as a dumping place. After a 7-10 day holding period, animals not claimed or adopted are euthanized.



CIVIC CENTER PARTICIPANTS

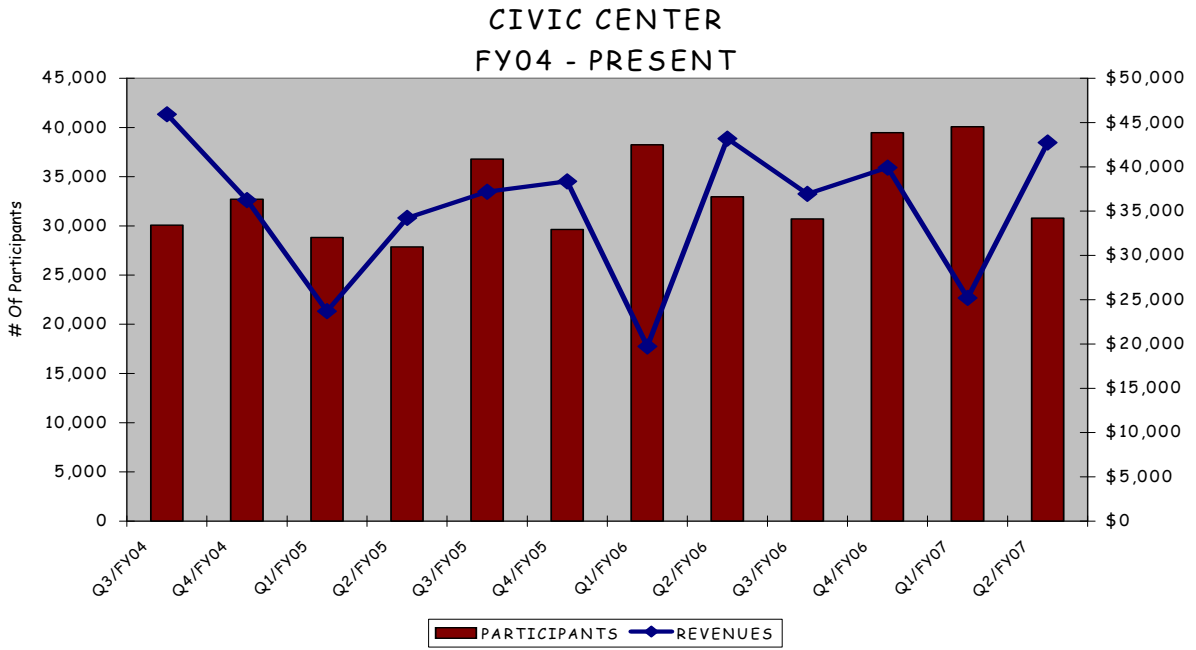
Q2/FY07 indicates the total number of events increased by 17, total attendance decreased by 2,149 and overall revenue decreased by \$442, compared to the same quarter of the previous fiscal year. Exhibit Hall events were up by 20, and attendance up by 2,865. Theater events were down by 3 and attendance down by 5,014. Exhibit Hall revenue increased by \$5,687 while theatre revenue decreased by \$6,129.

A few of the major events that the Civic Center staff actively participated in during this quarter include: The ARC, two San Juan Symphony performances, San Juan Quilters Guild annual show, Scholastic Publishers, Guy Lombardo Orchestra/Dance, KNMI Fund Raiser, Steve Lippia as "Simply Sinatra", San Juan College Halloween Carnival, City & Chamber of Commerce Health Fairs, Crossroads Community Church, Summit II Meth Conference, 1st Assembly of God Thanksgiving Dinner, "I Love You, You're Perfect, Now Change", Humane Society of the Four Corners, Salvation Army Thanksgiving Dinner, BHP/APS Arts & Crafts Fair, Festival of Trees, Civic Center Celebration - 30th Birthday Celebration, Ricky Tims Quilt Seminar and the Bar D Wranglers Holiday concert along with twenty two (22) major holiday parties.

Exhibit Hall and Theatre events, attendance and revenue figures for Q2/FY07, as well as no shows, cancellations and walk-ins, are as follows:

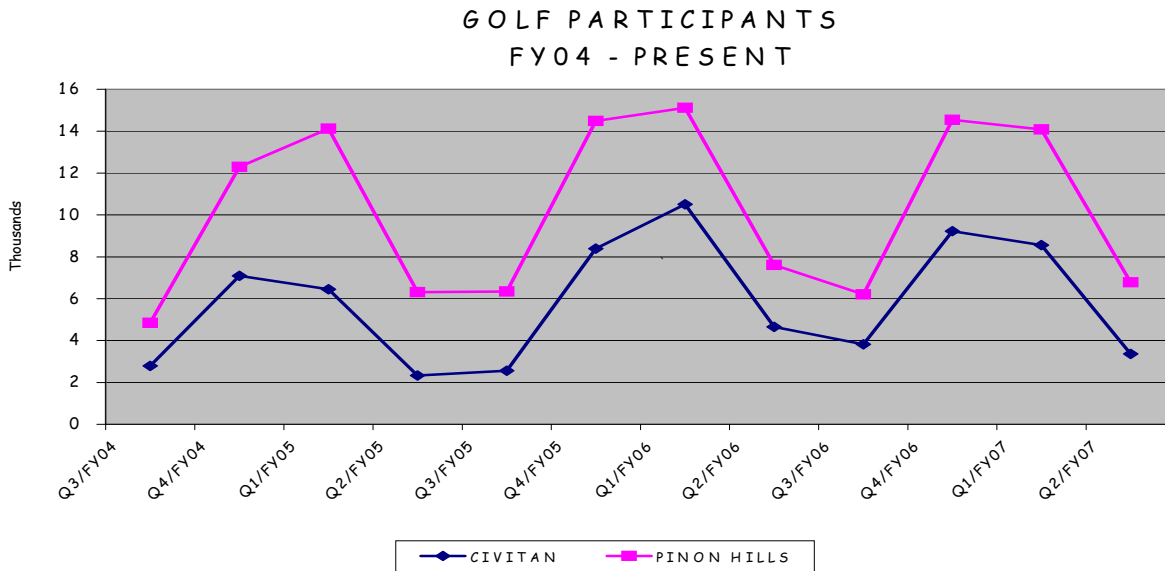
	Events	Attendance	Revenue
Exhibit Hall	496	25,218	\$22,274
Theatre	<u>17</u>	<u>5,571</u>	<u>7,632</u>
TOTALS	513	30,789	\$42,746
	No Shows	Cancellations	Walk-ins
	24	33	0

The facility as a whole continues to be utilized a majority of the time; events for 2009 are now being booked. The venue is open seven days a week from 8 AM - 10 PM to the general public. An increased number of major events are still being held on Sundays. All fourteen of the Sundays for Q2/FY07 were booked with a total of 52 major events or meetings. Forty-one non-profit organizations continue to use the venue for their one free meeting per month, which accounts for a large portion of the total attendance figures. Non-profit organizations are charged for consumables and AV equipment only. In Q2/FY07, the Civic Center held 216 free events, which resulted in an attendance figure of 8,137 thus generating \$1,661 in revenue. This averages \$554 per month in free meeting room revenue, which is only slightly lower than Q2/FY06. Outside competition from area venues, specifically the Totah Theatre, and the performing arts theaters at Kirtland and Shiprock High Schools and the college, affects our monthly usage figures. Civic Center staff continues to assist with floor care at the Farmington Downtown Association, Animal Shelter and Senior Center. The entire staff is currently involved in theatre training, including basic theory in lighting and sound, and continues to provide tech support for many community-wide special events. During this quarter the ballasts were replaced in the Exhibit Halls and new solar shades were installed in the Business Office.



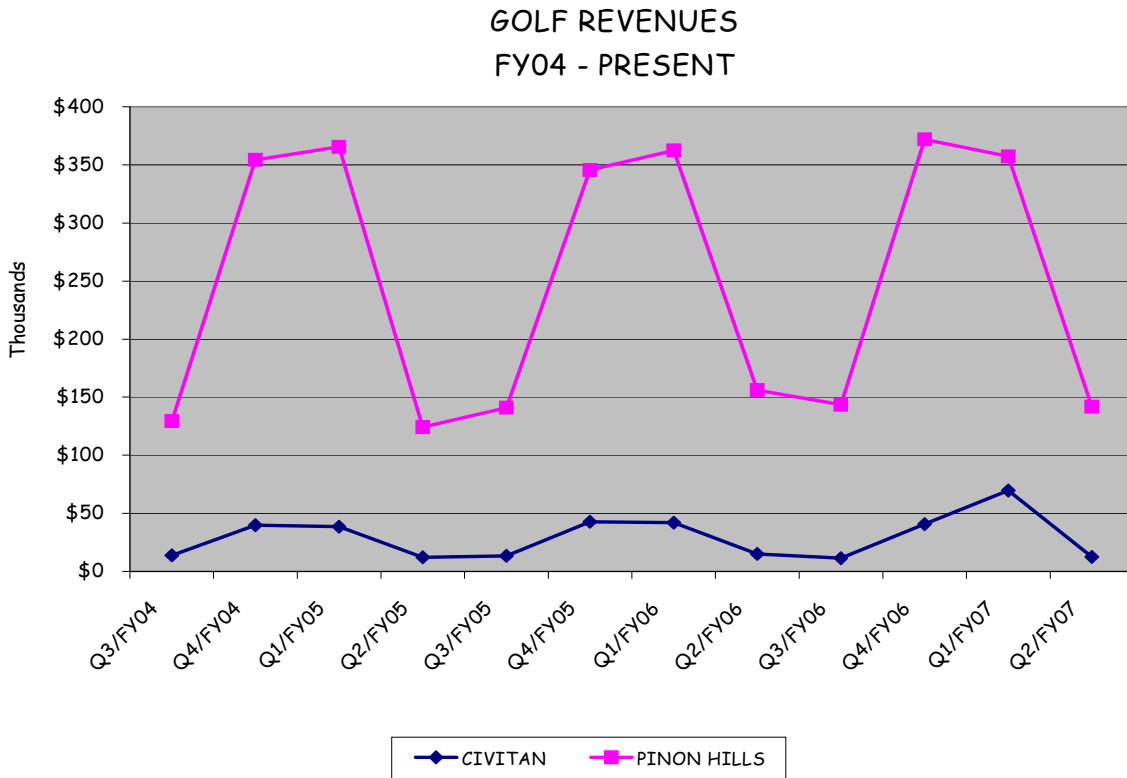
GOLF PARTICIPANTS

Weather is a dominant factor in determining golf participation; therefore, the number of golf participants follows seasonal patterns. The primary differences occur at either the peaks or valleys from year to year. Civitan Golf Course participation for Q2/FY07 declined due to inclement weather conditions. This graph mirrors the revenues generated, shown on the following page.



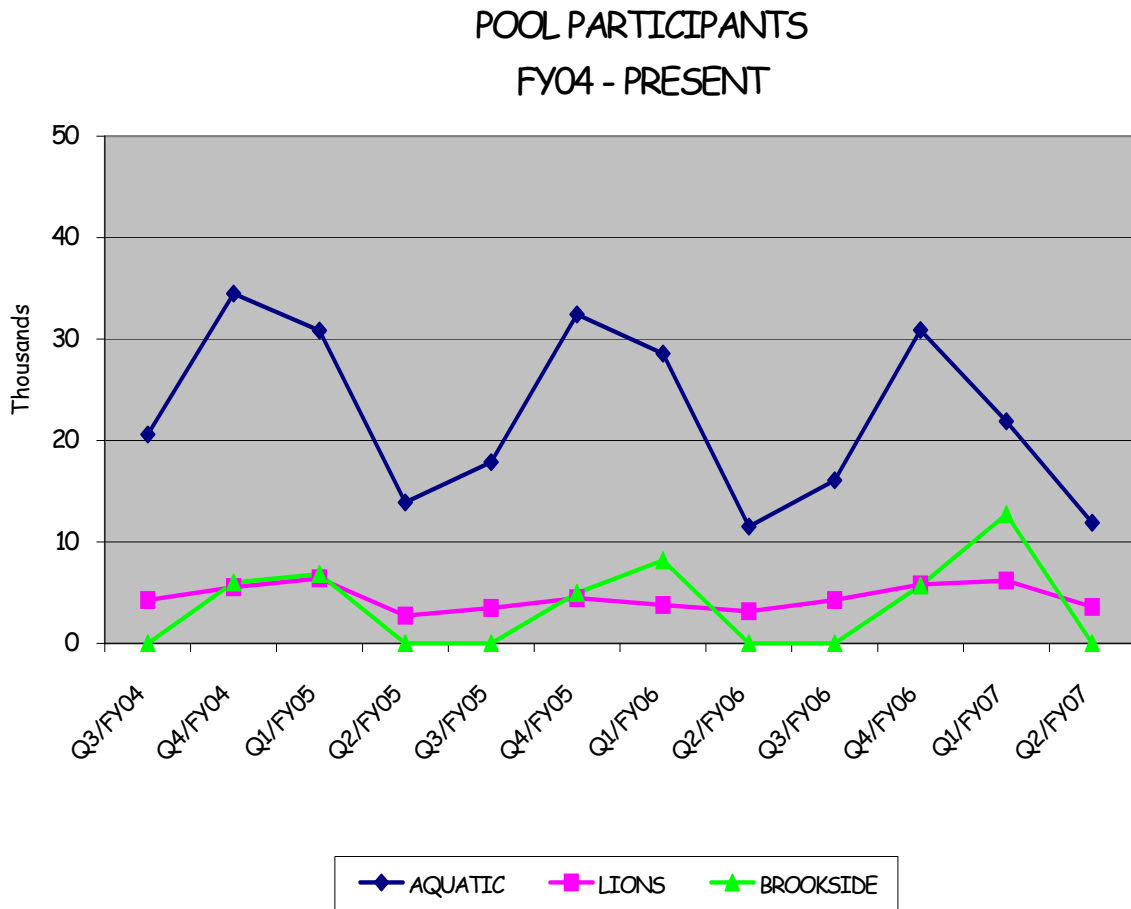
GOLF REVENUES

Although quarterly golf revenues increased steadily in past quarters, they decreased slightly in Q2/FY07 due to severe weather conditions causing course closure.



POOL PARTICIPANTS

Brookside Pool kicks off summer for the community, opening Memorial Day weekend and serves as a cool spot for the public until August. The Farmington Aquatic Center's attendance increases with May school groups and amplifies during the summer months when children are out of school. Decreases in participation at this facility are due to the leisure pool being under repair for various maintenance reasons. Lions pool attracts a strong senior clientele that actively participates in the majority of programs offered. Their support and involvement keeps Lions attendance steady throughout the year.

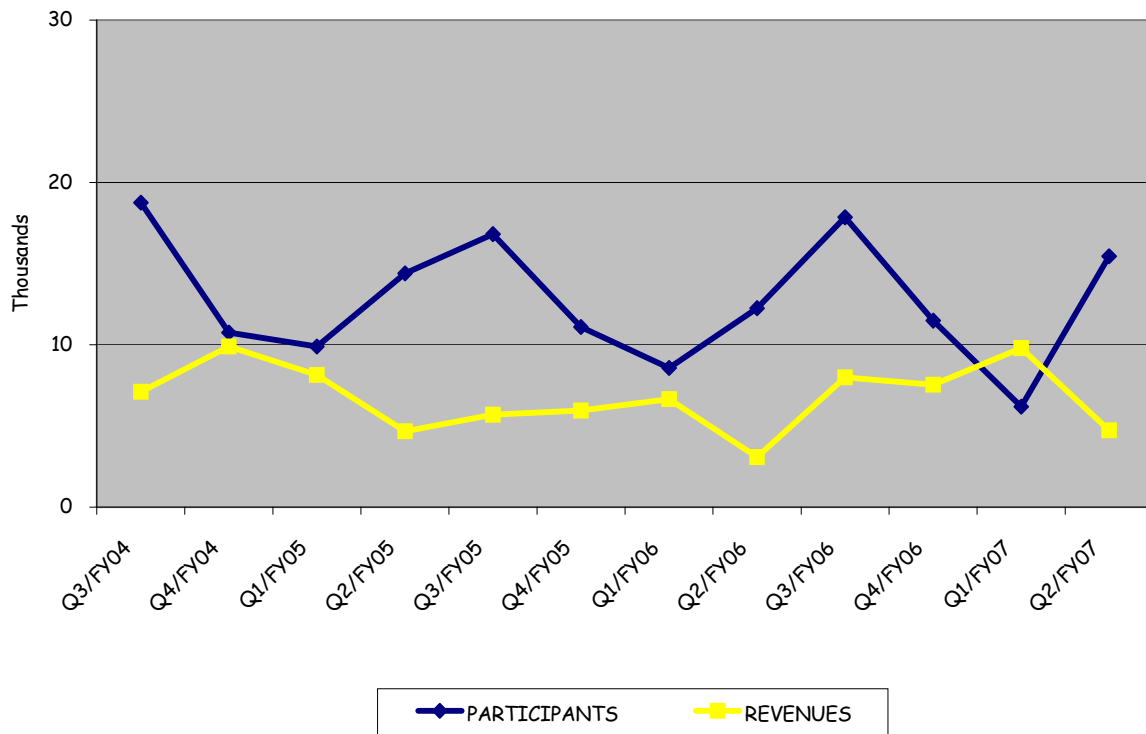


RECREATION CENTER PARTICIPANTS

The Farmington Recreation Center offers the public a variety of physical activities which include: basketball, handball, racquetball, senior exercise, summer youth activities, Jazzercise, and Wallyball. Participation at the Recreation Center varies and is higher in the winter months. Summer numbers are usually lower because of the outdoor activities the Farmington area has to offer.

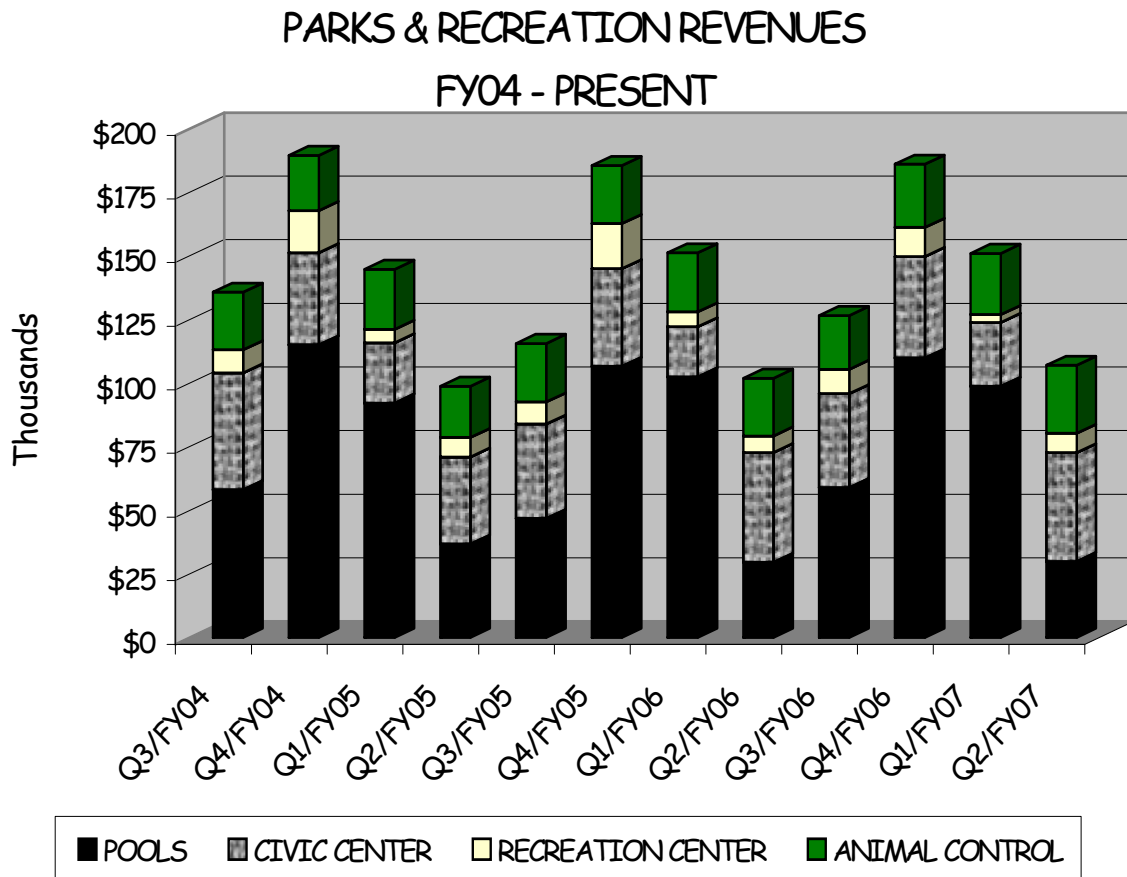
Aside from the diversity of programming the Recreation Center has to offer, it also serves as an information hub to the community. Citizens can call for details on all active and passive recreation activities offered throughout the area. Staff members make every effort to provide assistance to the public.

**RECREATION CENTER
FY04 - PRESENT**



PARKS & RECREATION REVENUES

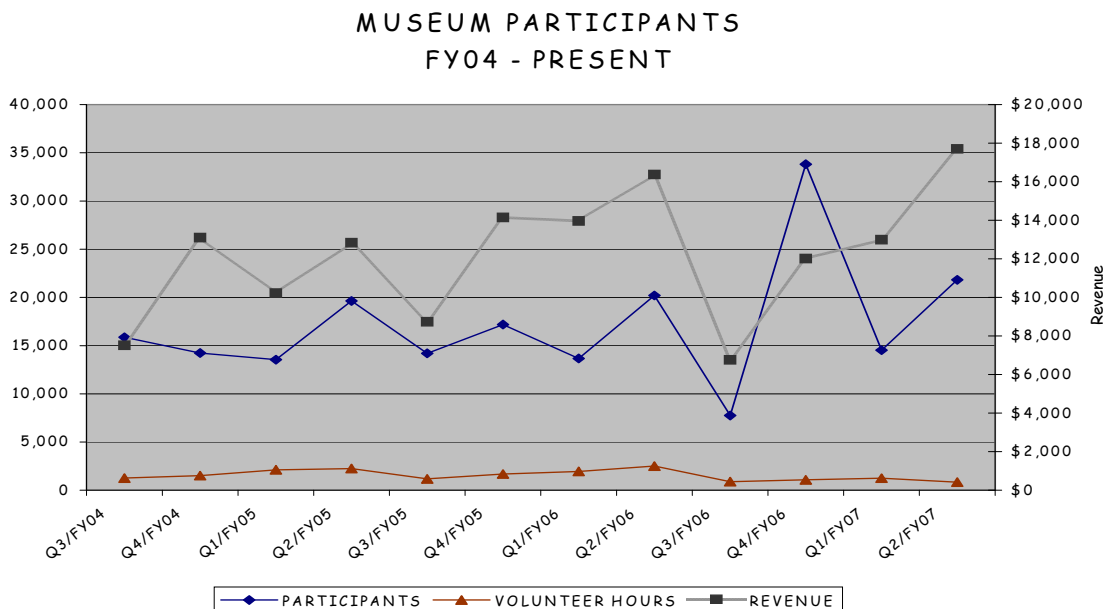
The fourth quarter of the fiscal year is typically the best quarter for the department in terms of revenue. One reason for this is the opening of the Brookside pool in June. Another revenue source comes from the numerous schools that attend end-of-year field trips to the Farmington Aquatic Center and to Lions Pool. Receipts for the Recreation Center and Animal Control generally remain the same from year to year. Golf Course receipts are not included (in the graph) because they are collected through a separate enterprise fund.



MUSEUM PARTICIPANTS

The Museum's attendance numbers increased slightly over this same time last year. Attendance at this year's Renaissance Faire was very good accounting for 8,000 of the 21,823. Sales at the faire may have been slower this year accounting for the dip in revenue. The Photographing Navajos exhibit on display at the Gallery at the Downtown Centre has been very popular. It has been extended to June of 2007 due to its popularity. The museum currently has no outreach traveling exhibits touring the country so visitation numbers will likely be down in the future due to this fact. The Museum did not host the Haunted Woods event this year due to safety and liability concerns.

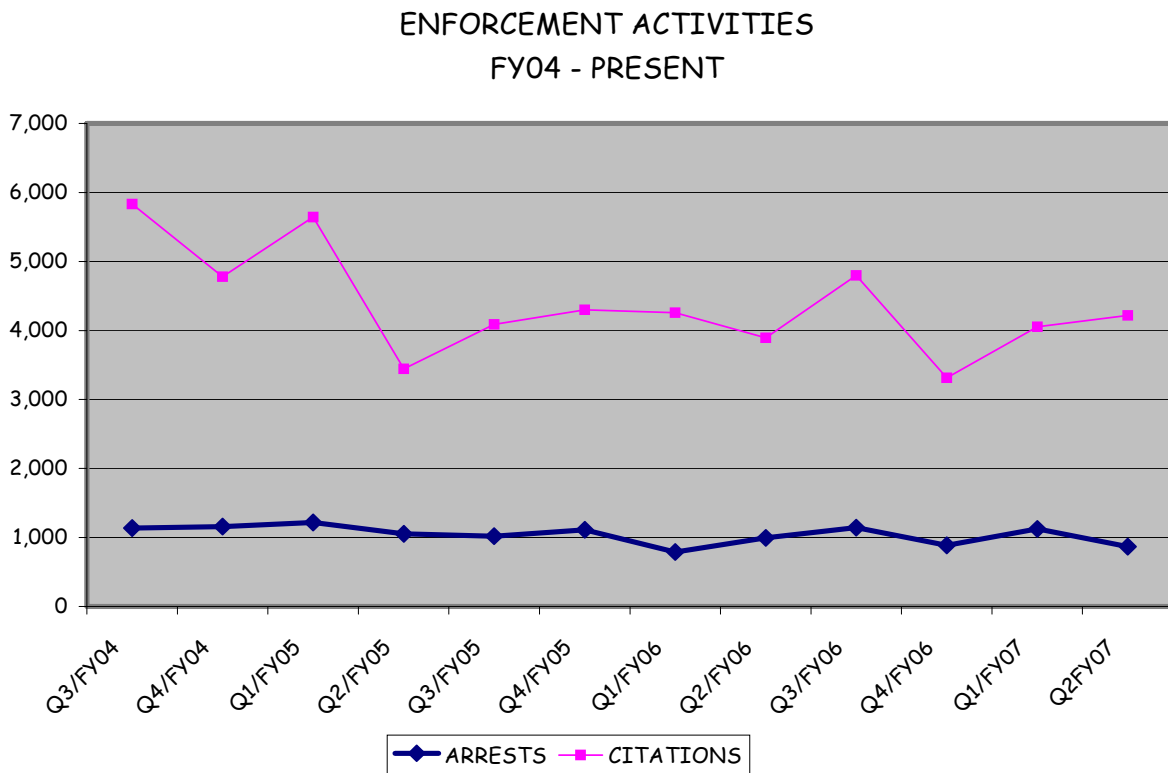
The Farmington Museum system consists of five main facilities: Farmington Museum and Visitors Center at Gateway Park, E3 Children's Museum & Science Center, Riverside Nature Center, Harvest Grove Farm & Orchards, and the Gallery at the Downtown Centre, plus three historic houses: Sammons House, Rock House, and Palmer House. We also provide traveling exhibits as well as various off-site exhibits in Animas Park, Ricketts Park and other locations. Although the museum is programmed to provide a variety of opportunities and experiences for all ages, economic and educational levels at all of its facilities throughout the year, attendance and participation levels will fluctuate relative to types and numbers of changing exhibits, school tours, summer tourist visitation, and special events.



POLICE ENFORCEMENT ACTIVITIES

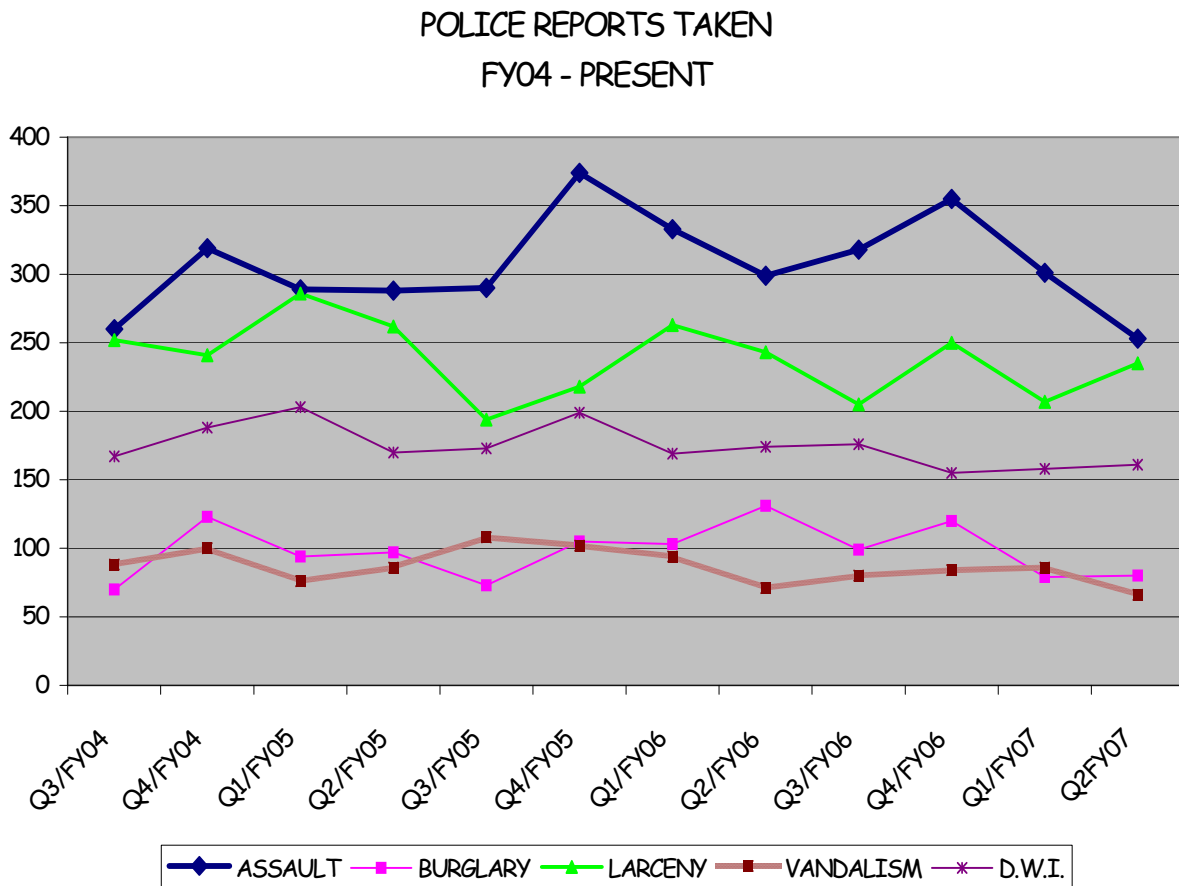
This report represents the total number of arrests made at a given time but does not imply that the crime was committed at that same time. These figures do not include the arrests made by the Narcotics Task Force. The arrests made include those for murder, rape, robbery, assault, larceny, drug offenses (by officers not on the Narcotics Task Force), liquor laws, DWI, etc.

Also included are traffic citations issued for the past twelve quarters. Citation totals are influenced by manpower allocation and available proactive opportunities.



POLICE REPORTS TAKEN

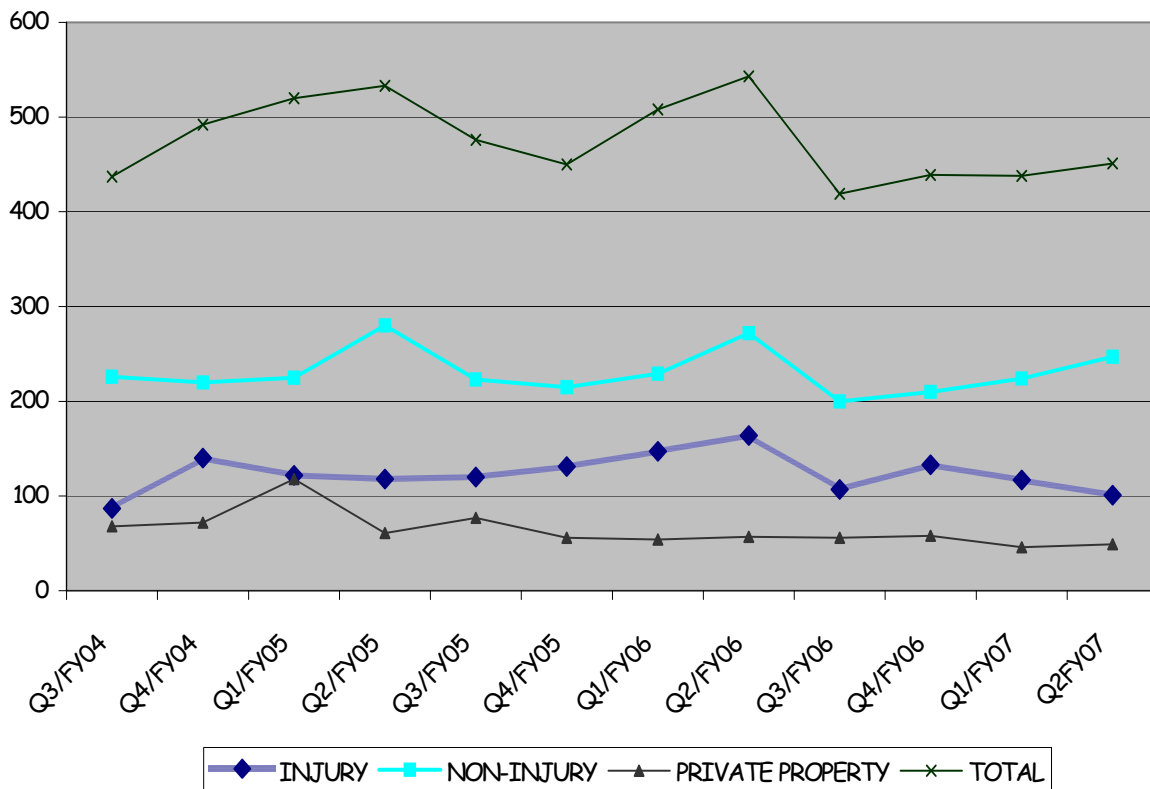
This report represents the number of reports taken for vandalism, burglary (commercial and residential), and larceny. It also reflects the number of DWI arrests made. The number of reports taken for a specific violation is affected by the time of year, the availability of evidence, the judgment of the officer, the desire of the reporting party, etc. It is important to note that all activities and/or calls taken by the Police Department do not result in a report. The figures shown below, therefore, are not totally representative of all police activity.



TRAFFIC ACCIDENTS

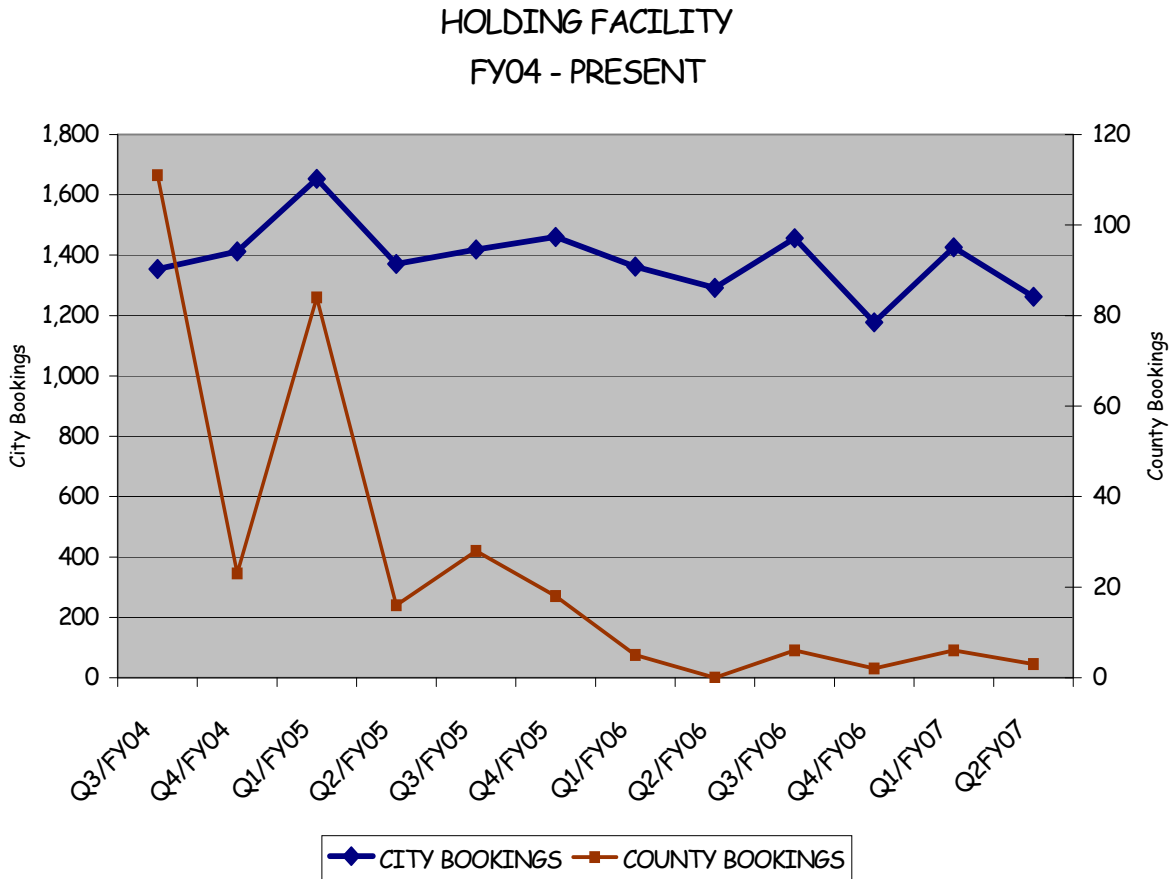
This report represents the total number of traffic accidents occurring in the City that are reported to the Police Department. The number of accidents in a community can be influenced by several factors. Alcohol continues to be a major factor. Strong DWI enforcement can reduce the number of fatal accidents and the severity of injury accidents. Severe road conditions in the winter contribute to the rise in non-injury accidents. Failure to yield, improper turns, following too closely, and driver inattention continue to lead in the cause of most local traffic accidents.

TRAFFIC ACCIDENTS
FY04 - PRESENT



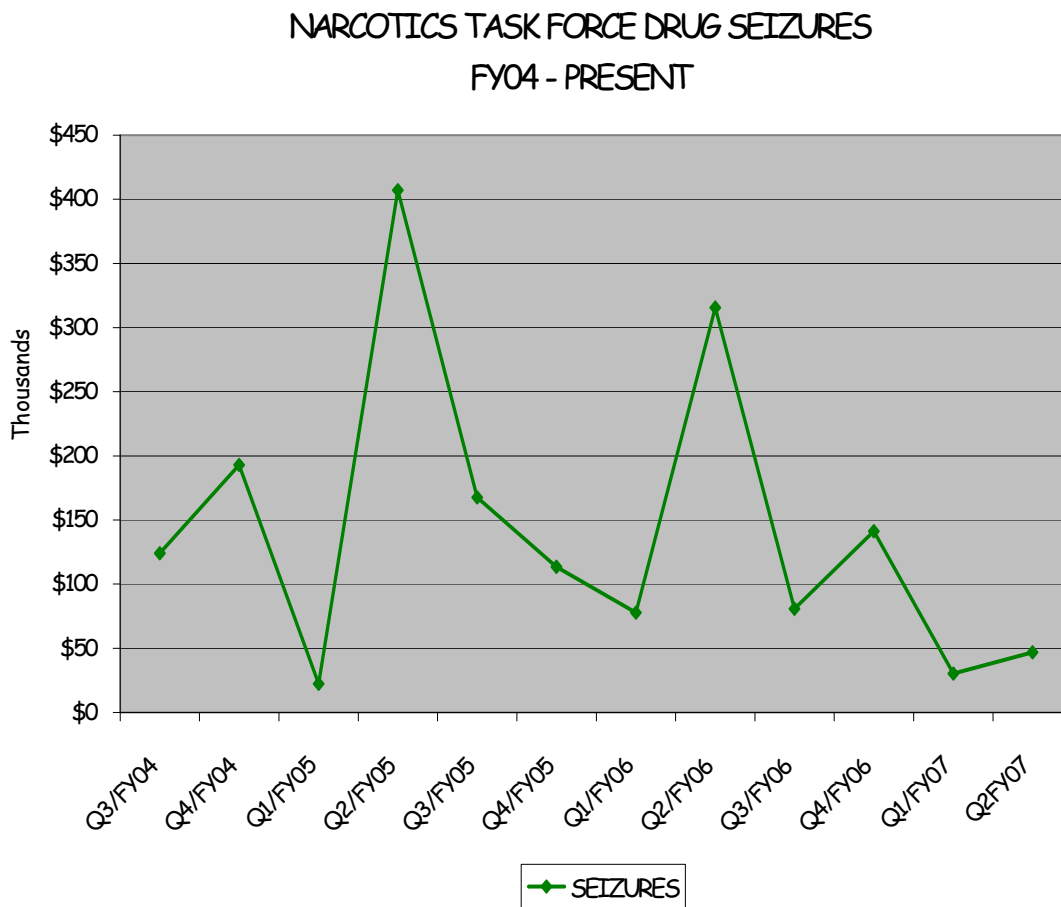
HOLDING FACILITY SUMMARY

The main goal of the Farmington Booking/Holding Facility is to reduce the time spent in transporting individuals to the county jail to be booked. People who are arrested can be booked and released from the Farmington facility, and only those who cannot or should not be bonded are then transported to the county jail. Also, prisoners can be held overnight and weekends awaiting arraignment in court. This reduces the amount of daily prisoner transport from the county jail to the court. The function of the Farmington facility relieves the county jail from having to book and hold a large number of Farmington prisoners.



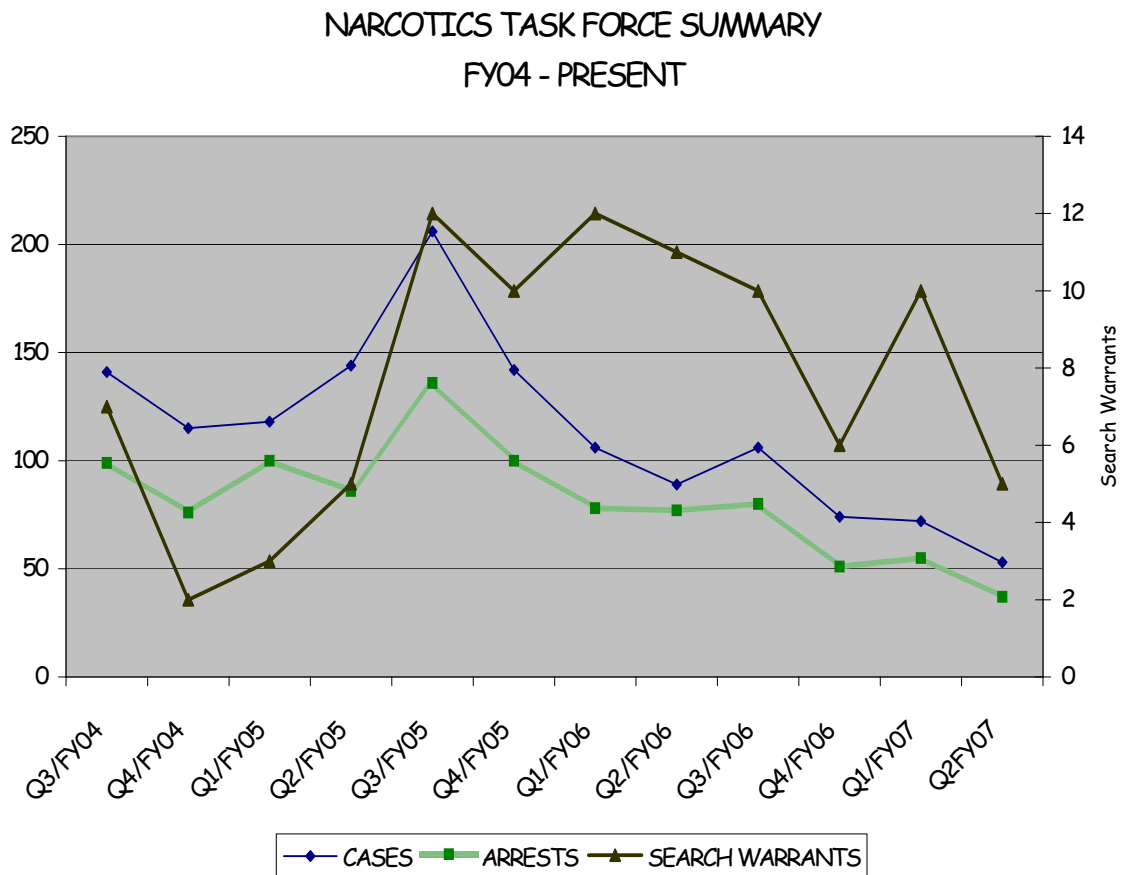
NARCOTICS TASK FORCE DRUG SEIZURES

This report reflects the street value of the drugs seized by the drug task force. The value is calculated at the street value at the time of the seizure and reflects the amount of money the drug dealer could have made if the drugs had not been removed from the market. New IRS laws tax drug dealers for the street value of the drugs seized from them. Included in the dollar amount is any property or cash seized in connection with drug case investigations.



NARCOTICS TASK FORCE ACTIVITY SUMMARY

This report represents the number of ongoing drug cases during a given period of time, the number of arrests made, and the number of search warrants executed by the drug team. A particular investigation (case) may begin in one quarter and continue several months before being closed out. The number of arrests are those made at a given point in time and may contain arrests made after long periods (several months) of investigation. Search warrants are obtained from the District Attorney after sufficient probable cause is presented. Drug search warrants generally result in an arrest.



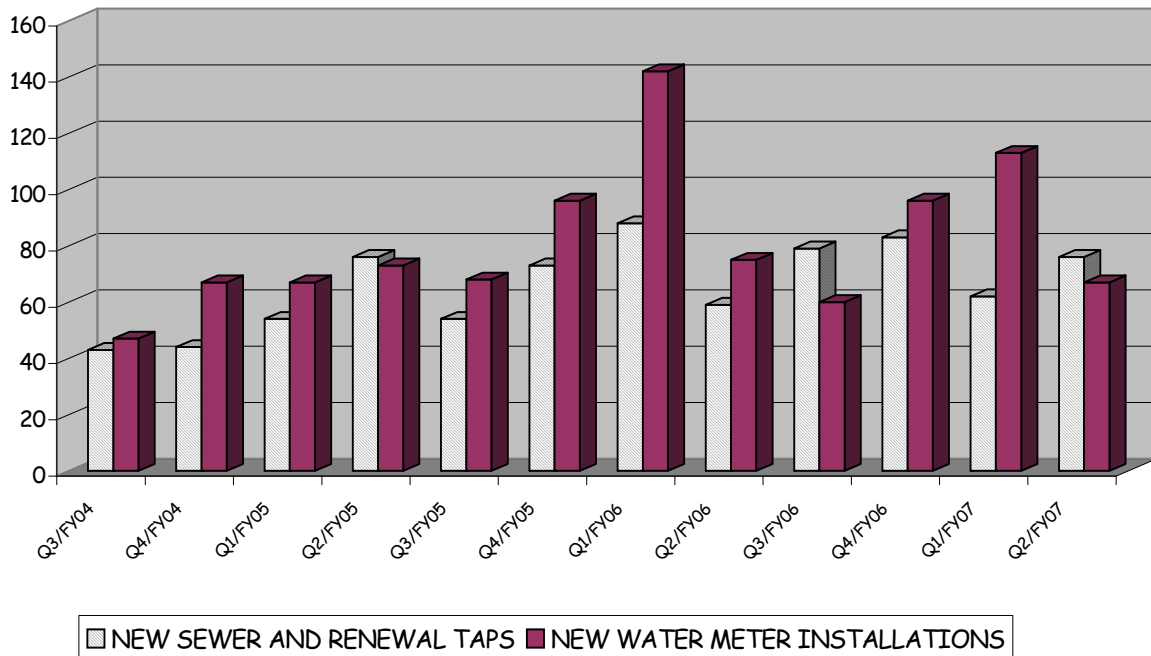
ADDITIONS TO SYSTEMS

New Water Meter Installations

New Sewer Tap Connections

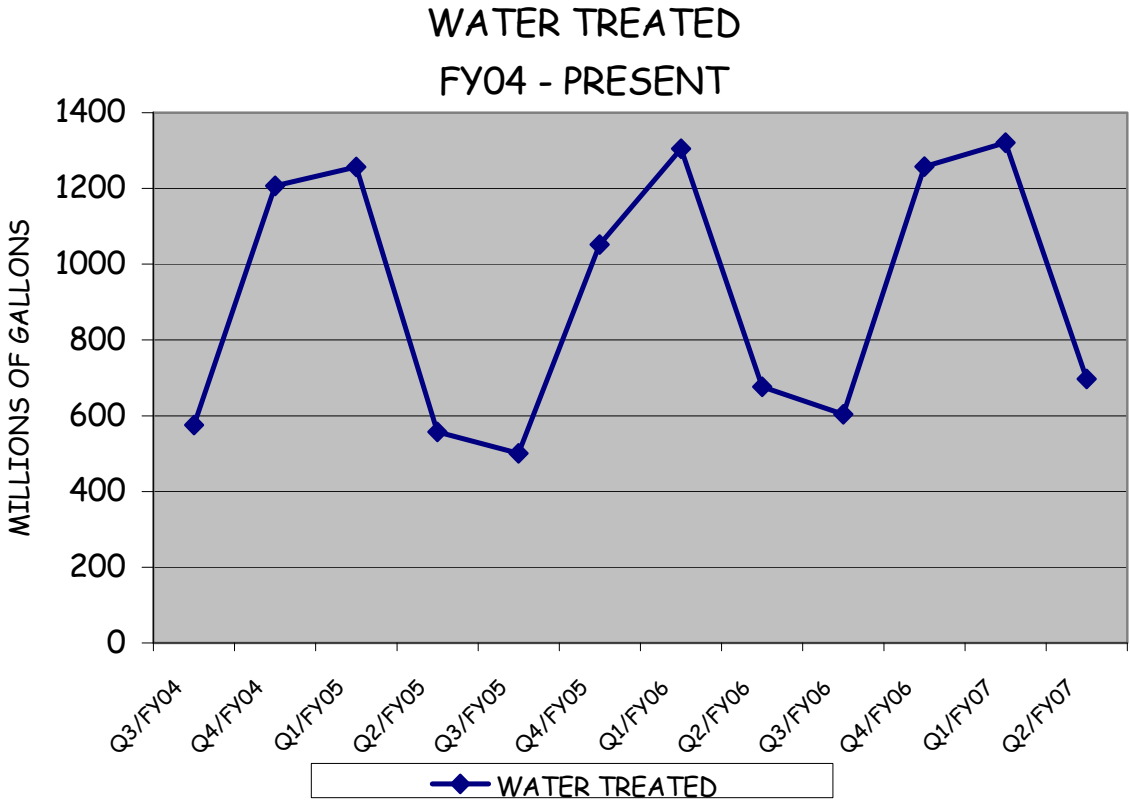
Additions to existing water and wastewater systems are continually made by the City, businesses and private citizens. All new water meter installations can range in size from 5/8" for a standard residence, to 8" for commercial and bulk purposes. Additionally, new sewer tap connections are made for the majority of new buildings and residences in Farmington. The number of installations will fluctuate depending on the time of year and current economic conditions.

ADDITIONS TO SYSTEM
FY04 - PRESENT



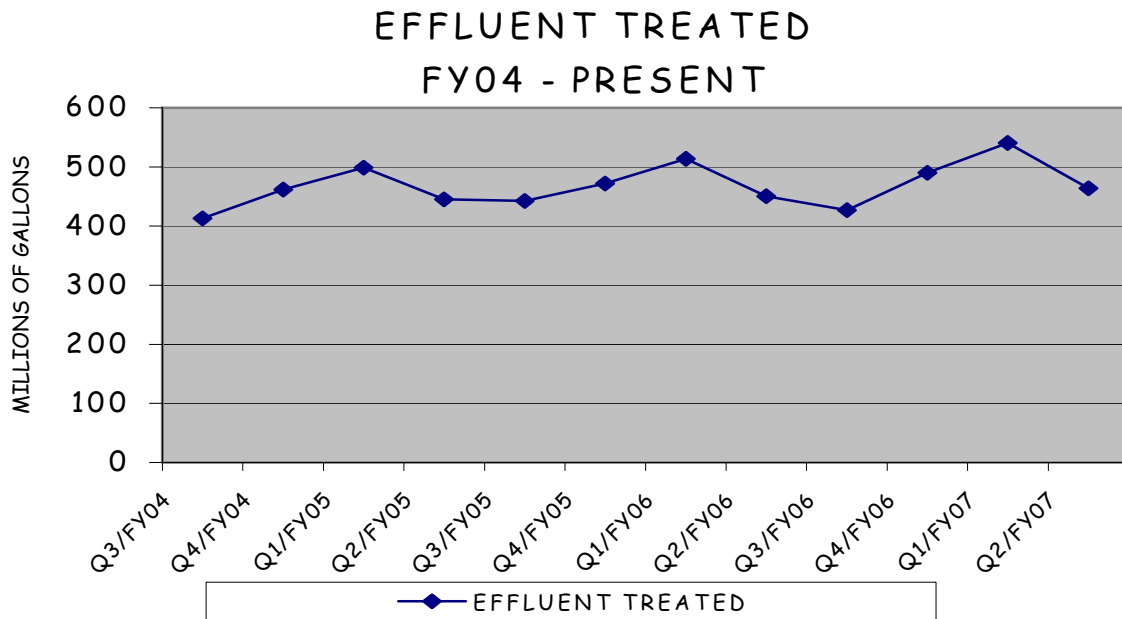
WATER TREATED

The drop in volume of water treated in the second and third quarters is a seasonal pattern reflecting decreased residential usage. Since both water and wastewater revenues follow the treated water curve as shown below, the revenue stream of both the Water and Wastewater Funds (pages 6-7) drops in the second and third quarters of every fiscal year. The steady decline in 2nd and 3rd quarters can be attributed to the change in seasons and colder temperatures. Q2/FY07 remains relatively consistent with previous second quarters.



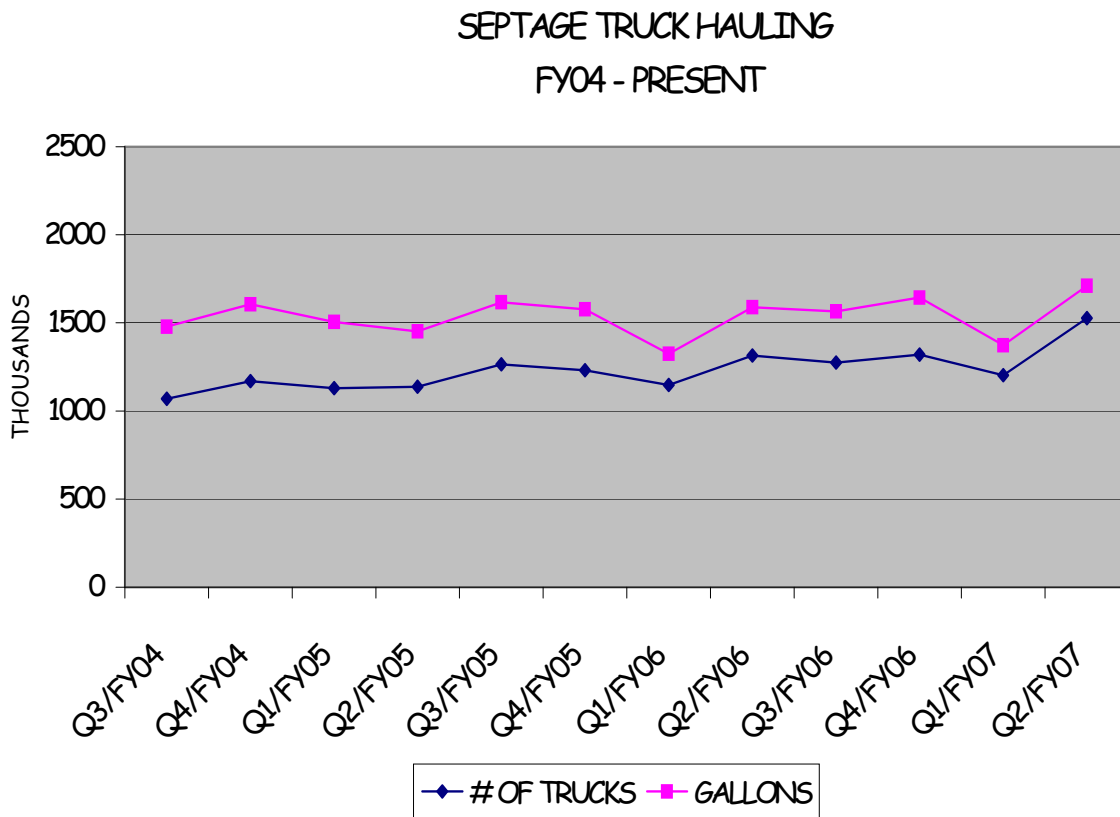
WASTEWATER EFFLUENT TREATED

Effluent volume follows cyclical modeling with a lower volume during cold weather quarters and the highest volume during warm weather quarters. Since 1992 there has been an overall trend towards increased effluent volumes. Correlation with water usage can be seen on the water usage curve. Due to the recent increase in new water meters and sewer taps, as compared to previous years, there should be a slight increased cyclical trend in future quarters for effluent treated.



SEPTAGE TRUCK HAULING

Currently, there are numerous septic trucks and related haulers which dump wastes at the WWTP pursuant to a joint powers agreement between the City and San Juan County. Since Q4/FY04 the trend indicates a very slight overall increase in both septic haulers and volume. This may be due to the increased number of septic systems NMED has allowed.



IV. GROSS RECEIPTS TAX ANALYSIS

Local Economic Conditions

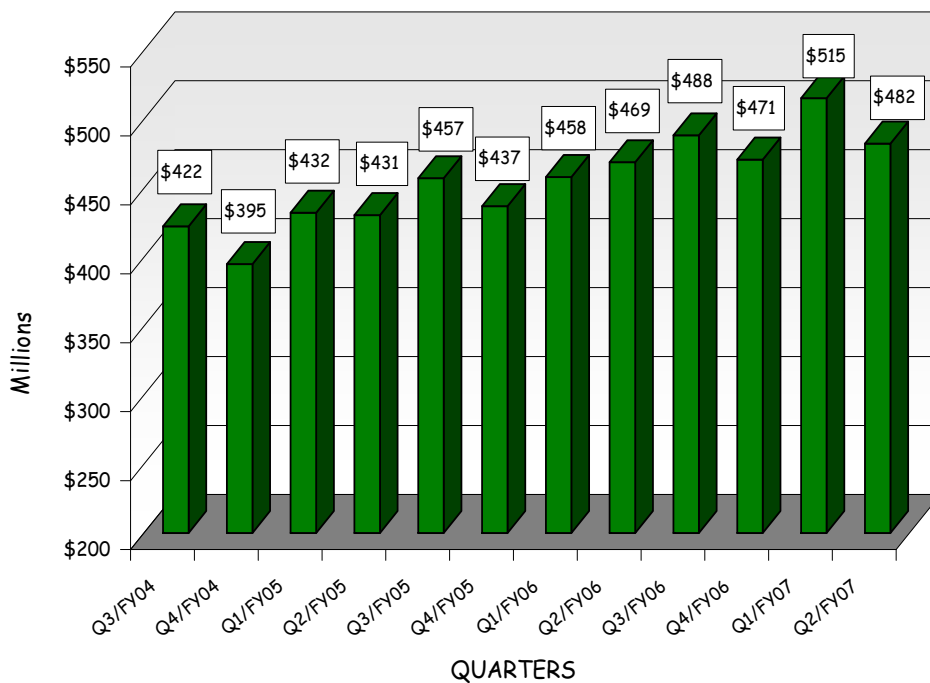
In the fall of 2003 the New Mexico Taxation and Revenue Department transitioned from the "TRIMS" tax reporting system to the new "GENTAX" software reporting system. The newer system uses a more widely-used industry classification known as the North American Industry Classification System (NAICS). As a result, gross receipts tax information received from the State of New Mexico subsequent to October 2003, is shown in a different format and is not comparable to the City's prior GRT industry-based data.

TAXABLE TOTAL RECEIPTS

The best view of the City's local economy from a municipal perspective lies in analyzing the gross receipts tax returns for the community. The City of Farmington's gross receipts tax is collected by the New Mexico State Taxation and Revenue Department and remitted to the City two months following the business activity.

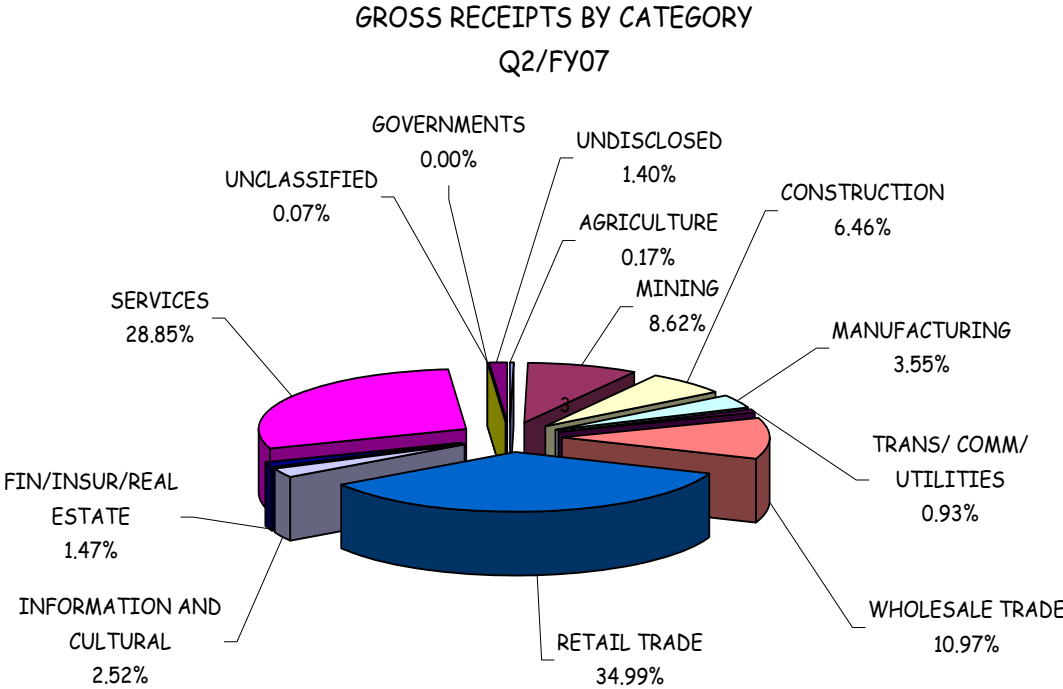
The graph below shows the total taxable gross receipts in Farmington for the last twelve quarters based on the monthly remittance report the City receives from the state. Previously, the data was processed from a New Mexico State Taxation and Revenue quarterly report, so the numbers may vary from the last City Of Farmington Quarterly Report due to the timing of the information; however, the Gross Receipts trend is similar.

TAXABLE TOTAL RECEIPTS CITY OF FARMINGTON



GROSS RECEIPTS TAX ANALYSIS

The State provides the City with a printout that summarizes the activity of local gross receipts tax licenses within the Farmington city limits by category. The State uses twelve main categories which are shown on the graph below.

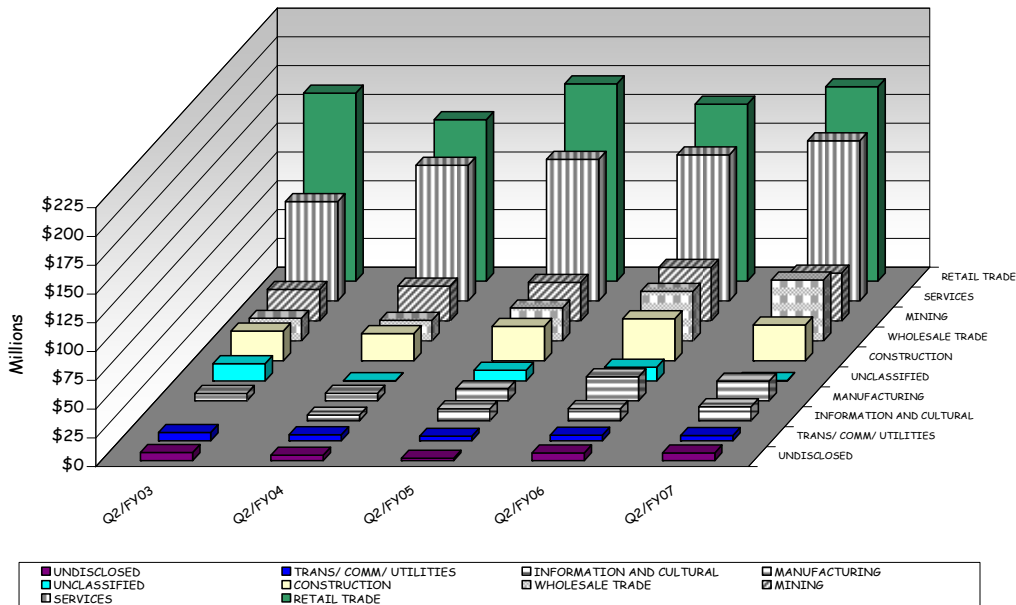


QUARTERLY TAXABLE GROSS RECEIPTS TAX COMPARISON BY CATEGORY

The graph below depicts the taxable Gross Receipt categories collected by the State of New Mexico Taxation and Revenue for the City of Farmington. The ten largest businesses/industries are represented and each category's receipts are portrayed in comparison to the same quarter of prior fiscal years.

Retail trade and services generate the majority of the City's Gross Receipts revenue. Effective January, 2005 the State of New Mexico removed the state and local option gross receipts tax (GRT) from the sales of food and most health care services by allowing retail food outlets and medical service providers to deduct qualifying food and health services from gross receipts reported to the NM Taxation and Revenue Department. However, municipalities and counties are "held harmless" and are reimbursed the local option GRT on these nontaxable items from the State of New Mexico. The financing of this reimbursement is provided by an increased State GRT of .5% effective January, 2005. Although the "taxable gross receipts" column does not include food sales and health care services, the amounts reported as GRT collected by the City does include these items.

**GROSS RECEIPTS TAX COMPARISON
BY CATEGORY - 2ND QUARTER**

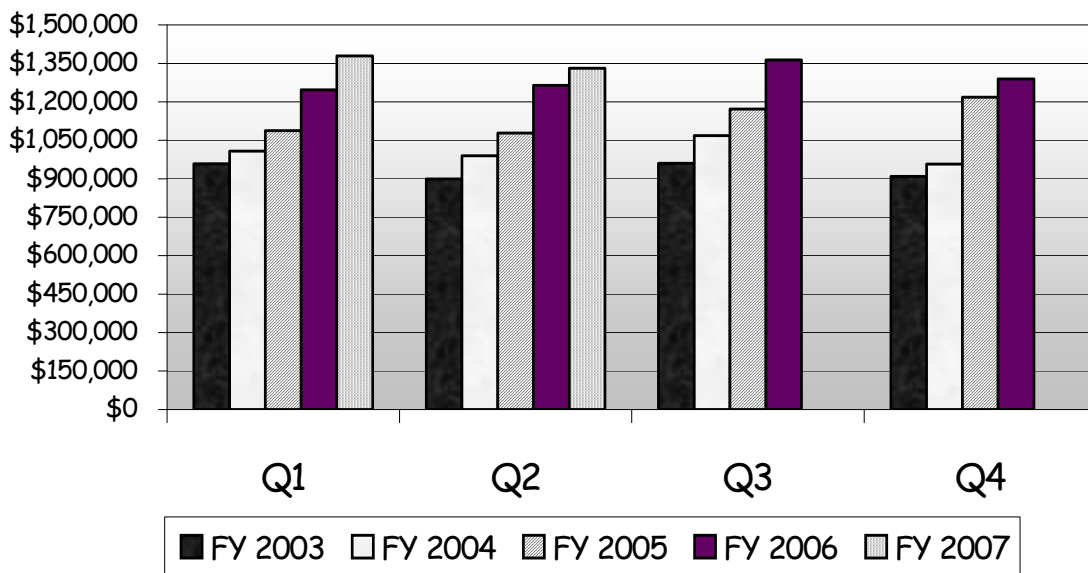


GENERAL FUND GROSS RECEIPTS QUARTERLY COMPARISON

The City of Farmington maintains monthly and quarterly GRT receipts data on a one-quarter of one-percent basis (1/4%) for comparison analysis. The City receives 9.65 quarters or 2.4125% (9.65 x 1/4%) of the total in-city tax rate of 7.0%. The graph below shows a comparison of the GRT received by the City on a fiscal year quarter basis.

	Quarters	%		Quarters	%
City of Farmington	9.65	2.4125%	General Fund	7.4	1.85%
San Juan County	3.25	0.8125%	Other Funds	2.25	0.5625%
State of NM	15.10	3.775%			
Total	28.00	7.0%	Total	9.65	2.4125%

GENERAL FUND 1/4% GRT COMPARISON



V. EMPLOYMENT

Local Employment Conditions

**NEW MEXICO DEPARTMENT OF LABOR
ECONOMIC RESEARCH AND ANALYSIS**

**Table A - Civilian Labor Force
Employment, Unemployment and Unemployment Rate
San Juan County Metropolitan Statistical Area**

2005	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Civilian Labor	53,491	54,692	55,324	55,706	55,655	56,750	56,031	55,513	56,418	57,818	57,262	56,676
Employment	50,420	51,395	52,001	52,436	52,455	52,822	52,248	52,371	53,247	54,856	54,485	54,189
Unemployment	3,071	3,297	3,323	3,270	3,200	3,928	3,783	3,142	3,171	2,962	2,777	2,487
Rate	5.7%	6.0%	6.0%	5.9%	5.7%	6.9%	6.8%	5.7%	5.6%	5.1%	4.8%	4.4%

2006	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Civilian Labor	55,411	57,155	56,265	56,518	56,542	57,597	56,573	56,239	57,478	58,306	58,081	56,733
Employment	52,541	54,284	54,067	54,119	54,180	54,616	53,581	53,640	55,056	55,956	55,843	54,887
Unemployment	2,870	2,871	2,198	2,399	2,362	2,981	2,992	2,599	2,422	2,350	2,238	1,846
Rate	5.2%	5.0%	3.9%	4.2%	4.2%	5.2%	5.3%	4.6%	4.2%	4.0%	3.9%	3.3%